



COMMONWEALTH OF KENTUCKY
KENTUCKY EMPLOYEES' HEALTH PLAN (KEHP)
DEPENDENT CARE SPENDING ACCOUNT (DCFSA)
SUMMARY PLAN DESCRIPTION (SPD)

Plan Year: January 1, 2016 through December 31, 2016
Effective Date: January 1, 1991
Amended and Restated: January 1, 2016

Employer's Federal Tax Identification Number: 61-0600439

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PLAN INFORMATION

INTRODUCTION

The Plan Sponsor has established and continues to maintain this Dependent Care Flexible Spending Account (the “DCFSA” or the “Plan”) for the benefit of its Employees and their eligible dependents as provided in this document. The DCFSA allows you to pay for out-of-pocket, work-related dependent daycare costs with pre-tax dollars.

The purpose of this SPD is to briefly describe the expenses that may be paid by or reimbursed from your DCFSA, as well as provide an outline of other important information concerning the Plan, such as the rules you must satisfy before you can elect the DCFSA and the laws that protect your rights. This SPD describes the basic features of the DCFSA, how the DCFSA operates, and how you can get the maximum advantage from the DCFSA.

This SPD describes the current provisions of the Plan which are designed to comply with applicable legal requirements. The Plan is subject to federal laws, such as the Internal Revenue Code and other federal and state laws which may affect your rights. The provisions of the Plan are subject to revision due to a change in laws or due to pronouncements by the Internal Revenue Service (IRS) or other federal agencies. The Plan Sponsor may also amend or terminate this Plan. If the provisions of the Plan that are described in this SPD change, the Plan Administrator will notify you.

There is also a Plan Document that governs the DCFSA which you may review if you desire. In the event there is a conflict between this SPD and the Plan Document, the Plan Document will control.

One of the most important features of our Plan is that the benefits being offered are generally ones that you are already paying for, but normally with money that has first been subject to income and Social Security taxes. Under our Plan, these same expenses will be paid for with a portion of your pay before income or Social Security taxes are withheld. This means that you will pay less tax and have more money to spend and save.

KEHP has contracted with WageWorks, Inc. (“WageWorks”) to provide certain administrative services with respect to the DCFSA, such as claims processing and dependent care payment and reimbursement.

Read this SPD carefully so that you understand the provisions of the Plan and the benefits you will receive. You should be fully informed before you enroll in the Plan and remain informed as a plan member. If you have any questions, you should contact KEHP at 888-581-8834 or the Spending Account Administrator, WageWorks, at 877-430-5519.

Participation in the Plan does not give any Participant the right to be retained in the employ of his or her Employer or any other right not specified in the Plan. If you have any questions regarding your rights and responsibilities under the Plan, you may also contact the Plan Administrator.

GENERAL INFORMATION ABOUT THE PLAN

This section contains general information that you may need to know about the Plan.

1. Plan Name. Kentucky Employees' Health Plan (KEHP) Dependent Care Flexible Spending Account (DCFSA).
- 2 (a). The provisions of the Plan became effective on January 1, 1991, which is called the Effective Date of the Plan.
- 2 (b). The provisions of the amended Plan became effective on January 1, 2016.
3. The Plan's start date begins on January 1, 2016, and ends when you are no longer eligible to participate in the Plan. Your Plan's records are maintained on a twelve-month period of time. This is known as the Plan Year. The Plan Year begins on January 1 and ends on December 31.
4. Employer/Plan Sponsor Information. The Employer's name, address and tax identification number are:

Commonwealth of Kentucky
501 High Street, Second Floor
Frankfort, KY 40601
Toll Free: 888-581-8834
Local: 502-564-6534

Tax ID#: 61-0600439

6. The Plan shall be governed under the laws of the Commonwealth of Kentucky.
7. Plan Administrator Information. The name, address and business telephone number of the Plan's Administrator is:

Commonwealth of Kentucky
Department of Employee Insurance
501 High Street, Second Floor
Frankfort, KY 40601
Toll Free: 888-581-8834
Local: 502-564-6534

The Plan Administrator keeps the records for the Plan and is responsible for the Plan. The Plan Administrator will also answer any questions you may have about the Plan. You may contact the Plan Administrator for any further information about the Plan.

8. Name and Address of the Plan Manager or “Spending Account Administrator” where claims should be submitted:

WageWorks, Inc.
P.O. Box 14053
Lexington, KY 40512
Phone: 1-877-430-5519

The Spending Account Administrator manages your DCFSA including the receipt and payment of claims and the appeal of any claim denials.

