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SMCECBT

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NOTICE TO PARTICIPANTS

TO: All Eligible Retirees in the Premium Reimbursement Plan for Retirees of the Santa Monica City Employees Coalition Benefit Trust

FROM: Board of Trustees, Santa Monica City Employees Coalition Benefit Trust

RE: Reimbursement of premiums paid with pre-tax income (deducted pre-tax on paycheck) as a taxable benefit payment

DATE: November 18, 2024

This Summary of Material Modifications contains important information about your rights and benefits under the Premium Reimbursement Plan for Retirees ("Plan") of the Santa Monica City Employees Coalition Benefit Trust ("Trust"). Please file it with your important documents.

The Board of Trustees of the Santa Monica City Employees Coalition Benefit Trust is pleased to inform you that the Plan has been amended, as described below, to allow for the reimbursement of premiums paid with pre-tax income as taxable benefit payments. The Amendment will be retroactive to January 1, 2024, allowing for reimbursements of insurance premiums paid with pre-tax income, subject to the terms of the Plan, for all of 2024. Please note that these benefit payments will be taxable income to you, and you will receive a Form 1099 from the Plan for these benefit payments.

Please use the enclosed Claim Form to submit a claim for 2024 insurance premiums that you paid pre-tax and did not previously submit or were previously denied. The Trust Office requests that Eligible Retirees intending to request reimbursement of Premiums paid with pre-tax income for 2024 submit the enclosed Claim Form, along with supporting documentation of the Premiums by December 31, 2024. If you need assistance, please reach out to the Trust Office (contact information above).

A. Reimbursement of Premiums Paid with Pre-Tax Income as Taxable Benefit Payment. Until recently, the Plan did not allow for the reimbursement of insurance premiums paid with pre-tax income. Payment "pre-tax" means that you paid the premium with income that is not taxable to you, *i.e.*, the premium amount was deducted from a paycheck prior to taxation. For example, your spouse's employer deducted the premium from your spouse's salary or wages prior to calculating the spouse's taxable income (like from a cafeteria plan). Thus, the amount of your spouse's income deducted for premium payment will not be reported on a W-2 form and will not be taxable income to you or your spouse.[1]

The Trustees have amended the Plan to allow for reimbursement of premiums paid with pre-tax income in order to enable Plan participants to fully use this benefit. This change will become effective (i.e., operative) for premium payments that you paid on or after January 1, 2024. However, in this circumstance the IRS requires the Plan to issue a Form 1099 to the Plan participant to show that he or she has received taxable income from the Trust.[2]

Please note that the Trust Office will be issuing Forms 1099 to Plan participants who submit claims for reimbursement of Premiums where the claims documentation indicates that the insurance premiums were paid on a "pre-tax" or "tax deferred" basis.

B. Requesting Reimbursement of Premiums Paid With Pre-Tax Income. If you want to start submitting claims for insurance premiums paid with pre-tax income, please use the enclosed Claim Form. You can also contact the Trust Office, or go to the Trust website at www.smcecbt.org to get the updated Claim Form. The new Claim Form has a place for you to indicate that you want a taxable benefit payment for reimbursement of premiums paid with pre-tax income or premium payments deducted on your personal income tax return. Please note that this new policy to pay taxable benefit payments is retroactive and effective as of January 1, 2024.

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If you have any questions about this Notice or would like a copy of the Summary Plan Description, or the full Plan, please contact the Trust Office at phone: (800) 828-0223 or email santamonicacity@bpabenefits.com. Please keep this Notice with your Summary Plan Description for future reference.

NOTE: This Summary of Material Modifications, as required by the Employee Retirement Income Security Act of 1974, as amended (ERISA), is designed to explain recent changes made to the Medical Expense Reimbursement Plan. However, it does not provide all the details and limitations of the Plan. Exact specifications are provided in the "Premium Reimbursement Plan for Retirees of the Santa Monica City Employees Coalition Benefit Trust," restated effective February 1, 2018, and as amended thereafter, which will prevail in case of conflict with this Notice. Please keep this Notice with your Summary Plan Description, as an update to that document.

[1] This Plan must tax you on any reimbursement of insurance premiums that you deduct on your personal income tax, or pay with pre-tax income, in order to avoid a double tax advantage that could create penalties from the IRS.
[2] IRS Publication 502, available at https://www.irs.gov/pub/irs-pdf/p502.pdf, specifically indicates that premiums which are not included in your income on your Form W-2, are not tax-deductible premiums.