

DRAKE UNIVERSITY

**SECTION 125 PRE-TAX SALARY REDUCTION
PREMIUM PAYMENT PLAN**

SUMMARY PLAN DESCRIPTION

ACCOUNT NUMBER: P84758

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**TAKEOVER BY
PRINCIPAL FINANCIAL GROUP**

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INTRODUCTION

Drake University (the "Employer") is pleased to sponsor an employee benefit program known as a Section 125 Pre-Tax Premium Payment Plan (the "Plan") for you and your fellow employees. The Employer provides you with the opportunity to use pre-tax dollars to pay for selected benefits by entering into a salary reduction arrangement by which you elect to pay for the benefits instead of receiving a corresponding amount in your regular pay. This arrangement helps you because the benefits you elect are nontaxable; you save social security and income taxes on the amount of your Salary Reduction. Alternatively, you may choose to pay for any of the available benefits with after-tax dollars.

This Summary describes the basic features of the Plan, how it operates, and how you can get the maximum advantage from it. The booklet is only a summary of the key parts of the Plan, and a brief description of your rights as a participant. It is not a part of the official Plan documents. If there is a conflict between the Plan documents and this booklet, the Plan documents will apply.

PART I. GENERAL INFORMATION **ABOUT THE PRE-TAX PREMIUM PAYMENT PLAN**

Q-1. What is the purpose of the Plan?

The purpose of the Plan is to allow eligible employees to use funds provided through employee salary reduction, to pay premiums for benefit plans or policies offered by the employer and enable them to pay for selected medical, dental benefits(s) with pre-tax dollars.

Q-2. What benefits can I purchase on a pretax basis through the Plan?

You will be able to choose to participate in the Plan's pre-tax program options by filling out any required enrollment form(s) for the component benefit plan or policy. The various benefit options available will be described to you in information materials distributed prior to each enrollment period. For the details regarding eligibility provisions, benefit amounts, and premium schedules, please refer to the plan summary of each of the above programs. Ask the Plan Administrator for copies.

Q-3. Who can participate in the Plan?

Employees who are full-time permanent employee actively at work 32 hours or more per week, 9 months of the Plan Year are eligible to participate in the Plan. New employees become eligible to join the FSA plan the 1st of the month following date of hire and receipt of a completed election form, or for any subsequent Plan Year, as described in Section 3.2.

"Employee", for purposes of this Plan, means a common-law employee of the Employer who is on the Employer's W-2 payroll, except that the term "Employee" does not include any common-law employee who is a leased employee (including but not limited to an individual defined in Code § 414(n)), or any common-law employee who is an individual classified by the Employer as a contract worker, independent contractor, temporary employee or casual employee, whether or not any such person is on the employer's W-2 payroll. The term "Employee" also does not include any individual who performs services for the Employer but who is paid by a temporary or other employment agency such as "Kelly," "Manpower," etc., or any employee covered under a collective bargaining agreement. The term "Employee" includes "former employees" for the limited purpose of allowing continued eligibility for benefits hereunder for the remainder of the Plan Year in which an employee ceases to be employed by the Employer.

Those employees who actually participate in the Plan are called "Participants." An employee continues to participate until (i) the end of the Plan Year for which the election was made, unless the Participant elects during open enrollment to continue participation; (ii) the termination of the Plan; (iii) the date the Participant's employment ceases.

Q-4. What tax advantages are available through the Plan?

You save both federal income tax and Social Security taxes by participating in the Plan. Following is an example of the tax savings you might experience by participating in the plan.

Suppose your monthly gross pay is \$2,500 and your cost for coverage is \$140.00 per month. Also, suppose your total withholdings (income tax and Social Security) are 22.65%. After paying for coverage from your after-tax pay, your take home pay is \$1,794.00. However, under the Pre-Tax Premium Plan, you will be considered to have received \$2,360.00 gross pay rather than \$2,500 for tax purposes with \$140.00 contributed for medical coverage. This means your take home pay will be \$1,825.00 with the Pre-Tax Premium Plan rather than \$1,794.00 without it. Thus, you save \$31.00 per month (\$372.00 per year) by participating in the Pre-Tax Premium Plan. The Table below illustrates this savings.

