

I understand that:

1. I cannot change or revoke this Election and Payroll Reduction Agreement prior to the next Village open enrollment period and effective the start of the next plan year, unless an event occurs consistent with a change in my status, as described below:
 - my marriage or divorce;
 - the death of my spouse or dependent;
 - the birth, adoption or placement for adoption of my child;
 - for me, my spouse or my dependent:
 - the commencement or termination of employment;
 - the commencement of or return from an unpaid leave of absence;
 - the change from full-time to part-time employment (or vice versa); or
 - a change in residence or worksite; or
 - the commencement or termination of eligibility of my dependent for coverage under the elected Group Health and Dental Plan(s); or
 - such other events as the Administrator determines will permit a change or revocation of an election.

2. Such changes or revocations due to an above listed life-changing event become effective the next pay period following the submission and acceptance by the Village of the revoked or changed agreement. During an open enrollment period held prior to end of a Plan Year, I will be offered the opportunity to change my method of payment of my portion of the premium costs of my elected Group Health and Dental Plan coverage(s) for the upcoming Plan Year. If I do not complete and return a new Election and Payroll Reduction Agreement during this period, it will be considered that I have elected to continue my before-tax deduction from my Base Pay under the Premium Conversion Plan. In addition, this Election and Payroll Reduction Agreement will continue by its own terms from Premium Conversion Plan Year to Plan Year deducting my contributions for the Group Health Plan and Dental coverage(s) I elected during that plan year on a pre-tax basis.

3. The reduction in my Base Pay under this Agreement will be in addition to any other Base Pay reductions covered under other agreements or benefit plans.

_____ Date: _____
Employee's Signature

Accepted and agreed to by the Village of Hoffman Estates

By: _____ Date: _____

Please return this form to the Human Resources Management Department.

**VILLAGE OF HOFFMAN ESTATES
PREMIUM CONVERSION PLAN**

PLAN DOCUMENT

(effective May 6, 1993, as amended)

**VILLAGE OF HOFFMAN ESTATES
PREMIUM CONVERSION PLAN**

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**VILLAGE OF HOFFMAN ESTATES
PREMIUM CONVERSION PLAN**

GENERAL INFORMATION

Name of Plan: Village of Hoffman Estates Premium Conversion Plan

Type of Plan: Welfare benefit plan offering group health and dental plan coverage, supplemental group life plan coverage and elective health/welfare plan coverage through a "cafeteria plan" format under Section 125 of the Internal Revenue Code.

Effective Date of Plan: May 6, 1993

Plan Year: The 12-month period ending on each December 31.

Employer and Plan

Sponsor: Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60195
(847) 882-9100

Plan Administrator: Village Manager
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60195
(847) 882-9100

**Agent for Service
of Legal Process:** Village Clerk
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60195
(847) 882-9100

VILLAGE OF HOFFMAN ESTATES PREMIUM CONVERSION PLAN

PURPOSE OF PLAN

The Village of Hoffman Estates ("Village") established a Premium Conversion Plan ("Plan") effective May 6, 1993 to allow eligible employees to purchase certain health and life insurance benefits with pre-tax dollars. The purpose of this Plan Document is to set forth the provisions and policies of the Plan. The Plan provides eligible Village of Hoffman Estates employees a choice of having their contributions for certain qualified benefits deducted from their wages or salary either on a pre-tax or taxable basis. The Plan is intended to qualify as a "Cafeteria Plan" within the meaning of Section 125(d) of the Internal Revenue Code of 1986, as amended, and discussed in Internal Revenue Service Regulation 1.125-1. The Plan Document also complies with the requirements of Section 402 of the Employee Retirement Income Security Act of 1974.

The Plan Document became effective May 6, 1993. The first Plan Year was from May 6, 1993 through December 31, 1993. Thereafter, all Plan Years begin on January 1 and end on December 31 of the same year.

The advantage for an employee to participate in the Plan is that the contributions an employee makes toward the purchase of offered Village group insurance coverage's is made from their wages or salary before federal and state income and Social Security taxes are withheld. This provides the employee with a higher take-home pay than if their contributions for the same coverage's had been purchased with after-tax dollars.

ELIGIBILITY

Every individual employee is eligible to participate in the Plan who 1) is an active employee of the Village on the regular payroll and 2) is a participant in a Village-offered group insurance program covered by the Plan, and 3) contributes to the cost of a covered group insurance program through a deduction from the employee's wages or salary.