9. Service of Legal Process:

The Plan Administrator is the Plan’s agent for service of legal process.

10. Type of Administration:

The type of Administration is Employer Administration.

11. Eligibility Requirements.

This DCFSA is available to those Employees as defined in KRS 18A.225 whose Employer participates in the KEHP Flexible Spending Account (FSA)/HRA program. The term Employee means a person, including an elected public official, who is regularly employed by any department, board, agency, or branch of state government, and who is a contributing member to any one (1) of the retirement systems administered by the state. See KRS 18A.225 and KRS 18A.227. Part-time Employees expected to work less than 30 hours per week are not eligible to participate in the DCFSA.

Terminated Employees shall cease to be a Participant. They shall have 90 days after the end of the calendar year of the claim service date to submit expenses for reimbursement for expenses incurred up to their termination date.

12. **Plan Entry Date.** The Entry Date for eligible Employees shall be the same as the Employer's group Medical Plan. You will be eligible to join the Plan on the first day of the second month after you become an eligible Employee in accordance with your Employer’s eligibility rules.

13. **Benefits.** The Plan shall reimburse eligible Employees for the cost of eligible work-related dependent daycare expenses.

14. Mid-Year Claims Deadline Run-Out Period (Applies to Mid-Year Termination or Cancellation)

The claims deadline is based on the claim service date instead of coverage end date. Claims must be submitted within 90 days after the end of the calendar year of the claim service date.

End-of-Plan Claims Deadline (Run-Out Period)

The claims deadline is based on the claim service date instead of the coverage end date. Claims must be submitted 90 days after the end of the calendar year of the claim service date.

15. Rights Upon Termination. Upon termination of an Employee participating in the DCFSA, all DCFSA dollars that are not applied towards eligible dependent care expenses incurred before your termination date are forfeited.
16. DCFSA Funding. The DCFSA is funded with Employee funds redirected from Employee compensation, before income or Social Security taxes are applied, up to the following maximums per Plan Year:
 - a. \$2,500 – if married and filing separate tax returns;
 - b. \$5,000 – if married and filing a joint tax return; or
 - c. \$5,000 – if you are head of a household.

An Employee who elects a DCFSA must contribute at least \$120 during the Plan Year. The Employee's elected contribution amount must be divisible by 24.

ELIGIBILITY

ELIGIBILITY REQUIREMENTS

You are eligible to participate in this DCFSA once you have satisfied the eligibility requirements. Eligible Employees who become covered under this DCFSA are called "Participants."

Except as specified under ELIGIBILITY EXCEPTIONS below, this DCFSA is available to those Employees whose Employer participates in the KEHP DCFSA program. "Employee" shall mean a person, including an elected public official, who is regularly employed by any department, board, agency, or branch of state government, and who is a contributing member to any one (1) of the retirement systems administered by the state. See KRS 18A.225 and 18A.227.

ELIGIBILITY EXCEPTIONS

Notwithstanding the above, all Employees are considered eligible to participate in this Plan except:

- Part-time Employees expected to work less than 30 hours per week; and
- Employees of Employers that do not participate in KEHP's DCFSA program.

ELIGIBLE DEPENDENTS

The DCFSA provides reimbursement for eligible dependent care expenses. An eligible dependent is someone for whom you can claim expenses on Federal Income Tax Form 2441 "Credit for Child and Dependent Care Expenses." Children must be under age 13. Other dependents must be physically or mentally unable to care for themselves.

COVERAGE INFORMATION

ELECTIONS

Before the start of each Plan Year, you will be able to elect to have some of your upcoming pay contributed to the Plan. The portion of your pay that is paid to the Plan is not subject to taxes. In other words, this allows you to use tax-free dollars to pay for certain kinds of benefits and expenses which you normally pay for with out-of-pocket, taxable dollars. However, if you receive a reimbursement for an expense under the Plan, you cannot claim an income tax credit or deduction on your state or federal income tax return.

In order to participate in the DCFSA, you must elect to participate when you become an eligible Employee or at open enrollment. You must elect the DCFSA electronically or using forms acceptable to the Plan Administrator. The application will require you to choose an amount (divisible by 24 and up to the maximum contribution permitted) and authorize the Plan Administrator to redirect that amount from your compensation to fund your DCFSA.

For each new Plan Year, you may change the elections that you previously made. You may also choose not to participate in the Plan for the upcoming Plan Year. If you do not make new elections during the election period (open enrollment) before a new Plan Year begins, the Plan Administrator will consider that to mean you have elected not to participate in the DCFSA for the upcoming Plan Year.

