

**SUMMARY PLAN DESCRIPTION
FOR
EMPLOYER'S RESOURCE GROUP, INC.**

SECTION 125 PLAN

Amendment JANUARY 1, 2018

EMPLOYER'S RESOURCE GROUP, INC.

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AMENDMENT: JANUARY 1, 2018

Flexible Spending Account (FSA) Amendment for Plan year 01/01/2018

Effective January 1, 2018, The Employer's Resource Group, Inc. Section 125 Flexible Spending Account (FSA) will no longer include the \$500 rollover option. Plan reimbursement will return to the **Use or Loss it provision.**

The Use or Loss it provision: All FSA reimbursement will be for dates of service on the current calendar plan year. Active Employees will have until March 31 of the next calendar Plan year to submit claims for the prior Plan year Jan 1- Dec. 31. IRS eligible expenses will determine reimbursements. After the deadline of March 31, the Use or Lose it provision will apply.

No change in policy for Employees that term employment during the FSA plan year. Termed employees have 90 days from date of termination to submit for reimbursement for dates of service prior to their last date of employment. The Use or Lose it provision will apply

During the plan year 2018, you will however still be eligible for the reimbursement payout rollover option from the 2017 plan year that was in effect before the 2018 Amendment.

While making your election for 2018 please keep in mind the plan year 2018 amendment change.

Annual IRS FSA voluntary election remains at \$2600.00 for each eligible full-time employee for plan year 2018.

For questions or clarification of this Amendment please contact your employee benefit team at ERG. 405-755-7689 or

nancy@erg-asi.com
beverly@erg-asi.com
kimberly@erg-asi.com

SECTION 125 COMPENSATION PLAN

The Section 125 Compensation Plan with a Flexible Spending Account is the most innovative employee benefit available today. It is a change from traditional benefits that treat all employees the same.

The 125 Compensation Plan allows you to set aside money - BEFORE TAXES - to spend on selected items that you are currently paying with AFTER TAX DOLLARS. The flexible Spending Accounts act like tax free “benefit buckets of money” that you use during the year to pay eligible expenses.

Each year you design the benefit that fits your family’s need and select an amount to be set aside “before tax” each pay day. As medical, dental, prescription and vision expenses occur and claims are filed, you will receive reimbursement checks from your Flexible Spending Account’s “buckets of money”.

Every dollar you select to be held out “Before Taxes” allows you a whole dollar’s worth of benefit dollar spent. This is accomplished by a reduction in your W-2 of Gross Wages identical to your Section 125 Compensation Plan election.

See the attached sheets for eligible expenses and an example of how this benefit creates tax savings every pay day.

A worksheet is attached to take home and complete. This helps you decide the correct election for all you family members. This election is a 12-month commitment with only five approved IRS reasons for change: Within your immediate family, if you experience 1) marriage, 2) divorce, 3) birth or adoption of a new dependent, 4) death or 5) change of spouse’s occupational status, you have 30 days to change any election for this plan year.

Please visit with our benefit counselors at the individual meeting to finalize your election for this Benefit Plan year.

SUMMARY PLAN DESCRIPTION FOR EMPLOYER'S RESOURCE GROUP, INC. SECTION 125 CAFETERIA PLAN

This is a summary of the Section 125 Plan for Employer's Resource Group, Inc. available to all employees. The 125 Plan (the "Plan") is a total voluntary benefit made possible by IRS regulations to help save taxes on expenses you already have.

The Plan allows you to set aside money – BEFORE TAXES – to spend on three specific categories of expenses:

- Health and Dental Premiums
- Dependent Care Reimbursement
- Medical –Out-Of-Pocket Expense Reimbursement

ERG: Administrative Services, Inc. (ASI) provides the enrollment, claims and customer service for Employer's Resource Group, Inc. employees. This is only a summary. Should you have additional questions, please call 405-755-7689 or the Personnel Department at Employer's Resource Group, Inc.