Eligible employees are not required to participate in the Plan. For any Plan Year, an eligible employee may elect in writing to decline to continue their participation in the Plan. Any eligible employee who elects not to participate in the Plan may at any future annual enrollment period, elect to start participation in the Plan effective with the beginning of the next Plan Year.

Because Federal income tax laws change frequently, and an individual employee may have some unique tax issues, the Village cannot assure every employee that it will be to their advantage to elect to have their contribution for group insurance coverage's paid for before-taxes under the terms of the Plan. Neither the Village, nor the Plan Administrator, can give personal tax or financial planning advice. Employees may want to consult with a tax advisor of their selection, before making an election to participate in the Plan.

ELECTION PROCESS

Any eligible new employee starting their employment with the Village during a Plan Year may elect to participate in the Plan. Such election must be made within thirty-one (31) calendar days of their starting date of employment. The election to have contributions made from an employee's wages or salary for group insurance coverage's becomes effective the first pay period following the submission of a Voluntary Payroll Reduction Agreement to the Plan Administrator. The election continues through that initial Plan year (December 31) and remains in effect from Plan Year to Plan Year until rescinded in writing by the employee..

All employees must complete a Voluntary Payroll Reduction Agreement during their initial enrollment period. They must indicate their election to either participate or not to participate in the Plan. A new employee electing not to participate in the Plan will still make contributions toward their group insurance coverage's with after-tax dollars from their wages or salary.

An employee, who initially elects to participate in the Plan may elect in the future rescind in writing their participation. Such rescission can normally only be made during the annual enrollment period held prior to a new Plan Year unless during the Plan Year there is a change in the participating employee's family status (see Changes in Election provision) that allows for a rescission mid-year. Each participant will have an opportunity to change the initial election to participate or not to participate during each subsequent annual enrollment period. Changes made in an employee's participation status during an enrollment period will become effective the first day of the succeeding Plan Year.

CHANGES IN ELECTION

Once an election has been made to participate in the Plan, unless for qualifying exceptions, that election remains in effect for the full Plan Year. Any participant may change their Voluntary Payroll Reduction Agreement during the annual enrollment period. Any such change becomes effective the first day of the next Plan Year.

A participant may be eligible to rescind their election to participate in the Plan mid-year for a thirty-one (31) day period following a qualifying change in family status or circumstance. A change in family status or circumstance includes, but is not limited to:

- Marriage; or
- Divorce; or
- Death of a spouse or child; or
- The birth or adoption of a child; or
- The termination or commencement of the employment of a spouse; or
- A change in employment status from part-time to full-time or from full-time to part-time by the Participant or his spouse; or
- A significant change in the health coverage of the employee or spouse attributable to the spouse's employment.

This change in the election to participate in the Plan will become effective the pay period beginning two (2) weeks after the participant notifies the Plan Administrator in writing of a change in family status or circumstance. If the notification of a change in family status or circumstance is not made to the Plan Administrator during the thirty-one (31) day period provided by the Plan, participation will continue in effect until rescinded during a subsequent enrollment period.

If a participant terminates their employment with the Village during a Plan Year, they may, but are not required to, revoke their election to participate in the Plan for the remainder of the Plan Year. However, if the election is revoked and the former participant returns to work for the Village during the same Plan Year, the employee may not make an election to participate in the Plan for the balance of that Plan Year. They may, however, elect to participate in the Plan during the enrollment period for the next Plan Year.

TERMINATION

If a participant elects to rescind his Voluntary Payroll Reduction Agreement during an enrollment period, participation in the Plan shall terminate on the first day of the succeeding Plan Year.

If a participant elects to rescind his voluntary reduction agreement due to a change in family status or circumstance, participation in the Plan shall terminate the next payroll period following the written notification to the Plan Administrator.

An individual may cease to be eligible to participate in the Plan due to their termination of their employment with the Village, or a reduction in hours that renders them no longer eligible to participate in the group insurance coverage's included in the Plan. Federal legislation in the form of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires that a former participant be given the right to elect to continue group health insurance coverage at their full payment of the premiums for a period of up to eighteen (18) months.