PERMITTED ELECTION CHANGES

Once you have elected a DCFSA, you will not be permitted to make any mid-Plan Year changes unless you experience a Qualifying Event. Any Participant in the DCFSA who experiences a Qualifying Event in accordance with 26 C.F.R. § 1.125-4, KRS 18A.227(4), and Prop. Treas. Reg. § 1.125-2(a)(1) may make a mid-Plan Year election change consistent with the Qualifying Event, the terms of this Plan, and this SPD.

Qualifying Events and the effective dates for the permitted mid-Plan Year election changes are as follows:

- A. Events that may permit an Employee to terminate and/or elect the DCFSA mid-Plan Year:
 - 1. Birth, adoption, placement for adoption, court or administrative orders requiring dependent coverage = Date of the event or order.
 - 2. Marriage, divorce, death of Spouse, termination of Spouse's or dependent's employment = 1st day of the 1st month from the Employee's signature date on the Election Change documentation.
 - 3. One of your dependents satisfies or ceases to satisfy the requirements for coverage due to a change in age.

- B. Events allowing contributions to cease (for reasons other than enrolling in the plan).
 - 1. Termination of employment = the end of the semi-monthly pay period in which the Employee worked.
 - 2. Death = Date of death.

In addition, if you are participating in the DCFSA, then there is a change in status if your dependent no longer meets the qualifications to be eligible for dependent care. In this event, you may change your DCFSA election. However, you may not change your election under the DCFSA if a cost change is imposed by a dependent care provider who is your relative.

There are detailed rules on when a change in election is deemed to be consistent with a change in status. In addition, there are laws that give you rights to change health coverage for you, your spouse, or your dependents. If you change coverage due to rights you have under the law, then you can make a corresponding change in your elections under the Plan. If any of these conditions apply to you, you should contact the Plan Administrator.

All election change documentation must be signed by the Employee 35 days from the date of the Qualifying Event, except for birth, adoption, or placement for adoption. In this case, the election change documentation must be signed within 60 days of the event. Election change documentation regarding Qualifying Events dealing with the loss of other group coverage or gaining other group coverage may be signed by the Employee prior to the Qualifying Event date. In any case, a requested change due to a Qualifying Event will not be effective prior to the event taking place.

LEAVES OF ABSENCE

Subject to certain conditions, the Family and Medical Leave Act (FMLA) entitles you to take an unpaid leave of absence totaling 12 weeks per year for specific personal or family health and child care needs. If you take leave under the FMLA, you may revoke or change your existing elections for the DCFSA. For the DCFSA, you may continue your coverage or you may revoke your coverage and resume it when you return. If your DCFSA terminates, due to your revocation of the benefit while on FMLA or due to your non-payment of contributions, you will be permitted to reinstate coverage for the remaining part of the Plan Year upon your return. You can resume your coverage at its original level and make payments for the time that you are on leave. For example, if you elect \$1,200 for the year and are out on leave for 3 months, then return and elect to resume your coverage at that level, your remaining payments will be increased to cover the difference - from \$100 per month to \$150 per month. Alternatively, your maximum amount will be reduced proportionately for the time that you were gone. For example, if you elect \$1,200 for the year and are out on leave for 3 months, your amount will be reduced to \$900. The expenses you incur during the time you are not participating in the DCFSA are not reimbursable.

If you continue your coverage during your unpaid leave, you may pre-pay for the coverage, you may pay for your coverage on an after-tax basis while you are on leave, or you and your Employer

may arrange a schedule for you to "catch up" your payments when you return. Note, you will lose coverage if you fail to return to work at the end of the leave or give earlier notice that you will not be returning to active employment.

With respect to other (non-FMLA) unpaid leaves of absence, your coverage under the DCFSA will terminate.

If an Employee is on approved LWOP, the DCFSA will terminate at the end of the semi-monthly billing period that the Employee did not work. All funds in the DCFSA upon termination will be forfeited.

UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT (USERRA)

The Uniformed Services Employment and Reemployment Rights Act (USERRA) protects the job rights of individuals who voluntarily or involuntarily leave employment positions to undertake military service or certain types of service in the National Disaster Medical System. USERRA also prohibits Employers from discriminating against past and present members of the uniformed services, and applicants to the uniformed services. Under USERRA, you have the following protections:

- If you leave your job to perform military service, you have the right to elect to continue your existing Employer-based health plan coverage for you and your dependents for up to 24 months while in the military.
- Even if you don't elect to continue coverage during your military service, you have the right to be reinstated in your Employer's health plan when you are reemployed, generally without any waiting periods or exclusions (e.g., pre-existing condition exclusions) except for service-connected illnesses or injuries.

