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Article III — Medical Expense Reimbursement Accounts

§ 20-301 Establishment of Accounts.

The Employer will establish and maintain on its books a Medical Expense Reimbursement Account for each Plan Year with respect to each Participant who has elected under the Cafeteria Plan to receive Medical Expense Reimbursement coverage under this Plan for the Plan Year.

§ 20-302 Crediting of Accounts.

(a) **In General.** As of the first day of each Plan Year, the Medical Expense Reimbursement Account for that Plan Year of each Participant who elected coverage under this Plan for that Plan Year shall be credited with an amount equal to the Participant's Coverage Amount for such Plan Year, as in effect on the first day of the Plan Year.

(b) **Mid-Year Entrants.** If a person becomes a Participant in this Plan after the beginning of a Plan Year, the Participant's Medical Expense Reimbursement Account for that Plan Year shall be credited, as of the date he becomes a Participant, with an amount equal to the Participant's Coverage Amount for such Plan Year as in effect on the date he becomes a Participant. This subsection (b) shall only apply the first time a person becomes a Participant in any Plan Year.

(c) **Mid-Year Increases in Coverage.** If the Coverage Amount of a Participant for any Plan Year increases at any time due to a change in coverage permitted under the terms of the Cafeteria Plan and elected by the Participant or imposed by the Administrator, the Participant's Medical Expense Reimbursement Account for that Plan Year shall be credited, as of the effective date of the change in coverage, with an amount equal to the difference between Participant's Coverage Amount for such Plan Year as in effect after the change and the Participant's Coverage Amount for such Plan Year as in effect immediately before the change.

(d) **Credits Remain Property of Employer Until Paid.** All amounts credited to a Medical Expense Reimbursement Account shall be and remain the property of the Employer until paid out pursuant to Article IV.

§ 20-303 Debiting of Accounts.

(a) **Payment of Reimbursements.** A Participant's Medical Expense Reimbursement Account for a given Plan Year shall be debited from time to time in the amount of any payment under Article IV to or for the benefit of the Participant for Qualifying Medical Care Expenses incurred during such Plan Year.

(b) Mid-Year Decreases in Coverage. If the Coverage Amount of a Participant for any Plan Year decreases at any time due to a change in coverage permitted under the terms of the Cafeteria Plan or this Plan, and elected by the Participant or imposed by the Administrator, an amount equal to the difference between Participant's Coverage Amount for such Plan Year as in effect before the change and the Participant's Coverage Amount for such Plan Year as in effect immediately after the change shall be debited from the Participant's Medical Expense Reimbursement Account for that Plan Year as of the effective date of the change in coverage.

§ 20-304 Forfeiture of Accounts.

(a) In General. The amount credited to a Participant's Medical Expense Reimbursement Account for any Plan Year shall be used only to reimburse the Participant for Qualifying Medical Care Expenses—

(1) incurred—

(A) during such Plan Year and while he was a Participant; *or*

(B) during the Grace Period for such Plan Year *if* the Participant was a Participant on the last day of the Plan Year; *and*

(2) submitted to the Plan for reimbursement during such Plan Year or within three (3) months after the close of such Plan Year.

An expense is incurred on the date services are rendered, regardless of when the services are billed or paid.

(b) Unused Balance. If any balance remains in a Participant's Medical Expense Reimbursement Account for any Plan Year after all permissible reimbursements under this Plan—

(1) such balance shall *not* be carried over to reimburse the Participant for any Qualifying Medical Care Expenses incurred during a subsequent Plan Year;

(2) such balance shall not be available to the Participant in any other form or manner;

(3) the Participant shall forfeit all rights with respect to such balance; *and*

(4) such balance shall remain the property of the Employer, and be applied in accordance with § 20-305.

§ 20-305 Application of Forfeitures

(a) Net Experience Gains. For purposes of this § 20-305, the Plan shall recognize a “net experience gain” for a Plan Year whenever the total amount of reimbursements paid from the Medical Expense Reimbursement Accounts of Participants for the Plan Year exceeds the total amount of contributions made by or on behalf of the Participants for coverage under this Plan for the Plan Year, whether through compensation reductions under the Cafeteria Plan or through payments of required premiums for continued coverage under § 20-205. The amount of the “net experience gain” shall be equal to the difference between the amount of contributions received and the reimbursements paid. Net experience gains result from forfeitures from the accounts of

Participants, less plan losses for Participants who received more reimbursements than the contributions they paid for the coverage (*e.g.*, due to termination of employment during the Plan Year).

(b) Application of Net Experience Gains. If there is a net experience gain for any Plan Year, the amount of the net experience gain shall be retained by the Employer in accordance with Treas. Regs. § 1-125-5(o)(1)(i).