UNITED STATES AIR FORCE
NONAPPROPRIATED FUND (NAF)

FLEXIBLE SPENDING ACCOUNTS

Health and Dependent Care

Summary Plan Description (SPD)

EFFECTIVE DATE OF PLAN:

JANUARY 01, 2016

Introduction

Air Force Nonappropriated Fund Insurance Group maintains the Flexible Spending Accounts (FSA Health Care and FSA Dependent Care) for the exclusive benefit of its eligible employees and their eligible dependents.

A Flexible Spending Account (FSA) allows you to set aside a portion of your salary in a special account. You can then use the money in your account(s) to reimburse yourself for qualified health care and/or dependent care expenses. Your taxable salary is reduced by the amount you set aside in your account(s), so you pay lower income taxes and Social Security taxes.

Participation in the FSAs is voluntary. You may elect to participate and how much money to set aside for each plan, within the minimums and maximums allowable shown below.

Plan Year:	January 1st through December 31st of each year.
Employer/Plan Sponsor:	Air Force Nonappropriated Fund Instrumentalities AFSVA/SVXHI 2261 Hughes Avenue, Ste. 156 JBSA Lackland, TX 78236-9854
Plan Funding and Type of Administration:	The Plan is fully insured. Benefits are provided under the Air Force Group Health Insurance between the Employer and ADP. Claims for benefits are sent to ADP, who is responsible for paying claims. ADP and the Employer share responsibility for administering the Plan. Insurance premiums for employees and their eligible dependents are paid in part by the Plan Sponsor out of its general assets, and in part by employees' payroll deductions.
Plan Administrator:	Air Force Insurance Fund AFSVA/SVXHI 2261 Hughes Avenue, Ste. 156 JBSA Lackland, TX 78236-9854 Attention: Thaddeus Fernandez
Named Fiduciary:	Air Force Insurance Fund AFSVA/SVXHI 2261 Hughes Avenue, Ste. 156 JBSA Lackland, TX 78236-9854

Eligibility

You are eligible to participate in the Plan if you are a regular Air Force Nonappropriated Fund (AFNAF) employee.

The Plan will extend benefits to dependent children placed with you for adoption under the same terms and conditions as applied in the case of dependent children who are your natural children. Also, eligible is any child covered under a Qualified Medical Child Support Order (QMCSO) as defined by applicable law.

If eligible, you must complete the online enrollment process at https://AirforceNAF.adp.com or if you have questions contact the Air Force FSA Service Center.

Coverage will terminate if you no longer meet the regular eligibility status. Coverage may also terminate if you fail to pay your share of the premium, if you submit false claims, etc. Coverage for your spouse and dependents stops when your coverage stops. Spouse and dependents coverage will also stop for other reasons.

Former Participants who were terminated and are rehired during the same Plan Year will be responsible for repayment of missed contributions for that plan year.

How/When to Enroll:
You may enroll in the FSA Health Care and/or FSA Dependent Care during the annual Open Enrollment period. There are two ways to enroll:

1. Go to https://AirforceNAF.adp.com to complete your online enrollment.
2. Contact the Air Force FSA Service Center, toll-free, at 1-844-842-1400, Monday through Friday, between 8:00 a.m. until 8:00 p.m., Central Time.

Electronic Funds Transfer (EFT), also referred to as direct deposit, is required to participate. If your banking institution does not accept EFT, you will need to provide an official document from your banking institution stating this.

Your completed enrollment process authorizes your employer to deposit a portion of your pre-tax earnings into your elected FSA account(s).

Federal law requires that whatever election made by you to remain unchanged throughout the applicable plan year unless you have experience a "qualified life event."

New Employee must enroll within 60 days of your hire date or the date you become eligible to participate in FSA Health Care and/or FSA Dependent Care. Your election will be in effect until the end of that Plan year. Contribution will begin in the same pay period as the election date.

Annual Enrollment is the opportunity to review your benefit needs for the next plan year and make changes to your elections, if necessary. The election(s) made will be effective January 1st of the next plan year. To continue your enrollment in the FSA Health Care and/or FSA Dependent Care you must re-enroll every year.

Qualified Life Event (QLE)

QLE allows you to enroll in an FSA within 31 days before or 60 days after the event. The change in your FSA election must be consistent with the change in your family status. Any qualified life event that occurs after September 1st that provides an opportunity for a participation election or contribution change will require an election before the October 31st annual cutoff date.

