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INFORMATION BULLETIN

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REQUIREMENTS FOR ADDING DEPENDENTS TO MEDICAL AND DENTAL PLANS FOR 2012

Appropriate documentation must be presented when enrolling dependents into the Aetna Medical/Dental Plan, a Health Maintenance Organization (HMO), or the Stand Alone Dental Plan (SAD). This applies to dependents of new hires, employees enrolling dependents during the Open Enrollment including employees who switch from an HMO to the Aetna Plan, and adult children not already in the Aetna medical plan or an HMO plan. Adult children may be covered to age 26 regardless of whether they have access to other employer-sponsored health care coverage. **Documentation requirements are as follows:**

RELATIONSHIP	DOCUMENTATION REQUIREMENT
Spouse	• Copy of Marriage Certificate or copy of presently valid affidavit or declaration of Common Law Marriage **AND** • A copy of the first page of the latest federal tax Form 1040 that indicates "married filing jointly; or copy of the first page of the latest federal tax Form 1040 that indicates "married filing separately" (spouse's name must appear on the line provided after the "married filing separately status.
Same Sex Domestic Partner	• Signed Certification of Same-Sex Domestic Partnership, Form NES 1101 **AND** • A copy of the employee's and Domestic Partner's first page of the latest federal tax Form 1040, or other document that evidences current shared financial responsibility.
Biological Child	• Copy of Birth Certificate. • Proof of name if your adult child's last name is different from the name on his or her birth certificate. Examples of proof documents are marriage certificates and court documents.
Step-Child	• Copy of Birth Certificate and copy of Marriage Certificate showing the union of employee and natural parent. • Proof of name if your adult child's last name is different from the name on his or her birth certificate. Examples of proof documents are marriage certificates and court documents.
Foster, adopted, or children under your legal guardianship	• Copy of Birth Certificate and Court Order recognizing Guardianship/Placement with the employee. • Proof of name if your adult child's last name is different from the name on his or her birth certificate. Examples of proof documents are marriage certificates and court documents.
Disabled Child	• Copy of Birth Certificate and physician statement certifying that the dependent child is incapable of self-sustaining employment due to mental or physical disability.
Domestic Partner Child	• Copy of Birth Certificate. • Proof of name if your adult child's last name is different from the name on his or her birth certificate. Examples of proof documents are marriage certificates and court documents.

Dependents must be added within 31 days of a qualifying event; otherwise, they must wait for open enrollment and submit supporting documentation.

Proof must be submitted to your servicing Human Resources Office (HRO) at the time of enrollment in the Aetna medical/dental plan, HMO plan, or SAD. If you have questions regarding these requirements, please contact your local HRO or Ms. Rosie Serrano, NEXCOM Benefits Manager at roseann.serrano@nexweb.org or (757) 440 – 4752.

TAX IMPLICATIONS: ADDING SAME SEX DOMESTIC PARTNERS (AND CHILDREN)

Employee premium contributions are made on a pre-tax basis. Under federal tax law, employer contributions for health insurance are excluded from an employee's gross income. However, federal law permits the exclusion of employer contributions from gross income only for coverage of the employee, the employee's spouse, and the employee's dependents. If your domestic partner is not considered a "tax dependent" under federal law, NEXCOM must include in your gross income the Fair Market Value (FMV) of the health insurance benefits provided to your domestic partner.

In order to be considered a tax dependent, your domestic partner must meet the federal qualifications for a "qualifying relative." A domestic partner would be a tax dependent for purposes of exclusion if he/she/they share the employee's principal residence; the employee pays half his/her/their total support for the year; the domestic partner (and child) are US citizens, nationals, or residents; and the relationship does not violate local law.

Medical/Dental Plan

NON-TAX QUALIFIED DEPENDENTS

If you add a dependent to your medical/dental plan who **DOES NOT** qualify as a tax dependent under the Internal Revenue Code Section 152 and Notice 2010-38, the FMV of NEXCOM's contribution toward the coverage is considered a taxable benefit, subject to tax withholding. This calculated benefit is known as imputed income. This benefit will increase your taxable income. Therefore, your Federal, Social Security and Medicare taxes will increase. (State tax treatment is determined by each State). As a result, your net pay will decrease.

In addition, the employee's portion of the premium contributions will continue to be deducted on a pre-tax basis. However, employee premium contributions for domestic partners and their eligible dependents will be deducted on an after-tax basis.

TAX QUALIFIED DEPENDENTS

The value of employer-provided health coverage and benefits are excludible from an employee's and domestic partner's taxable income if the domestic partner and/or child are tax dependent(s) of the employee.

Stand Alone Dental Plan

Regardless of whether your domestic partner/children are tax dependents, there is no imputed income value because the SAD plan is a 100% employee paid plan. Therefore, your net pay will not decrease. Your premiums may be made on a pre-tax basis.

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Distribution:
NEXCOMINST 5218.1 (References Distribution Lists)
List 1 (Directors/Staff Assistants)
List A (District Managers)
List C (GMs NEXs/DETs)
List 2 (All Hands)