COBRA CONTINUATION COVERAGE

- A. In accordance with Federal Law P.L. 99-272, Title X (COBRA), the Village is required to offer a former participant, or their covered dependents, the right to continue existing health insurance coverage, if said coverage for the participant or their dependents ends due to:
1. the termination of the participants employment for any reason, except gross misconduct on your part;
 2. the loss of eligibility for coverage due to a reduction in the participant's hours of work,
 3. the death of a participant, their spouse and/or their parent;
 4. the participant's divorce or legal separation;
 5. the inability of a participant's dependent child to continue to meet eligibility requirements for dependent coverage, as defined in that insurance coverage's Summary Plan Description. However, a child who is handicapped and meets certain requirements will still be considered a dependent.
 6. the participant becomes entitled to Medicare benefits.
- B. If a dependent loses coverage due to one of the reasons shown in subsections 4, 5, or 6 above, the participant or the dependent must notify the Plan Administrator of the event. Notice must be given within 60 days of the date eligible participation ended to qualify for continuation coverage. Once any qualification determination is made, the Plan Administrator will notify the individual within 14 days of his/her rights under the law. The individual in turn will have 60 days to notify the Plan Administrator of his/her desire to continue coverage.
- C. Coverage cannot be continued beyond the earliest to occur of:
1. the failure of the COBRA participant to pay any required contribution;
 2. the date on which the COBRA participant who elected continuous coverage under the group insurance program becomes covered under another group health insurance plan or becomes entitled to Medicare benefits. However, if the other group health plan has a pre-existing condition limitation, continuous coverage through this Plan will not cease, until the earlier of the date on which the pre-existing condition limitation under the other group plan no longer applies, or the applicable date under this paragraph C;
 3. the date on which the Employer terminates its health plan for all active participants;

4. a date which is
- a. 18 months from the date on which coverage would have been otherwise terminated, if coverage for the participant and their covered dependents is being continued because of the termination of the participant's employment or the loss of eligibility to participate in the insurance program due to a reduction in hours of work.
 - b. 29 months for a participant or a dependent who is disabled when coverage would otherwise have terminated, if the eligibility for continued COBRA coverage is due to the termination of the participant's employment or the loss of eligibility to participate in the group insurance program due to a reduction in hours of work. The participant, or their dependent, must provide the Plan Administrator with a Social Security disability determination within 60 days of its receipt but not later than 18 months from the date of the termination or reduction in the hours of work.
 - c. 36 months for dependents from the date a participant is entitled for coverage under Medicare which then terminates the participant's continued COBRA coverage due to the entitlement to Medicare benefits.
 - d. 36 months from the date on which coverage would have been otherwise terminated, if coverage is being continued for any other reason.

The law permits the employer to charge any individual who elects to continue coverage 102% of the full premium cost of the group insurance program. If coverage is being continued due to disability, the law permits the Employer to charge 150% of the full cost to the Plan for the last 11 months of the 29-month period during which coverage may continue.

Full details of the COBRA continuation process will be furnished to each participant or their dependent when a determination is made as to the occurrence of one of the qualifying events shown above.

PLAN AMENDMENT OR TERMINATION

The Plan is based on the Village's understanding of the current provision of the Internal Revenue Code. The Village may amend or terminate this Plan at any time if regulations or changes in the tax law make it advisable to do so. No such action shall affect rights already accrued under this Premium Conversion Plan.

INSURANCE CONTRACTS

Any monies refunded to the Village due to actuarial error in the rate of calculation will be the property of and retained by the Village.

EFFECT ON EMPLOYMENT

Nothing contained in this Plan shall be deemed to give any participant the right to be retained in the service of the Village of Hoffman Estates or to interfere with the right of the Village to discharge any participant at any time regardless of the effect which such discharge will have upon them as a participant of this Plan.

CONFORMITY WITH THE LAW

If any provision of the Plan Document is contrary to any law to which it is subject, the provision is changed to meet the law's minimum requirement.

GOVERNING DOCUMENTS

All matters relating to the Premium Conversion Plan shall be governed by the terms of this Plan Document.

PLAN ADMINISTRATOR

The Village of Hoffman Estates shall be the Plan Administrator of the Plan and shall have the responsibility of carrying out its provisions.

NAMED FIDUCIARY

The Plan Administrator shall be the named fiduciary responsible for the management and control of the operation and administration of the Plan.

RULES AND REGULATIONS

The Plan Administrator may adopt such rules and regulations as are deemed necessary or appropriate for the administration of the Plan. Subject to the provisions of the Conformity With the Law section, the Plan Administrator's interpretation of the Plan and decisions shall be binding and final.