Changes:

The IRS requires that your Flexible Spending Account elections stay in effect throughout the full plan year. Once an election is made you cannot make changes to your election unless you experience a "qualified life event."

NOTE. You cannot reduce your annual election amount lower than the amount you have already received in reimbursement or that has been contributed.

The following are qualified life events:

Qualified Life Event	FSA Health Care	FSA Dependent Care
Marriage	Enroll, Increase	Enroll, Increase
Divorce	Enroll, Decrease	Enroll, Decrease
Death of Spouse	Enroll, Decrease	Enroll, Decrease
Birth/Adoption of Child	Enroll, Increase	Enroll, Increase
Gain Custody/Guardianship of child	Enroll, Increase	Enroll, Increase
Death of child	Decrease	Decrease
Lost Custody/Guardianship of child	Decrease	Decrease
Dependent Child no longer Eligible for health coverage	Decrease	N/A
Dependent care cost change	N/A	Increase, Decrease
Spouse lost health coverage under another plan	Enroll, Increase	Enroll, Increase
Lost coverage under spouse health plan	Enroll, Increase	Enroll, Increase
Increase/Decrease tax dependents	Enroll, Increase, Decrease	Enroll, Increase, Decrease

If you failed to report the qualified life event within the 60-day period, you will not be allowed to make the change until the next FSA Open Enrollment period.

Cutoff on Enrollments and Increases

Effective November 1st through December 31st of each plan year, the following actions will not be allowed for the current year:

- Enrollments (New hire and/or qualifying life event)
- Increases/Decrease due to Qualified Life Event

Limit on Decreasing Elections

A Qualified Life Event allows you to decrease your FSA Health Care and/or Dependent Care election within 60 days, your new decreased election amount will be limited to the larger of:

- Your contributions as of the date you request the decrease, or
- Your reimbursements as of the date you request the decrease

For additional clarification refer to the Air Force Group Insurance Department.

When on Leave of Absence

Paid Leave

Your participation in the Health Care and/or Dependent Care FSA will not be affected if you are granted a paid leave of absence. Payroll deductions will continue and you can still use your FSA to reimburse for eligible expenses.

Unpaid Leave

During an unpaid leave of absence you contribution and participation in the Health Care and/or Dependent Care FSA will stop on the first day of the absence. You can continue to be reimbursed from your Health Care and/or Dependent Care FSA for eligible expenses you had incurred while you were actively at work. You will not be reimbursed for expenses incurred during the unpaid leave of absence. Any balance in your account from the contributions made before your leave can be used for claims incurred upon your return to work.

When you return, the contributions are required to meet your election for that Plan year; therefore, your contributions will be recalculated (will increase) over the remaining pay periods in the year.

Health Care FSA will be reinstated fully in the HCFSA Plan (retroactive to the date of your absence began). After reinstatement, you may request reimbursement for expenses incurred at any time in the year when enrolled.

Dependent Care FSA will be reinstated in the DCFSA Plan as of the date of return. After reinstatement, you may request reimbursement for expenses incurred at any time in the year when enrolled.

When Employment Ends

If your employment ends during the year, your contributions to your Health Care and/or Dependent Care FSA end.

For your Health Care FSA, you can be reimbursed for eligible expenses you incur up to your last day worked provided your account balance is sufficient and you submit your claims within 60 calendar days after your termination date.

If you terminate employment and you still have a balance in your DCFSA, you may continue to submit claims for reimbursement for eligible expenses you incur after your termination date but before the end of the Benefit Period, up to the amount of your balance.

If you are rehired in an eligible status within the same plan year, you must enroll in the appropriate FSA plan prior to your termination. Rehires after September 1st will require an election before October 31st.

How Your Flexible Spending Account Works

Your bi-weekly payroll deductions fund your FSA(s) by directing a portion of your earnings to your account(s) on a pre-tax basis. You cannot deposit cash directly into your account(s). Once an election is made you will not be able to change your election unless a qualifying life event occurs, nor can you transfer funds from one FSA to another.

The IRS imposes a "use or lose" rule on the FSA Plan: you forfeit any funds that remain in your account after reimbursement of your eligible expenses for the year.