	<u>With Cafeteria Plan</u>	<u>Without Cafeteria Plan</u>
Gross Monthly Pay	\$2,500.00	\$2,500.00
Pre-Tax Premium	<u>-140.00</u>	<u>-0.00</u>
Taxable Income	2,360.00	2,500.00
Estimated Federal Tax (15%)	-354.00	-375.00
FICA Tax	-181.00	-191.00
After-tax Premium	<u>-0.00</u>	<u>-140.00</u>
Take Home Pay	<u>\$1,825.00</u>	<u>\$1,794.00</u>

Q-5. How do I become a participant?

You become a Participant by:

- a) signing an individual Election Form on which you elect one or more of the benefits available under the Plan, as well as agree to a salary reduction to pay for those benefits so elected. You will be provided an Election Form when you first become eligible to participate. You must complete the form and turn it in to the Human Resource Department within thirty-one days. If you are eligible on the initial Effective Date of the Plan, you will be able to enter the Plan during the Initial Enrollment Period and shall become a Participant on the Effective Date. Otherwise, you will be able to enter the Plan on the effective date of your coverage under the component benefit plans or policies, or
- b) If a negative election process is used, you will receive a memorandum stating that you are automatically enrolled in the Pre-Tax Premium Payment Plan unless you notify the Human Resource Department in writing that you do not wish to have your share of premiums deducted on a pre-tax basis.

In future years, if the election form method is used, a new Election Form will be made available to you by the first day of the Open Enrollment Period, and you will be given the opportunity to confirm or change your choices made for the previous 12-month period for the coming 12 months beginning on the first day of the next Plan Year. This twelve month period is called the "Plan Year." A Participant who fails to complete, sign and file an Election Form as required will not participate in the Plan for the next Plan Year, and may not enroll until the next Open Enrollment Period.

If a negative election method is used, you will be provided with a memo explaining what you must do if you do not wish to have your share of benefit premiums deducted on a pre-tax basis.

Q-6. What is the Open Enrollment period?

The Open Enrollment Period for a Plan Year will be the period prior to each Plan Year that the Employer declares to be the "Open Enrollment Period".

Q-7. Can I change my election during the Plan Year?

Generally, you cannot change your election to participate in the Plan or vary the Pre-Tax Premiums you have selected during the Plan Year, although your election will terminate if you are no longer working for the Employer. Generally, you may change your elections for the Plan during the Open Enrollment Period, and then, only for the coming Plan Year.

There are several important exceptions to this general rule:

- 1. Change in Status Events.** If one or more of the following Changes in Status occur, you may revoke your old election and make a new election, for the period of coverage remaining in the current Plan Year, provided that both the revocation and new election are on account of and correspond with the Change in Status (as described below).

Those occurrences which qualify as a Change in Status include the events described below, as well as any other events which the Plan Administrator determines are permitted under subsequent IRS regulations:

- *Legal Marital Status:* A change in a Participant's legal marital status, including marriage, death of a Spouse, divorce, legal separation or annulment;
 - *Number of Dependents:* Events that change a Participant's number of tax Dependents, including birth, death, adoption, and placement for adoption;
 - *Change in Employment Status:* Any change in employment status of the Participant, the Participant's Spouse or the Participant's Dependents that affects the benefit eligibility under a cafeteria plan (including this Plan) or other employee benefit plan (including the Health Insurance Plan) of the employer of the Participant, the Spouse, or Dependents, such as: termination or commencement of employment, a strike or lockout, a commencement of or return from an unpaid leave of absence, a change in work site, switching from salaried to hourly-paid or union to nonunion or vice versa, incurring a reduction or increase in hours of employment (e.g., going from part-time to full-time), or any other similar change which makes the individual become (or cease to be) eligible for a particular employee benefit;
 - *Dependent Eligibility Requirements:* An event that causes a Participant's Dependent to satisfy or cease to satisfy the Dependent eligibility requirements for a particular benefit, such as due to attaining a specified age, getting married, or ceasing to be a Student; or
 - *Change in Residence:* A change in the place of residence of the Participant, the Participant's Spouse or the Participant's Dependent that effects their eligibility for certain coverage.
- 2. Change in Status-Other Requirements.** If you wish to change your election based on a Change in Status, you must establish that the revocation is on account of and corresponds with the Change in Status. The Plan Administrator (in its sole discretion) shall determine whether a requested change is on account of and corresponds with a Change in Status. As a general rule, a desired election change

will be found to be consistent with a Change in Status event if the event affects coverage eligibility. In addition, you must also satisfy the following specific requirements in order to alter your election based on that Change in Status:

- *Loss of Dependent Eligibility.* For accident and health benefits (e.g., health, dental and vision coverage, accidental death and dismemberment coverage benefits), a special rule governs which type of election changes are consistent with the Change in Status. For a Change in Status involving your divorce, annulment or legal separation from your Spouse, the death of your Spouse or your Dependent, or your Dependent ceasing to satisfy the eligibility requirements for coverage, you may only elect to cancel accident or health benefits for the affected Spouse or Dependent. A change in election for any individual other than your Spouse involved in the divorce, annulment, or legal separation, your deceased Spouse or Dependent, or your Dependent that ceased to satisfy the eligibility requirements would fail to correspond with that Change in Status.

Example: Employee Mike is married to Sharon, and they have one child. The employer offers a calendar year cafeteria plan that allows employees to elect no health coverage, employee-only coverage, employee-plus-one-dependent coverage, or family coverage. Before the plan year, Mike elects family coverage for himself, his wife Sharon, and their child. Mike and Sharon subsequently divorce during the plan year; Sharon loses eligibility for coverage under the plan, while the child is still eligible for coverage under the plan. Mike now wishes to cancel his previous election and elect no health coverage. The divorce between Mike and Sharon constitutes a Change in Status. An election to cancel coverage for Sharon is consistent with this Change in Status. However, an election to cancel coverage for Mike and/or the child is not consistent with this Change in Status. In contrast, an election to change to employee-plus-one-dependent coverage would be consistent with this Change in Status.

However, if you, your Spouse, or a Dependent elect COBRA continuation coverage under the Employer's plan, you may be able to increase your contribution to pay for such coverage.

- *Gain of Coverage Eligibility Under Another Employer's Plan.* For a Change in Status in which you, your Spouse, or your Dependent gain eligibility for coverage under another employer's cafeteria plan (or qualified benefit plan) as a result of a change in your marital status or a change in your, your Spouse's, or your Dependent's employment status, your election to cease or decrease coverage for that individual under the Plan would correspond with that Change in Status *only* if coverage for that individual becomes effective or is increased under the other employer's plan.