The Plan will continue to reimburse you or your family for eligible dependent care expenses for the first 30 days of your absence. However, coverage after that period will be suspended while you are on approved military service leave. No re-entry requirements will be imposed if you return to active employment within 30 days of taking leave of employment for duty in the uniformed services.

The "uniformed services" are the Armed Forces, the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty training, or full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the President of the United States in time of war or emergency.

USERRA affords other rights and protections including reemployment rights and the right to be free from discrimination and retaliation. To view the complete notice of your rights under USERRA, go to http://www.dol.gov/vets/programs/userra/USERRA_Private.pdf.

EMPLOYEE EFFECTIVE DATE OF COVERAGE

You must elect the DCFSA electronically or using forms acceptable to the Plan Administrator.

1. If your completed enrollment forms are signed by you within thirty five (35) days after your hire date, your coverage is effective on the 1st day of the 2nd month following the month of hire. Your coverage may be effective at a later date as determined by the Plan Sponsor.
2. If your completed enrollment forms are signed by you more than thirty five (35) days after your hire date, you are a late applicant and you will not be eligible for coverage under this Plan until the next annual open enrollment period or until you experience a permitted Qualifying Event.

TERMINATION OF COVERAGE

Upon your termination of employment, your participation in the DCFSA will cease, and no further salary redirection contributions will be contributed on your behalf. However, you will be able to request reimbursement for qualifying dependent care expenses incurred during the remainder of the month from the balance remaining in your DCFSA at the time of termination of employment. You must submit claims within 90 days after the end of the Plan Year in which termination occurs.

Your coverage under the Plan ends on the earliest of the following to occur:

- The date that you make an election not to participate in accordance with this Plan;
- The date that you no longer satisfy the Eligibility requirements of this Plan;
- The last day of the semi-monthly pay period in which you terminate employment with the Employer; or
- The date that the Plan is either terminated or amended to exclude you or the class of Employees of which you are a member.

If your employment with the Employer is terminated during the Plan Year or you otherwise cease to be eligible, your active participation in the Plan will automatically cease. You will not be able to make any more pre-tax contributions under the Plan.

MODIFICATIONS TO THE PLAN

Although the Plan Sponsor expects to maintain the DCFSA indefinitely, it has the right to modify or terminate the program at any time and for any reason. All modifications/terminations effectuated by the Employer will be applied to all Participants except as otherwise stated.

If the Plan is terminated, your DCFSA will be used to provide benefits through the end of the Plan Year in which termination occurs. It is also possible that future changes in state or federal tax laws may require that the Plan to be amended accordingly.

REIMBURSEMENT

CONTRIBUTIONS

The law places limits on the amount of money that can be paid to you in a calendar year from your DCFSA. Each Plan Year, the minimum amount you may contribute to the DCFSA is \$120. Generally, your reimbursements may not exceed the lesser of: (a) \$5,000 (if you are married filing a joint return or you are head of a household) or \$2,500 (if you are married filing separate returns); (b) your taxable compensation; (c) your spouse's actual or deemed earned income (a spouse who is a full time student or incapable of caring for himself/herself has a monthly earned income of \$250 for one dependent or \$500 for two or more dependents).

Only the Employee may contribute to the DCFSA. The Employer does not contribute funds to the DCFSA. Upon eligibility or annually at open enrollment, you may elect to contribute an amount (divisible by 24 and up to the maximum permitted contribution) that will be redirected from your compensation to fund the DCFSA.

The DCFSA enables you to pay for out-of-pocket, work-related dependent daycare costs with pre-tax dollars. If you are married, you can use the account if you and your spouse both work or, in some situations, if your spouse goes to school full-time. Single employees can also use the account.

Any amounts remaining in your DCFSA at the end of the Run-Out period and after all claims have been paid will be forfeited.

Because it is possible that you might forfeit amounts in the Plan if you do not fully use the contributions that have been made, it is important that you decide how much to place in each account carefully and conservatively. Remember, you must decide which benefits you want to contribute to and how much to place in each account before the Plan Year begins. You want to be as certain as you can that the amount you decide to place in your DCFSA will be used up entirely.