Specific Plan Information

	FSA Health Care	FSA Dependent Care
Minimum Annual contribution	$100	$100
Maximum Annual contribution	$2,550	$5,000
Minimum reimbursement amount	$10	$10

Limits and Restrictions

To preserve the favorable tax treatment of your contributions, there are important limitations that you should understand before participating in the Flexible Spending Account(s).

1. FSA is known as a "use or lose" arrangement, which means that if you do not spend all of the funds in your account, you lose the unspent balance.
2. FSA is not a fund as you go account. You must calculate the amount of anticipated expenses for the year and elect to enroll in FSA annually. You should carefully calculate only what you will spend out of pocket for the next election year.
3. Eligible for reimbursement from Health Care FSA are expenses incurred for you, or a tax qualified dependent. A tax-qualified dependent is someone who you claim a tax exemption.
4. Dependent Care limits the tax credits you may be able to take for dependent care expenses. To be eligible for reimbursement from the Dependent Care FSA, these expenses must be for your qualified dependents. You can use both the FSAs and tax credit provided you do not claim the same expenses for both. However, Federal Regulations require that your dependent care tax credit be reduced dollar by dollar by whatever you put into your FSA. Ask your tax advisor to help you choose the right alternative for your tax bracket.
5. IRS sets additional limits on your contributions if you are married and your spouse has a Dependent Care FSA through their employer. Your maximum combined Dependent Care

contribution is $5,000 in a calendar year. If you file separate Federal Tax Returns, your single maximum contribution is $2,500 per calendar year.

6. If your spouse is either disabled or a full time student, the IRS considers their earnings to be $250 per month if you have one eligible dependent and $500 if you have more than one eligible dependent.
7. Keep in mind that you can deduct unreimbursed health expenses from your Federal Income Tax only if you exceed the annual threshold established by the IRS.
8. Dependent Care (Day Care) Flexible Spending Account (DCFSA) – used to pay for eligible dependent care expenses such as child care for children under age 13 or day care for anyone who you claim as a dependent on your Federal tax return who is physically or mentally incapable of self-care so that you (and your spouse, if you are married) can work, look for work, or your spouse can attend school full-time.

How to Enroll and Submit for Reimbursement

You first need to determine how much money you want to elect for your account(s) for the upcoming Benefit Period. The maximum you can elect for a Benefit Period is $5,000 per DCFSA, and, $2,550 per HCFSA. However, the household limit for a DCFSA is $5,000 ($2,500 if you are married, but filing separately). The minimum annual amount you can elect is $100 per account.

You should review your current year expenses, and take into account any changes that will occur in the upcoming year when making your annual elections. Keep in mind you will also forfeit any monies you don't use within the Benefit Period, so plan carefully.

Second, you actually enroll in the program.

Once you have decided on your annual election, you will need to enroll in a HCFSA, and/or a DCFSA, and you specify your annual election(s) — that is, how much money you want to have deducted from your pay and deposited into your account(s) for you to use during the upcoming Benefit Period.

You can enroll online during Open Enrollment at https://AirforceNAF.adp.com or if you have questions you may contact the Air Force FSA Service Center, toll-free, at 1-844-842-1400, Monday through Friday, from 8:00 a.m. until 8:00 p.m., Central Time. Outside of Open Enrollment, you may enroll or change your current election if you experience a Qualifying Life Event.

Next, your annual election(s) is deducted from your pay in allotments. After you make your election for the Benefit Period, ADP will deduct your annual election(s) in installments, called deductions. The deductions are spread evenly over the number of pay dates remaining in the Benefit Period.

You are now ready to incur expenses and submit claims. You will pay for your out-of-pocket expenses upfront then submit your health and dependent care expenses to ADP for processing. Remember to include supporting documentation with your submission (itemized statement, receipt, EOB, etc.).

You have several options for submitting claims: mail, fax and online.

- Online Claim Submission – To submit online claims, you will log into your secure, online account. You must upload an image of your supporting documentation in PDF, .TIF or .JPEG with your claim information.
- Toll-free Fax: 1-866-643-2219
- Mail: PO Box 34700, Louisville, KY 40232

Once your claim(s) is processed, ADP will release reimbursements to the account provided by you. Reimbursements are released daily; however, you must accrue a minimum reimbursement amount of $10 before funds will be released. Remember, Electronic Funds Transfer (EFT) is required to participate. If you do not have EFT set up, reimbursement will be held until this has been completed. You can update your EFT information at any time at https://AirforceNAF.adp.com through your secure online account.