The topics covered in this summary include:

- How the Plan Works
- Eligible Benefits
- Claims Procedure
- Eligible Expenses

HOW THE 125 PLAN WORKS

Once a year prior to the end of December you are given an opportunity to redesign the benefit election under the 125 Plan to fit the needs of your family for the next Plan year's expenses.

The first year you are with Employer's Resource Group, Inc., eligibility is the same waiting period as the Health and Dental Plans.

The dollar amount elected for Health & Dental Premium, Dependent Care Reimbursement, and/or Medical-Out-of-Pocket expenses will be withheld proportionately each payday tax-free. This is because you are allocating money for these expenses to be held out of your gross income before taxes are calculated. At the end of each taxable year, your W-2 will be reduced by the total election(s) made for that year, thus reducing taxable liability.

During the year as expenses are incurred, ASI will reimburse from the dollars set aside for this purpose each payday. Reimbursement checks are cut each payday and the claim process is very easy to work with. We will discuss it further under Claims Procedure.

ELIGIBLE BENEFITS

Premium Account

Within this benefit – Premium Account – you may elect to set aside (pre-tax) any dollars withheld each pay day for:

- 1) Health Insurance Premiums, and
- 2) Dental Insurance Premiums

This account requires no claim filing. It is an automatic payroll function where Employer's Resource Group, Inc. withholds the premium amount from your paycheck and pays the appropriate company your premium. You save the taxes on those dollars each pay day.

Dependent Care Account

Contributions are set aside with (pre-tax) dollars each payday in this account to cover current day care expenses your family has. These tax savings each payday is instead of filing for a tax credit at the end of the calendar year. Your W-2 is reduced by the election so you do not need the tax credit at year-end.

The maximum allowable by IRS each year under the 125 Plan is \$5,000 for one or more children (\$2,500, if married filing separate). As a tax credit, at year end on the tax return you are only allowed \$2,400 for one child and \$4,800 for two or more.

This benefit may be used for children under age 13 or adults over age 13 who are physically or mentally incapable of self-care. This includes natural children, adopted or stepchildren as well as a parent or spouse who fits the category of "incapable of self care". The best way to determine who is an eligible dependent is who is considered by the IRS as a dependent for your household?

Employer's Resource Group, Inc. will take the annual Dependent Care election and divide by paydays. This equal amount will be held out of your gross income and reduce your taxable income.

ASI will provide reimbursement each payday automatically after you and your Dependent Care Provider has signed an annual Dependent Care Assistance Agreement. A sample is enclosed. You must be able to get receipts from the day care provider during the year for the total of the annual election. Keep these for your tax purposes.

If there is not a set weekly or monthly rate, then ASI will work with you on a voucher basis instead of an automatic reimbursement.

Dependent Care Account Details

- Dependent care expenses must be incurred to allow you (and your spouse, if married) to work or look for work. (There are special rules relating to student spouses and disabled spouses explained later in this summary).
- You must have income from work during the year.
- You (and your spouse, if married) must keep up a home that you live in with one or more qualifying dependents.

- Payments for dependent care must be made to someone who is not a dependent, and, if the day care provider is your child, he or she must be age 19 or over by the end of the tax year.
- Child support payments and childcare payments qualifying as alimony are not qualified expenses for reimbursement.

Medical Out-of-Pocket Account

This account allows for pre-tax dollars to be set aside each pay day to cover the medical expenses you and any dependent in your household might incur, during the Plan Year, that is not reimbursed by any insurance company.

Some of the allowable expenses include:

- Health & Dental:
HMO Plan Co-pays,
PPO Medical Deductibles,
PPO Medical Co-Insurance Out-of-Pocket Expenses,
Dental Out-of-Pocket Expenses, and
Pre-existing conditions not covered by insurance (if any).
- Prescriptions:
Co-pays on prescriptions paid at the pharmacy
- Vision:
Glasses
Contact Lens
Vision Exams

These expenses are allowable for any dependent in your household considered as a dependent by the IRS for tax filing purposes, whether they are on Employer's Resource Group, Inc. Health Plan or any other health plan.