ELIGIBLE EXPENSES

Only eligible dependent care expenses that are incurred may be paid or reimbursed under the DCFSA. For purposes of the Plan, you are considered to have “incurred” an expense when the dependent care services are rendered for which you are seeking a reimbursement, and not when you have actually paid the bill. Please note that it is *not* necessary that you have actually paid an amount due for an eligible expense—only that you have *incurred* the expense. However, an expense that has been paid but not incurred (e.g. pre-payment to a dependent care facility) will not be reimbursed until the services giving rise to the expense has been provided.

Eligible expenses must have been incurred after the date the Plan became effective. You may not be reimbursed for any expenses arising before the Plan became effective, or prior to the time you became covered under the Plan, if later. Further, an expense is not an eligible expense if it is incurred after the date the coverage under the DCFSA ends.

Dependent care arrangements which qualify for reimbursement include:

- a) A Dependent (Day) Care Center, provided that if care is provided by the facility for more than six individuals, the facility complies with applicable state and local laws;
- b) An Educational Institution for pre-school children. For older children, only expenses for non-school care are eligible; and
- c) An "Individual" who provides care inside or outside your home: The "Individual" may not be a child of yours under age 19 or anyone you claim as a dependent for Federal tax purposes.

You should make sure that the dependent care expenses you are currently paying for qualify under our Plan.

CLAIM REIMBURSEMENT

When you incur an eligible expense, you must submit a claim reimbursement request to the Spending Account Administrator. If the Spending Account Administrator determines that your claim is valid, you will be reimbursed for your eligible expenses as soon as is administratively feasible after it has been submitted.

You may submit a claim for any eligible expense arising during the Plan Year at any time during the period that begins when the expense is incurred. Remember, though, you will only be reimbursed from the DCFSA to the extent that there are sufficient funds in the DCFSA to cover your request.

Amounts reimbursed from the Plan may not be claimed as a deduction on your personal income tax return. Reimbursements made from the Plan are generally not subject to income tax or withholding. Nor are they subject to Social Security taxes.

In order for the reimbursements made to you from your DCFSA to be excludable from your income, you must provide a statement from the service provider including the name, address, and in most cases, the taxpayer identification number of the service provider on your tax form for the year, as well as the amount of such expense as proof that the expense has been incurred. In addition, federal tax laws permit a tax credit for certain dependent care expenses you may be paying for even if you are not a Participant in this Plan. You may save more money if you take advantage of this tax credit rather than using the DCFSA under our Plan. Ask your tax adviser which is better for you.

OVERPAYMENTS OR REIMBURSEMENT ERRORS

If it is later determined that you and/or your covered dependent(s) received an overpayment or a payment was made in error (i.e., you were reimbursed for an expense under the Plan that is later paid for by some other medical plan), you will be required to refund the overpayment or erroneous reimbursement to the Plan.

If you do not refund the overpayment or erroneous payment, the Plan Administrator reserves the right to offset future reimbursement equal to the overpayment or erroneous payment; or if that is not feasible, to withhold such funds from your pay. If all other attempts to recoup the overpayment/erroneous payment are unsuccessful, the Plan Administrator may include the amount on your W-2 as gross income. In addition, if the Plan Administrator determines that you have submitted a fraudulent claim, the Plan Administrator may terminate your coverage under this Plan (and to the extent permissible, under any applicable Employer group health plan).

MAXIMUM AMOUNT OF REIMBURSEMENT

The maximum reimbursement amount that you can receive is equal to your DCFSA balance at the time the request for reimbursement is processed.

DENIED CLAIMS

You will be notified in writing by the Spending Account Administrator within 30 days of the date you submitted your claim if the claim is denied unless special circumstances require an additional 15 days to review the claim. You will be provided written notice of the need for additional time prior to the end of the 30-day period. If the reason for the additional time is that you need to provide additional information, you will have 45 days from the notice of the extension to obtain that information. The time period during which the Spending Account Administrator must make a decision will be suspended until the earlier of the date that you provide the information or the end of the 45-day period. If you do not receive notification of the denial of a claim within the 30 day period, then if the claim is not otherwise paid, it will be deemed denied.

The notification will set out the reasons your claim was denied, and further advise you of what steps, if any, you might take to validate the claim. It will further advise you of your right to request an administrative review of the denial of the claim; you may request a review any time within the 180-day period after you have received notice that the claim was denied. You or your authorized representative will have the opportunity to review any important documents held by the Administrator, and to submit comments and other supporting information. In most cases, a decision will be reached within 60 days of the date of your request for a review.

