

RETIREE MEDICAL PLAN OF THE SANTA MONICA POLICE OFFICERS' ASSOCIATION REIMBURSEMENT TRUST

Administered By: Benefit Programs Administration
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Summary of Material Modifications to the Summary Plan Description (SPD) dated September 1, 2022 (Please review this notice and keep it with your SPD).

This Summary of Material Modifications (SMM) modifies the Summary Plan Description (SPD) for the Retiree Medical Plan of the Santa Monica Police Officers' Association Reimbursement Trust (the Third Restatement, effective September 1, 2022) (the Plan). The Board of Trustees adopted Amendment No. 2 to the Plan (enclosed) to allow for the reimbursement of premiums paid with pre-tax income as taxable benefit payments under the Plan and to require Beneficiaries to provide additional proof of Premiums, if requested by the Plan for the Annual Verification Program.

1. In your SPD, section IV, entitled "Type of Plan" on page 2, shall be deleted in its entirety and replaced with the following, effective January 1, 2024:

IV. Type of Plan

This Plan is a welfare benefit plan, providing reimbursements for health insurance premiums and certain qualifying medical expenses (collectively, referred to as "Premiums" and as defined in Section 1.16 of the Plan). At times, health insurance premiums will also be referred to as "Insurance Premiums"; and qualifying medical expenses, such as for co-payments or the costs of prescription drugs will be referred to as "Expenses."

Generally, Insurance Premiums are defined in section 1.16(a) of the Plan and shall also include individual health coverage (or a Qualified Health Plan) for excepted benefits only (such as standalone dental or vision coverage) purchased through a state or federal insurance Exchange (Exchange) as set out in the Patient and Protection Affordable Care Act (PPACA). Insurance Premiums do not include any other type of individual health coverage (or a Qualified Health Plan) purchased through an Exchange as set out in PPACA.

Until recently, the Plan did not allow for the reimbursement of 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 your income prior to taxation.

Effective January 1, 2024, the Plan has been amended to allow for reimbursement of premiums paid with pre-tax income. To the extent an Eligible Retiree or Beneficiary may elect to receive reimbursement for such pre-tax premiums from the Plan, the Plan shall report reimbursement for such pre-tax premiums as taxable income to the IRS and any

applicable State Tax authority. This will be done using the appropriate forms, such as IRS Form 1099-MISC.

The Plan does not reimburse for premiums for faith-based health ministries (unless they meet certain tax law requirements).

Qualifying medical expenses, such as for co-payments or the costs of prescription drugs will be referred to as “Expenses” and are defined in section 1.16(b) of the Plan.

2. In your SPD, a new subsection will be inserted under section VIII.F, entitled “Participation, Eligibility and Reimbursements” on page 5. This new subsection 4 will be inserted after subsection 3 (which was added pursuant to Amendment No. 1 to the Plan.). This new subsection 4 shall read, as follows, effective January 1, 2025:

VIII. Participation, Eligibility and Reimbursements

...

F. Annual Verification Program

...

4. Eligible Beneficiaries receiving reimbursements under the Annual Verification Program are responsible for providing proof of all Premiums submitted for reimbursement, including responding in writing to the Plan’s requests for substantiation and for submitting additional proof to the Plan of Premiums incurred and paid, within 30 days of any notice from the Plan.

Effective January 1, 2025, Eligible Beneficiaries who fail to respond in writing to the Plan’s requests for substantiation, including requests for additional proof of Premiums incurred and paid, within 30 days of any notice from the Plan, shall cause their reimbursements to be suspended under the Plan. Any unsubstantiated amount paid shall be deemed taxable income by the IRS and any applicable State Tax authority. For example, the Plan will issue a Form IRS 1099-MISC to the Beneficiary for the unsubstantiated amount. If the Beneficiary’s eligibility is reestablished under the Trust, the Beneficiary may be excluded from the Annual Verification Program as determined by the Board of Trustees in their sole discretion.

*** End of Revisions to SPD ***

We appreciate your continued support.

Sincerely,

Board of Trustees
SMPOA Reimbursement Trust