

Explanation of Benefits

Community Connections, Inc. Premium Reduction Plan

Effective January 1, 2018, a new Plan Year for the Community Connections, Inc. Premium Reduction Plan will begin. This Explanation of Benefits will detail the Plan and the benefits available to you and your covered dependents.

What is a Premium Reduction Plan (or PRP)? Section 125 of the Internal Revenue Code allows employers to set up a Premium Reduction Plan as a benefit for employees enrolled on certain plans. With the implementation of a PRP, employees may pay for their portion of premiums (or costs on such plans) on a pretax basis. When you pay for premiums on a pretax basis, you are lowering your taxable income; therefore reducing your income taxes.

Who is eligible to enroll in the PRP? For new hires who are eligible for the group health/insurance plans will be enrolled the 1st of the month following 3 consecutive months of full time employment. For current staff who go from part time to full time who are eligible for the group health/insurance plans will be enrolled the 1st of the month following 2 consecutive months of full time employment.

There are some special situations whereby the employee would not have to meet the waiting period to become eligible for the Plan.

- 1) Employees who were on a leave of absence under FMLA or were absent from employment on account of military service covered by the Uniformed Services Employment and Reemployment Rights Act (USERRA) are immediately eligible upon their return to work.

Once you are deemed eligible to enroll in the Plan, you must complete the necessary paperwork and submit it to the Plan Administrator or the Payroll Coordinator prior to (or within ten days if you receive immediate entry into the Plan) your Entry Date. Your Entry Date is determined based upon your eligibility for the Plan. The following should help you determine your Entry Date.

- 1) Newly hired employees shall have an Entry Date of the day after satisfying the waiting period.
- 2) Active employees that have met the waiting period prior to the effective date of this Plan Year shall have an Entry Date of First of Month.

What health/insurance plans are eligible under the Plan? Section 125 allows employees to use pre-tax dollars to fund their portion of premiums for the following types of benefit plans:

- 1) Medical Insurance Plans
- 2) Dental Insurance Plans

Not all the above plans may be available at this time but if the Company should add them, you would be able to pay your portion of the premiums on a pre-tax basis.

How long is the Plan in effect? The 2018 Plan Year will begin on January 1, 2018 and end on December 31, 2018. Every year thereafter will begin a new Plan Year requiring eligible employees to submit a new Enrollment Form and Salary Reduction Agreement.

How does a Premium Reduction Plan work? You shall be notified of the premium costs (or your contributions) under each of the eligible health/insurance plans prior to the beginning of a Plan Year. Upon completing an Enrollment Form and Salary Reduction Agreement, the Company will reduce the enrolling employee's income in equal amounts (every pay period) and place the funds in a personalized administrative account (known as a Benefit Account). Since the company has reduced your income (and not payroll deducted the premiums), your federal taxes should be less.

As premiums become due for the group, the Company will utilize the funds from your Benefit Account to pay for your premiums. If there are not enough funds available in your Benefit Account, funds may be obtained through payroll deduction or receiving payment directly from the participating individual.

How do I enroll in the Plan? To enroll in the plan, you must have met the eligibility criteria as explained above. Next, you must complete the Enrollment Form, Salary Reduction Agreement, and the applicable Insurance Carriers Enrollment Form(s) and submit it to the Plan Administrator. If you do not submit the appropriate paperwork prior to your Entry Date, you will not be eligible to enroll in the Plan until the next Plan Year. It is the Employee's responsibility to obtain and complete an Enrollment form and submit it to the appropriate company representative. If the form is incomplete or late, the employer has the right to deny the form and your request to participate in the Plan. (Enrollment in the Plan does not constitute a contract of employment and has no effect on your employment with the company.)

May I change my Salary Reduction Amount? Under the Federal laws governing a PRP, you may only change your Salary Reduction Amount under the following circumstances (commonly known as a "Changes in Life Status"):

- 1) Employee gets married, divorced, legally separated or his marriage is annulled;
- 2) Adoption, birth or death of a dependent child;
- 3) Death of the Employee or his spouse;
- 4) Employee, spouse or dependent becomes newly employed or unemployed;
- 5) Employee, spouse or dependent's employment goes from part-time to full-time or full-time to part-time;
- 6) Dependent child becomes (or ceases to be) an eligible "dependent" under a Component Plan;
- 7) Employee or spouse has a judgment, decree or order resulting from a divorce, legal separation, annulment or custody change regarding health coverage of a child. Any Qualified Medical Child Support Order (QMCSO) must state the recipient covered by the order and which Component Plan;
- 8) A significant change in the spouse's or dependent's health care coverage attributable to the spouse's or dependent's employment;
- 9) Any change between an hourly paid and a salaried position or between a non-bargaining unit position and a bargaining unit position;
- 10) An Employee's, spouse's or dependent's move to a work location outside the service area of the Component Plan in which the Employee was enrolled prior to the move;
- 11) A change in the spouse's or dependent's employment status including a change attributable to a strike or lockout, or the commencement of or return from an unpaid leave of absence;
- 12) Employee, spouse or dependent becomes entitled to Medicare; or
- 13) The insurance carrier (for the employee or spouse) has a "significant change" in benefits or premiums.