See Appendix 1, subsection (4), below for more information regarding your rights to appeal any adverse claim determination.

UNUSED DCFSA FUNDS

Any monies that remain at the end of the Plan Year and after the end of the Run-Out Period will be forfeited and retained by the Plan Sponsor. Qualifying expenses that you incur late in the Plan Year for which you seek reimbursement after the end of such Plan Year will be paid first before any amount is forfeited. For the DCFSA, you must submit claims no later than 90 days after the end of the Plan Year.

PLAN ACCOUNTING

The Spending Account Administrator shall periodically furnish you with a statement of your DCFSA for you to use in determining how much additional benefits remain in your account prior to the end of the Plan Year, which will also assist in budgeting for expense reimbursement needs

in future Plan Years. You may also make a written request to receive a copy of your DCFSA reimbursement account from the Spending Account Administrator at any time.

APPENDIX 1 – CLAIMS INSTRUCTIONS

CLAIMS SUBMISSION

No benefit shall be paid hereunder unless a Participant has first submitted a written claim for benefits to the Spending Account Administrator on a form specified by the Spending Account Administrator, or as otherwise set out below.

It's important to keep receipts and other supporting documentation related to your DCFSA expenses and reimbursement requests. The IRS requires appropriate documentation for all DCFSA reimbursements. Reimbursement requests must include an itemized statement from the dependent care provider that includes: service dates, dependent's name, type of service, amount billed, provider's name and address, and provider's taxpayer identification number. Credit card receipts, canceled checks, and balance forward statements do not meet the requirements for acceptable documentation.

Upon receipt of a properly documented claim, the Spending Account Administrator shall pay the Participant the benefits provided under this Plan as soon as is administratively feasible. A Participant may submit a claim for reimbursement for an eligible expense arising during the Plan Year at any time during the period that begins when the expense is incurred but before any applicable Run-Out period.

You may arrange for the Spending Account Administrator to pay your dependent care provider directly. This is accomplished by completing a form supplied by the Spending Account Administrator.

The Participant may not submit a claim that is attributable to any prior taxable year or any claim that was incurred before the individual became eligible for coverage under this Plan.

CLAIMS PROCESS

You should submit reimbursement claims during the Plan Year, but in no event later than the Run-Out period described in the "General Information About Our Plan". Any claims submitted after that time will not be considered. Claims for benefits that are insured will be received in accordance with procedures contained in the policies. All other general claims or requests should be directed to the Spending Account Administrator of the Plan. If a non-insured claim under the Plan is denied in whole or in part, you or your beneficiary will receive written notification. The notification will include:

- a) The reasons for the denial;
- b) Reference to the specific provisions of the Plan on which the denial was based; and
- c) A description of any additional material or information needed to further process the claim and an explanation of why such material or information is necessary.

Within 60 days after denial, you or your beneficiary may submit a written request for reconsideration of the denial to the Administrator.

Any such request should be accompanied by documents or records in support of your appeal. You or your beneficiary may review pertinent documents and submit issues and comments in writing. The Spending Account Administrator will review the claim and provide, within 60 days, a written response to the appeal. (This period may be extended an additional 60 days under certain circumstances.) In this response, the Spending Account Administrator will explain the reason for the decision, with specific reference to the provisions of the Plan on which the decision is based. The Spending Account Administrator has the exclusive right to interpret the appropriate plan provisions. Decisions of the Spending Account Administrator are conclusive and binding.

APPENDIX 2 – OTHER NOTICES

HIGHLY COMPENSATED EMPLOYEES

Under the Internal Revenue Code, if you are deemed to be a “highly compensated Employee”, the amount of contributions and benefits for you may be limited so that the Plan as a whole does not unfairly favor those who are highly paid, their Spouses or their dependents. Your own circumstances will dictate whether contribution limitations on “highly compensated Employees” will apply. You will be notified of these limitations if you are affected.

NO EMPLOYMENT RIGHTS CONFERRED

Neither this Plan nor any action taken with respect to it shall confer upon any person the right to be continued in the employment of the Employer.

SOCIAL SECURITY BENEFITS

Your Social Security benefits may be slightly reduced because when you receive tax-free benefits under this Plan, it reduces the amount of contributions that you make to the Federal Social Security system as well as your Employer’s contribution to Social Security on your behalf.

APPENDIX 3 - HIPAA

Title II of the Health Insurance Portability and Accountability Act of 1996 and the regulations at 45 CFR Parts 160 through 164 (“HIPAA”), contain provisions governing the use and disclosure of Protected Health Information by health plans, and provide privacy rights to Participants in those plans. HIPAA applies to this Plan.