Elections may be changed each Plan Year to fit a family's needs. That election will be divided by paydays and held out in equal amounts from the gross pay. These dollars are held in escrow until out-of-pocket expenses are incurred.

Ineligible Expenses

Included are (but not limited to):

- | | |
|--|--|
| ● Contact lens solution | ● Medicines or drugs which do not require a prescription for use |
| ● Cosmetic surgery expenses | ● Stop-smoking programs or aids |
| ● Dancing or swimming lessons | ● Swimming pools, hot tubs, exercise equipment |
| ● Expenses not incurred during the current Plan Year | ● Vacations |
| ● Expenses reimbursed under any health plan | ● Weight loss programs or aids |
| ● Health club dues | |

CLAIMS PROCEDURE

If you participate in the PPO Plan or Dental and Vision Plan:

ASI will automatically reimburse (without claim filing) from the escrow account the Medical deductibles, co-insurance, non-covered expenses, Dental out-of-pocket expenses after the claim is processed by the claims department. ASI will cut checks each payday for all claims processed during the previous two weeks. ASI will reimburse prescription co-pays the payday after the monthly report is received from Pharmacy Providers of Oklahoma. The only expenses that require filing for reimbursement with a claim form (sample enclosed) are expenses for dependents on other insurance. Those claims will be reimbursed the payday following receipt.

If you participate in an HMO:

ASI will reimburse (with claim filing) from the escrow account the Medical co-pay and prescription co-pay expenses. (Sample claim form enclosed). Those will be reimbursed the payday following receipt. You may mail or fax receipts for these expenses; address and fax number are on the claim form.

Claim Reimbursement Details

- Claims for reimbursement will be processed each pay day.
- The Medical Out-of-Pocket account reimbursement check is for the expenses incurred up to the maximum benefit amount elected for the year. The Dependent Care Account check is for the reimbursement of expenses up to the amount currently in your account. If the dependent care expenses are more than the account balance, the balance of the amount due will be forwarded as additional payments are received. Keep in mind that in most cases; dependent care is paid automatically in equal amounts each payday according to the annual receipt form.
- ASI will reimburse only for expenses that are incurred during the current Plan Year. However, a claim for reimbursement may be submitted as late as 90 days after the end of the Plan Year.
- **Receipts must accompany all voucher forms.** Only those expenses that are properly verified and not reimbursed by any insurance company will be reimbursable.
- **Dependent care claims must be accompanied by a Dependent Care Assistance Agreement form, which includes the provider's tax identification number or Social Security number.** This form is submitted only once at the beginning of each Plan Year.

PLAN RESTRICTIONS

Elections are made once a year prior to the beginning of the Plan Year on January 1, and are a 12-month commitment.

Monies put in one account may not transfer to another account (e.g., Medical Out-of-Pocket election can not be used for Dependent Care expenses).

During an unpaid leave of absence, contributions to the Plan are mailed in directly by the employee on an after-tax basis. When the employee returns to work, the pre-tax contribution will resume.

If employment is terminated and participation in the Plan terminates, then the employee is subsequently re-hired; the employee may not resume participation until the next Plan Year.

If employment is terminated during a Plan Year:

- Funds remaining in any account are reimbursable if receipts are submitted FOR DATES OF SERVICE IN THAT CALENDAR YEAR WITHIN 30 DAYS OF TERMINATION.
- Any funds left in the account at year-end is subject to the “Use It or Lose It” provision of IRS regulations

ELECTION CHANGES

The Section 125 Cafeteria Plan allows a benefit election change only in the event of a change in family status. A change in family status includes 1) marriage, 2) divorce, 3) death of a spouse or child, 4) birth or adoption of a child, 5) a change in the employment status of a spouse. The participant has 30 days after such event to notify the Plan Administrator of the change.