- 3. HIPAA Special Enrollment Rights.** If you, your Spouse and/or a Dependent are entitled to special enrollment rights under a group health plan, you may change your election to correspond with the special enrollment right. Thus, for example, if you declined enrollment in medical coverage for yourself or your eligible dependents because of outside medical coverage and eligibility for such coverage is subsequently lost due to certain reasons (i.e., due to legal separation, divorce, death, termination of employment, reduction in hours, or exhaustion of COBRA period), you may be able to elect medical coverage under the Plan for yourself and your eligible dependents who lost such coverage. Furthermore, if you have a new dependent as a result of marriage, birth, adoption, or placement for adoption, you may also be able to enroll yourself, your spouse, and your newly acquired dependents, provided that you request enrollment within thirty-one days after the marriage, birth, adoption, or placement for adoption. Please refer to the group health plan description for an explanation of special enrollment rights.
- 4. Certain Judgments and Orders.** If a judgment, decree or order resulting from a divorce, legal separation, annulment or change in legal custody (including a qualified medical child support order) requires your Dependent child (including a foster child who is your tax Dependent) to be covered under this Plan you may change your election to provide coverage for the Dependent child. If the order requires that another individual (such as your former spouse) cover the Dependent child, you may change your election to revoke coverage for the child.
- 5. Entitlement to Medicare or Medicaid.** If you, your Spouse, or a Dependent becomes entitled to Medicare or Medicaid, you may cancel that person's accident or health coverage. Similarly, if you, your Spouse, or a Dependent who has been entitled to Medicare or Medicaid loses eligibility for such, you may, subject to the terms of the underlying plan, elect to begin or increase that person's accident or health coverage.
- 6. Change in Cost.** If the Plan Administrator notifies you that the cost of your coverage under the Plan *significantly* increases during the Plan Year, you may choose either to make an increase in your contributions or revoke your election and receive coverage under another Plan option which provides similar coverage. For *insignificant* increases or decreases in the cost of benefits, however, the Plan Administrator will automatically adjust your election contributions to reflect the minor change in cost.

Example: Employee Mike is covered under an indemnity option of his employer's accident and health insurance coverage. If the cost of this option significantly increases during a period of coverage, then Mike may make a corresponding increase in his payments or may instead revoke his election and elect coverage under an HMO option.

7. **Change in Coverage.** If the Plan Administrator notifies you that your coverage under the Plan is significantly curtailed you may revoke your election and elect coverage under another Plan option which provides similar coverage. Also, if during the Plan Year the Plan adds or eliminates a coverage option, you may elect the newly-added option or elect another Plan option (when a Plan option has been eliminated), and may do so on a pre-tax basis by making a corresponding election change under another Plan option which provides similar coverage. Further, you may make an election change that is on account of and corresponds with a change made under the plan of your Spouse's, former Spouse's, or Dependent's employer, so long as: (a) his or her employer's plan permits its participants to make an election change permitted under the IRS regulations; or (b) this Plan permits you to make an election for a period of coverage which is different from the period of coverage under his or her employer's plan.

To make a change, you must file a request for change with the Plan Administrator within thirty-one days of the event permitting the change.

Additionally, the Plan's Administrator may modify your election(s) downward during the Plan Year if you are a Key Employee or Highly Compensated Individual (as defined by the Internal Revenue Code), if necessary to prevent the Plan from becoming discriminatory within the meaning of the federal income tax law. The Plan Administrator will do so by reducing the salary reduction amounts for each affected Participant, by requiring each Participant to reduce their election by an equal specified percentage, until the defect is corrected.

Q-8. How are my Premium Payments made?

When you become a Participant, your premiums will be paid with that portion of gross income that you have elected to forego through pre-tax salary reductions.

Q-9. What if I terminate my employment during the Plan Year?

If your employment with the Employer is terminated during the Plan Year, your active participation in the Plan will cease, and you will not be able to make any more contributions to the Plan. See the insurance booklets for information on your right to continued or converted coverage after termination of your employment. If you are rehired within the same Plan Year and are eligible for the Plan and applicable accident and health benefits, you may make new elections, provided that you are rehired more than 30 days after you terminated employment. If you are rehired within 30 days or less, your prior elections shall remain in effect for the remainder of the Plan Year, subject to satisfying the eligibility requirements for the applicable accident and health plans.

Q-10. Will I pay any administrative costs under the Plan?

The Employer is currently bearing the entire cost of administering the Plan.

Q-11. How long will the Plan remain in effect?

Although the Employer expects to maintain the Plan indefinitely, it has the right to modify or terminate the program at any time. It is also possible that future changes in state or federal tax laws may require that the Plan be amended accordingly. Participants must be given thirty days advance notice in the event of Plan termination.