Protected Health Information or “PHI” is health information that is created or received by the Plan. PHI relates to your physical or mental health or condition, the provision of health care to you, or the payment for the provision of health care to you. Typically, the information identifies you, your diagnosis, and treatment or supplies used in the course of your treatment. Electronic Protected Health Information (also known as “ePHI”) is PHI stored in any electronic media, including any memory devices in computers (hard drives) and any removable/transportable digital memory medium, such as magnetic tape or disk, optical disk, or digital memory card or the transmission or exchange of information through usage of the internet (wide-open), extranet (using internet technology to link a business with information accessible only to collaborating parties), leased lines, dial-up lines, private networks, and the physical movement of removable/transportable electronic storage media, but does not include facsimile or voice transmissions and is limited to the information created, maintained, transmitted or received by or on behalf of the Plan.

The Plan may disclose PHI to your Employer only for limited purposes as described in KEHP’s Notice of Privacy Practices which can be found at kehpk.ky.gov. The Employer agrees to use and disclose PHI only as permitted or required by the Plan’s documents or as required by HIPAA. PHI or ePHI may be used or disclosed for plan administration functions that the Employer performs on behalf of the Plan. Such functions include:

- Enrollment of eligible Employees and their eligible dependents
- Eligibility determinations
- Payment for coverage
- Claim payment activities
- Coordination of benefits
- Claim appeals

The Plan shall maintain policies and procedures that govern the Plan’s use and disclosure of PHI. These policies and procedures include provisions to restrict access solely to the above individuals and only for the functions listed above. The Plan’s policies and procedures also include a mechanism for resolving issues of noncompliance.

HIPAA NOTICE OF PRIVACY PRACTICES

THIS NOTICE DESCRIBES HOW MEDICAL INFORMATION ABOUT YOU MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION.

PLEASE REVIEW IT CAREFULLY.

Purpose.

This notice is intended to inform you of the privacy practices followed by your Employer and other affiliated entities (the “Employer”), which provide a DCFSA. It also explains the federal privacy rights afforded to you and the members of your family as plan Participants covered under a group health plan.

As a plan sponsor, your Employer may need access to health information in order to perform plan administrator functions. We want to assure the plan Participants covered under our group health plan that we comply with federal privacy laws and respect your right to privacy. We require all members of our workforce and third parties that are provided access to health information comply with the privacy practices outlined below.

Uses and Disclosures of Health Information.

Health Care Operations. We use and disclose health information about you in order to perform plan administration functions such as quality assurance activities, resolution of internal grievances, and evaluating plan performance. For example, we review claims experience in order to understand Participant utilization and to make plan design changes that are intended to control health care costs.

Payment. We may also use or disclose identifiable health information about you without your written authorization in order to determine eligibility for benefits, seek reimbursement from a third party, or coordinate benefits with another health plan under which you are covered. For example, a health care provider that provided treatment to you will provide us with your health information. We use that information in order to determine whether those services are eligible for payment under our group health plan.

Treatment. Although the law allows use and disclosure of your health information for purposes of treatment, as a plan sponsor we generally do not need to disclose your information for treatment purposes. Your physician or health care provider is required to provide you with an explanation of how they use and share your health information for purposes of treatment, payment, and health care operations.

As permitted or required by law. We may also use or disclose your health information without your written authorization for other reasons as permitted by law. We are permitted by law to share information, subject to certain requirements, in order to communicate information on health-related benefits or services that may be of interest to you, respond to a court order, or provide information to further public health activities (e.g. preventing the spread of disease) without your written authorization. We are also permitted to share health information during a corporate restructuring such as a merger, sale, or acquisition. We will also disclose health

information about you when required by law, for example, in order to prevent serious harm to you or others.

Pursuant to your Authorization. When required by law, we will ask for your written authorization before using or disclosing your identifiable health information. If you choose to sign an authorization to disclose information, you can later revoke that authorization to cease any future uses or disclosures.

Right to Inspect and Copy. In most cases, you have a right to inspect and copy the health information we maintain about you.

Right to an Accounting of Disclosures. You have a right to receive a list of instances where we have disclosed health information about you for reasons other than treatment, payment, health care operations, or pursuant to your written authorization.

Right to Amend. If you believe that information within your records is incorrect or if important information is missing, you have a right to request that we correct the existing information or add the missing information.