OPTIONS AT TERMINATION OF EMPLOYMENT

Upon termination of employment, an employee may elect to discontinue participation or to continue participation by contributing payments to his Section 125 Cafeteria Plan accounts on an after-tax basis. If an employee elects to continue, the coverage under the Medical Reimbursement account will continue until the premium ceases, and all eligible expenses incurred during the Plan Year will be reimbursed.

If a terminated employee does not elect to continue the payments on an **after-tax** basis, only those expenses incurred during the period of participation will be reimbursed. Participation terminates when payments cease. If claims are filed within the Plan Year, the Participant has a right to reimbursement from any funds remaining in the account.

QUALIFYING DEPENDENT

A Qualifying Dependent is:

1. A dependent under the age of 13 for whom you may claim an IRS exemption deduction,
2. A dependent who is physically or mentally unable to care for himself or herself and spends at least 8 hours in your home daily, or
3. A spouse or parent who is physically or mentally unable to care for himself or herself and spends at least 8 hours in your home daily.

EARNED INCOME LIMIT

Eligible expenses during a calendar year may not be more than.

1. Your earned income for the year, if single at the end of the taxable year, or
2. The smaller of your earned income or a spouse's earned income for the year, if you are married at the end of the taxable year.

STUDENT SPOUSE OR DISABLED SPOUSE

If an employee is married and, for any month, the spouse is either a full-time student or not able to care for himself or herself, the spouse will be considered to have earned income of \$200 a month if there is one Qualifying Dependent in the home, or \$400 a month if there are two or more Qualifying Dependents in the home.

A spouse is considered to have worked if:

1. He or she was a full-time student during each of five months during the taxable year, or
2. He or she was physically or mentally unable to care for him or herself.

A full-time student is one who is enrolled at an accredited school during each of five calendar months of the calendar year, not necessarily consecutively, for the number of hours considered to be a full-time course of study.

TAX CREDIT ALTERNATIVE

A federal tax credit up to 30% of the amount paid for dependent care expenses may be taken instead of participating in the Dependent Care Expense Reimbursement account.

Up to \$2,400 in dependent care expenses may be used as a credit with one Qualifying Dependent, and up to \$4,800 with two or more Qualifying Dependents.

A credit can be as much as \$720 with one Qualifying Dependent or as much as \$1,440 with two or more Qualifying Dependents.

The tax credit is a direct reduction of the tax owed to the federal government, unlike the income exclusion of contributing to the Dependent Care Reimbursement account. Many states also provide a state tax credit for dependent care expenses.

Consultation with a tax advisor as to whether the tax credit may be more favorable than contributing to the Dependent Care Reimbursement account is advisable. Additional information is available through IRS Publication 503.

SECTION 125 CAFETERIA PLAN BI-WEEKLY TAX SAVINGS EXAMPLE

Voluntary election that allows tax savings for expenses an employee incurs each month for:

1. Premiums: Health, Dental, and Vision
2. Day Care Expenses to a maximum of \$5,000 per year
3. Unreimbursed Medical Expenses (Expenses not paid by insurance benefits).

	Without Flexible Spending	With Flexible Spending
Total Monthly Pay:	1200.00	1200.00
Medical Premiums	0	125.00
Medical/Dental Costs	0	25.00
Day Care	0	250.00
	1200.00	825.00
Taxable Income:	1200.00	825.00
Less Deductions:		
Federal, State SS Taxes	120.30	52.05
	1079.70	772.95
Net Income After Taxes:	1079.70	772.95
Health and Dental	100.00	0
Medical Out-Of-Pocket	25.00	0
Day Care	275.00	0
	679.70	772.95
Spendable Income:	679.70	772.95

Approximate Increase in Spendable Income: \$93.25

Approximate Annual Savings: \$2,238.00

▶ **Tax Savings vary depending on income and tax deductions elected.**

Pre-tax savings include FICA, Federal, State Taxes, at a minimum of 25% savings.