Q-12. What happens if a claim for benefits is denied?

There are no claims filed under the Pre-Tax Premium Payment Plan. If your claim is for a benefit under one of the component benefit plans or policies, you will generally proceed under the claims procedure applicable under the component benefit plan or policy. However, if you are denied a benefit under this Plan (such as the ability to pay for premiums on a pre-tax basis) due to an issue germane to your coverage under this Plan (i.e., such as a determination of: a Change in Status; a "significant" change in premiums charged; or eligibility and participation matters under the Cafeteria plan document), the claims procedure under this Plan will apply.

Q-13 What is "Continuation Coverage" and how does it work?

"Continuation Coverage" means your right, or your spouse's and dependent's rights, to continue to be covered under any of the component medical benefit plans if participation by you (including your spouse and dependents) otherwise would end due to the occurrence of a "Qualifying Event." A Qualifying Event is:

- termination of your employment (other than by reason of gross misconduct), or reduction of your work hours;
- your death;
- divorce or legal separation from your spouse;
- your becoming eligible to receive Medicare benefits;
- when a dependent of yours ceases to be a dependent.

For a Qualifying Event, other than a change in your employment status, it will be your obligation to inform the appropriate Plan Administrator of the event within thirty-one days of its occurrence. The Plan Administrator, in turn, has a legal obligation to furnish you, or your spouse, as the case may be, with separate, written options to continue the coverages provided at stated premium costs with respect to each plan in which you are a participant. The notification you will receive will explain all the rest of the terms and conditions of the continued coverage.

Q-14. What effect will Plan participation have on Social Security and other benefits?

Plan participation will reduce the amount of your taxable compensation. Accordingly, there could be a slight decrease in your Social Security benefits and/or other benefits (e.g., pension, disability and life insurance) which are based on taxable compensation.

Q-15. What is the Family and Medical Leave Act?

If your Employer is subject to the Family and Medical Leave Act (FMLA) (generally, employers with at least 50 employees are subject to such) and if you are on eligible leave under FMLA, then you may continue to pay for your Health Insurance coverage on an after-tax basis, or other arrangements may be available (such as prepaying on a pre-tax basis via extra salary reductions before you go on leave). If your Employer pays a portion of your Health Insurance premiums, then it must continue those payments. However, if you do not return from FMLA, you may be required to repay the Employer-paid portion of the Health Insurance premiums. If your Employer is subject to FMLA, then you should be provided with a complete explanation of your FMLA rights and responsibilities.

**PART II. ELECTING LESS THAN
THE MAXIMUM ANNUAL BENEFIT**

Any portion of your Compensation that you do not choose to apply toward the purchase of the benefits described above will be paid to you as regular, taxable Compensation.

PART III. SUPPLEMENTAL INFORMATION ABOUT OUR PLAN

This Section contains certain general information which you may need to know about the Plan.

1. General Plan Information

Drake University Section 125 Pre-tax Salary Reduction Premium Payment Plan is the name of the Plan.

Your Employer has assigned Plan Number 503 to your Plan.
Your Employer's EIN is 42-0680460-001.

The provisions of the Plan described herein became effective June 1, 2001. Takeover by Principal Financial Group effective January 1, 2002

Your Plan's records are maintained on a twelve-month period of time. This is known as the Plan Year.

The first Plan Year begins on June 1, 2001 and ends on May 31, 2002. Thereafter, the Plan Year is every year beginning June 1 and ending May 31.

2. Employer and Plan Administrator Information

The name, address, and business telephone number of your Plan's Administrator are:

Drake University
2507 University Avenue
Des Moines IA 50311-4505

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

3. Service of Legal Process

The name and address of the Plan's agent for service of legal process is:

Drake University
2507 University Avenue
Des Moines IA 50311-4505

4. Plan Fiduciary

Drake University