Right to Request Restrictions. You may request in writing that we not use or disclose information for treatment, payment, or other administrative purposes except when specifically authorized by you, when required by law, or in emergency circumstances. We will consider your request, but are not legally obligated to agree to those restrictions.

Right to Request Confidential Communications. You have a right to receive confidential communications containing your health information. We are required to accommodate reasonable requests. For example, you may ask that we contact you at your place of employment or send communications regarding treatment to an alternate address.

Right to Receive a Paper Copy of this Notice. If you have agreed to accept this notice electronically, you also have a right to obtain a paper copy of this notice from us upon request. To obtain a paper copy of this notice, please contact the person listed below.

Legal Requirements. We are required by law to protect the privacy of your information, provide this notice about information practices, and follow the information practices that are described in this notice.

We may change our policies at any time. Before we make a significant change in our policies, we will provide you with a revised copy of this notice. You can also request a copy of our notice at any time. For more information about our privacy practices, or if you have any questions or complaints, please contact your Plan Administrator.

Filing a Complaint. If you are concerned that we have violated your privacy rights, or you disagree with a decision we made about access to your records, you may contact the person listed above. You also may send a written complaint to the U.S. Department of Health and Human Services — Office of Civil Rights. The person listed above can provide you with the appropriate address upon request or you may visit www.hhs.gov/ocr for further information.

Please see the Kentucky Employees' Health Plan Notice of Privacy Practices at kehpn.ky.gov for additional information on your HIPAA privacy rights and how KEHP may use your information.

APPENDIX 4- ELIGIBLE EXPENSES

Your DCFSA will pay for or reimburse you for eligible dependent care expenses.

ALLOWABLE EXPENSES

Below are a few examples of expenses that may be paid for or reimbursed by your DCFSA. For more information on allowable expenses, visit www.wageworks.com/KEHP.

- Adult daycare center expenses
- After school program for child(ren)
- Au Pair for child(ren)
- Babysitting (work-related, in your home or someone else's home) for child(ren)
- Custodial elder care (work-related)
- Nanny for child(ren)
- Preschool
- Senior daycare
- Sick child care

DISALLOWED EXPENSES

Below are a few examples of expenses that may not be paid for or reimbursed by your DCFSA. For more information on disallowed expenses, visit www.wageworks.com/KEHP.

- Babysitting by your tax dependent (work-related or for other purpose) for child(ren)
- Custodial elder care (not work-related)
- Dance lessons for child(ren)
- Field trips for child(ren)
- Household services (housekeeper, maid, cook, etc.)
- Medical care for child(ren) or dependent adult(s)

APPENDIX 5 - DEFINITIONS

Employee - means a person, including an elected public official, who is regularly employed by any department, board, agency, or branch of state government, and who is a contributing member to any one (1) of the retirement systems administered by the state. See KRS 18A.225 and KRS 18A.227.

Employer - means the Commonwealth of Kentucky and any Affiliated Employer who adopts the Plan pursuant to authorization provided by the Employer. Affiliated Employers who adopt the Plan shall be bound by the Plan as adopted and subsequently amended unless they clearly withdraw from participation herein.

Participant - means an Employee who elects to contribute funds to the DCFSA.

Plan - means this Plan, as set forth herein.

Plan Administrator - means the Commonwealth of Kentucky, Personnel Cabinet, Department of Employee Insurance who has the authority, discretion, and responsibility to manage and direct the operation and administration of the Plan.

Plan Manager or Spending Account Administrator – means WageWorks, Inc.

Plan Sponsor – means the Commonwealth of Kentucky

Plan Year - shall be the period of coverage beginning January 1 and ending December 31.

Qualifying Event - means any of the events described in this Summary Plan Description, as well as any other events included under subsequent changes to Code Section 125 or regulations issued under Code Section 125, that the Plan Administrator (in its sole discretion) decides to recognize on a uniform and consistent basis as a reason to change the election mid-year.

Spouse - means a person to whom an Employee is legally married.

Summary Plan Description or "SPD" - means the Dependent Care FSA SPD and all appendices incorporated into and made a part of the SPD that is adopted by the Employer and as may be amended from time to time.

SUMMARY

The money you earn is important to you and your family. You need it to pay your bills, enjoy recreational activities and save for the future. The DCFSA will help you keep more of the money you earn by lowering the amount of taxes you pay. The Plan is the result of our continuing efforts to find ways to help you get the most for your earnings.

If you have any questions, please contact the Spending Account Administrator or the Plan Administrator.