How to Appeal a Claim Decision

If your claim(s) is denied for reimbursement and you feel that your claim is valid under IRS code for either HCFSA and/or DCFSA, you may submit an appeal to ADP with an explanation of why your claims should be approved for reimbursement. The Plan provides for two levels of appeal to ADP, and the third level appeal will be submitted to the Air Force Insurance Fund (AFIF), Group Insurance Section.

- You must request your first appeal (level one) within 30 calendar days after you receive the notice of a claim denial.
- If you are dissatisfied with the outcome of your level one appeal to ADP, you may ask for a second review (a level two appeal). You must request a level two appeal no later than 30 calendar days after you receive the level one notice of denial.
- You can file an appeal with the AFIF, Group Insurance Section after you have exhausted the level one and level two appeal process (if your claim qualifies). You have 30 calendar days to submit the appeal to the AFIF, Group Insurance Section after you receive the level two denial notice.

Level One and Level Two Appeals to ADP

Your appeal must be submitted in writing to Air Force FSA Service Center, and should include:

- Your Name;
- The name of your employer;
- A copy of ADP denial notice;
- Your reason for making the appeal; and
- Any other information you would like to have considered.

Mail your appeal to ADP, PO Box 34700, Louisville, KY 40232, by toll-free fax to 1-866-643-2219 or call toll free, at 1-844-842-1400.

Appeal to a AFIF, Group Insurance Section

You may file an appeal to the AFSVA/SVXHI, Group Insurance Section after level two of the appeal process has been exhausted, and your claim is still denied. Level three appeals are voluntary.

Note. AFSVA/SVXHI, Group Insurance Section has the right to obtain information from ADP that is relevant to your claim. Your appeal will be reviewed and a decision will be made within 30 days after receiving your appeal request. If additional time is required to make a final decision, you will be notified in advance of this extension.

You must submit your voluntary appeal in writing, and include the following information:

- The reason for the appeal;
- Copies of all past correspondence with ADP (including denial notices); and
- Any applicable information that you have not yet sent to ADP.

The final decision on your appeal will be sent to you electronically or in writing. The notice will give you the reason for the decision. All decisions by the AFIF, Insurance Group will be final and binding.

Eligible Expenses Guide

Health Care

- Copays, deductibles, and coinsurance
- Acne treatment*
- Acupuncture
- Blood pressure monitors
- Body scans
- Childbirth classes
- Chiropractic care
- Contact lenses (prescription), solutions, cleaners and cases
- Dental care (including crowns, endodontic services, fillings, implants, oral surgery, periodontal services and sealants, but not porcelain veneers)
- Diabetic supplies
- Fertility treatments
- First aid kits
- Flu shots
- Foot care (e.g., athlete's foot products, arch supports, callous removers, etc.)
- Gym membership*
- Hearing aids (including batteries)
- Home diagnostic tests and kits (e.g., cholesterol, colorectal screenings, etc.)
- Home medical equipment* (e.g., crutches, wheelchairs, canes, oxygen, respirators, etc.)
- Laser eye surgery
- Learning disability therapies* (including speech therapy and remedial reading)
- Medical supplies
- Mental health counseling
- Occupational therapy
- Orthodontia
- Over-the-counter medicines (prescription only)
- Physical therapy
- Prescription drugs
- Preventive care screenings
- Prosthetics
- Psychiatric services and care
- Service animals
- Shipping and handling charges for medical needs, such as eligible over-the-counter items and mail-order prescriptions
- Smoking cessation products (prescription only)
- Specialized equipment and services for disabled persons*
- Substance abuse treatment
- Sunscreen
- Transportation expenses related to medical care
- Vision care (including prescription eyeglasses, prescription sunglasses)
- Weight Loss*

Dependent Care

- Child care (at a day care center, day camp, sports camp, nursery school or by a private sitter)
- Before and after-school care (must be billed separately from tuition)
- Adult day care expenses
- Expenses for a housekeeper whose duties include caring for an eligible dependent
- Placement fee expenses and stipend for an au pair

This is a sample list only. Eligible expenses are subject to change based on IRS guidance. You may find additional information about eligible health care expenses from IRS Publication 502 "Medical and Dental Expenses," or IRS website at http://irs.gov.

* Expenses that require a letter of medical necessity from your health care provider in order to be considered eligible for reimbursement.