Section 125 allows Uncle Sam to help fund your expenses with tax savings each payday. Unreimbursed Medical helps you set up a pre-tax "Bucket of Savings" for those known medical expenses you have each month. Day Care gives you tax savings in each paycheck versus a tax credit at the end of the year.

COMPLETED VOUCHER SAMPLE

Below is an example of a completed voucher to submit for reimbursement from you Section 125 account.

SECTION 125 CAFETERIA PLAN EXPENSE REIMBURSEMENT VOUCHER

Name of Employer EMPLOYER'S RESOURCE GROUP, INC.		Daytime Phone 123-4567	
Name of Employee (Last, First, MI) Jones, Janet M.		Social Security # 123-45-6789	
Address 1234 North May	City & State Edmond, Oklahoma	Zip Code 73123	

CHECK HERE IF THIS IS A NEW ADDRESS

Please complete the worksheet below by indicating the date your expense was incurred, the type of expense being reimbursed, the name of person for whom expense was incurred, and the amount of the expense. Only include expenses for you or your dependents and expenses for which you have **not** previously filed for reimbursement.

Date of Expense	Type of Expense		Name of Person for Whom Expense Was Incurred	Amount of Expense	
	Medical	Dep. Care		Medical	Dep. Care
9/9/00	X		JIMMY JONES	\$45.00	
			TOTAL	\$45.00	

MEDICAL EXPENSES: For each medical expense listed above, attach an original statement, bill or explanation of benefits. For expenses that are or may be covered under your health insurance plan, submit your bills to the insurance company(ies) and then submit the insurance explanation of benefits showing the amount of expenses not covered by insurance with this form. You should keep a copy of each statement, bill, or statement of benefits submitted with this form for your records.

DEPENDENT CARE EXPENSES: For each dependent care expense listed above, attach a completed Dependent Care Acknowledgment which has been completed and signed by your dependent care provider.

I HEREBY CERTIFY that the expense(s) shown above has not been, and will not be paid or reimbursed by an insurance company, or from any other source. I understand that any amount not used for qualified expenses by the end of the plan year will be forfeited to my employer.

10/10/00

Date Signed

Janet M. Jones

Signature of Employee

NOTE: MEDICAL EXPENSES WHICH HAVE BEEN REIMBURSED UNDER THIS PLAN ARE NOT DEDUCTIBLE BY THE EMPLOYEE FOR FEDERAL INCOME TAX PURPOSES, IN ADDITION, DEPENDENT CARE EXPENSES REIMBURSED UNDER THIS PLAN MAY NOT BE USED FOR DEPENDENT CARE TAX CREDIT PURPOSES BY THE EMPLOYEE.

MAILING ADDRESS: ASI, Inc.
3120 W. Britton Rd., Suite B
Oklahoma City, OK 73120

(405) 755-7689

Fax: (405) 936-6353

WORKSHEET UNREIMBURSED MEDICAL EXPENSE

Employee: _____

Employer: **EMPLOYER'S RESOURCE
GROUP, INC.**

TYPE OF EXPENSE	ACTUAL 2000	ESTIMATE 2001
Health Benefits Deductibles		
Co-Payment		
Office Visit Co-Pay		
Routine Physicals		
Prescription Drug Co-Pay and items not Covered on Plan		
Psychiatric Counseling - (not covered by health)		
Dental Expenses		
Orthodontia Expenses (braces, exams, etc.)		
Vision & Eye Care (exams, glasses, contacts, etc.)		
Other Medical Expenses (not covered by health)		
Pre-Existing		
TOTAL		
AVERAGE ANNUAL EXPENSE (DIVIDE ANNUAL AMOUNT BY PAYDAYS)		
Tax Savings @ 25% (APPROXIMATELY)		