Any change in a Participant's existing election must be consistent with the Change in Life Status. A change in election must be made no later than thirty (30) days after the date of the Change in Life Status. The Plan Administrator shall determine whether a Change in Life Status has occurred and whether a Participant's change in coverage is consistent with such Change in Life Status.

If I experience a Change in Life Status during the Plan Year, may I enroll at that time? Yes.

What happens if I separate employment from the company? If you separate employment either voluntarily or involuntarily, your coverage under the PRP will terminate (unless you have continuation rights under the Plans covered by this PRP). If you are eligible to continue coverage under the COBRA legislation, you will be notified of your rights and premium costs. Any unused funds will be forfeited and used to pay for Plan expenses or used for the benefit of all Participants, equally and uniformly.

Since I am reducing my salary/income, will this affect my Social Security Benefits? For employees earning less than the FICA Taxable Wage Base (\$128,400 for 2018 and adjusted as needed), your Social Security benefits may be minimally affected. Employees earning in excess of the Taxable Wage Base would not be affected. Social Security benefits are based upon your income while working so if you decrease your salary, it may affect your benefits upon retirement. If you have a concern or are close to retirement, you may want to speak to a tax advisor for further information on how your Social Security benefits will be affected.

How do I file a claim under the Plan? You may submit a written claim to the Plan Administrator for review. The Plan Administrator shall make a decision in writing, within 60 days upon receipt of the claim. The Plan Administrator's explanation as to why benefits were denied will refer to the specific sections of the Plan relied upon.

If benefits are denied, you may file a written request for review with the Plan Administrator within 60 days. The Plan Administrator will decide your appeal within 60 days.

Who should I contact if I have further questions or have issues with the Plan? For further information regarding the Plan or if you wish to review the Plan Document, feel free to contact the Plan Administrator and/or the Payroll Department at:

Community Connections, Inc.
721 Stedman Street
Ketchikan, Alaska 99901
907-225-7825

Can the Plan change? The Company reserves the right to alter (or terminate) the Plan to maintain compliance with the Code. A major compliance issue is whether the Plan favors "highly compensated" or "key" employees. If the Plan is determined to discriminate in favor of highly compensated employees, the company reserves the right to terminate any (or all) of the highly compensated employees from the PRP to maintain compliance.

Can you illustrate my savings if I make \$39,000 per year, claim 2 withholding allowances and I elect to reduce my salary by \$100 per pay period to pay for insurance premiums? The following example is based upon the 2017 Wage Withholding Tables for a married employee, claiming 2 withholding allowances.

| Explanation | Enrolled in PRP | Not Enrolled in PRP |
|--------------------------------------|--------------------------------------------------------------|----------------------------|
| Salary Per Pay Period | \$1,500.00 | \$1,500.00 |
| Salary Reduction Amount | 100.00 | 0.00 |
| Taxable Base | \$1,400.00 | \$1,500.00 |
| Less: Taxes | | |
| Federal | \$ 127.00 | \$ 142.00 |
| FICA & Medicare (7.65%) | 107.10 | 114.75 |
| AK State Unemployment | 7.00 | 7.50 |
| Income After Taxes | \$1,158.90 | \$1,235.75 |
| Less: After-tax Payment for Premiums | \$ 0.00 | 100.00 |
| Take Home Pay | \$1,158.90 | \$1,135.75 |
| Savings Under the PRP | \$ 23.15 (or 23.15% of the cost of eligible expenses) | |

(This is for example purpose only. Your savings under the Plan may vary.)

Compliance with the Employee Retirement Income Security Act of 1974 (ERISA)

The information provided in this Explanation of Benefits is required by law. The following shall provide you with further information you may need now or in the future.

Plan Information

Name of the Plan: The Community Connections, Inc. Premiums Reduction Plan

Effective Date of the Plan: October 1, 2001

Plan Year: Beginning on January 1, 2018 and ending on December 31, 2018

Plan Number: 501

Governing Laws: The Plan shall be construed and enforced according to the laws of the State of Alaska to the extent not preempted by Federal law.

Employer Information

Name and Address of the Employer:

Community Connections, Inc.
721 Stedman Street
Ketchikan, Alaska 99901
907-225-7825
Federal Identification Number: 92-0112719

Plan Administrator and Agent for Services of Legal Process:

Community Connections, Inc.
721 Stedman Street
Ketchikan, Alaska 99901
907-225-7825