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# Introduction

Life-styles and family situations can differ greatly among employees. Prudential has committed significant resources to respecting these differences and making Prudential a diverse work place - one that offers programs and policies to meet our employees' diverse needs. That's why Prudential provides flexibility in whom you can cover as an eligible dependent under our Medical and Dental Programs. Beginning January 1, 2000, coverage for *adult* dependents may include a legal spouse or a qualified adult. This means you can cover up to two adults - you plus your spouse or you plus another qualified adult - under the Medical and Dental Programs.

This coverage is also available to retirees who retire after January 1, 2000, to meet the diverse needs of retirees.

The purpose of this kit is to help you better understand the eligibility requirements and enrollment process for qualified adult health care coverage. Generally, a qualified adult is subject to the same conditions as other eligible dependents covered under the Medical and Dental Programs, except as noted in this kit. Please remember that tax and legal consequences may be associated with your decision to elect health care coverage for a qualified adult. We advise you to consult with your legal or tax representative. (Please see Pages 3-5 for more information.)

If you have questions about your options for qualified adult health care coverage, please call the Employee Service Center at 1-800-PRU-EASY (1-800-778-3279) and follow the prompts for benefits. A telephone device for the hearing impaired is available by dialing 1-800-453-3022. Customer Service Representatives are available to answer your questions Monday through Friday from 8 a.m. to 6 p.m. Eastern Time.

Note: This information does not contain all of the details contained in the applicable contracts, plan documents and the Employee Benefits Handbook. If there is any discrepancy, the plan documents will always govern.

# Understanding Qualified Adult Coverage

## Defining a Qualified Adult

For purposes of coverage under the Medical and Dental Programs, a qualified adult may be a spouse, a domestic partner or an extended family member. Domestic partner and extended family member are defined below.

## Domestic Partner

To meet the eligibility requirements for a same- or opposite-sex domestic partner under the Medical and Dental Programs, your domestic partner must:

- be age 18 or older and less than 65;
- have lived with you for at least six months and remain a member of your household for the period of coverage;
- have a serious and committed relationship with you;
- be financially interdependent with you;
- not be related to you in any way that would prohibit legal marriage;
- not be legally married or a domestic partner to anyone else; and
- not otherwise be eligible for coverage under Prudential Medical and Dental programs (e.g., a Prudential retiree).

## Financially Interdependent

As a requirement for domestic partner eligibility, “financially interdependent” means that you and your domestic partner share the cost of food and housing. You both don’t have to contribute equally or jointly for each of these expenses as long as you are both responsible for such costs.

## Extended Family Member

To meet the eligibility requirements as an extended family member under the Medical and Dental Programs, the person must:

- be age 18 or older and less than 65;
- meet the definition of dependent as defined in the Internal Revenue Code during the period of coverage;
- have lived with you for at least six months and remain a member of your household during the period of coverage; and
- not otherwise be eligible for coverage under Prudential Medical and Dental programs (e.g., a Prudential retiree).

## Coverage Eligibility

The eligibility of a qualified adult to enroll for coverage is based on the status of the employee or retiree. Full-time employees may enroll their qualified adult in the Medical and Dental Programs. Eligible part-time employees may enroll their qualified adult in the Medical Program.

## Internal Revenue Code Definition of “Dependent”

One criterion for extended family member eligibility is to meet the Internal Revenue Code’s definition of “dependent” during the period of health care coverage. The Internal Revenue Code generally defines a dependent as someone who meets *all three* of the following conditions:

### 1. Support

You must provide more than 50% of the support for the extended family member in each coverage year. Support means the sum of the:

- rental value of housing, clothing, education, recreation, and transportation;
- cost for the individual’s medical and dental care; and
- cost for a proportionate share of other expenses necessary to support your household (such as food), which cannot be directly attributable to the individual.

### 2. Relationship

The extended family member must be:

- your mother, father, grandmother, grandfather, stepmother, stepfather, mother-in-law or father-in-law; or
- your brother, sister, stepbrother, or stepsister; or
- your niece, nephew, aunt, or uncle; or
- your son, daughter, stepson, stepdaughter, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; or
- another individual other than a spouse who lives in your home and is a member of your household (but the relationship between you and the individual cannot be in violation of state and local law).

### 3. Citizenship

Your extended family member must be a citizen or resident of the United States or a resident of Canada or Mexico.

Because the Internal Revenue Code’s eligibility requirements for a “dependent” can be very complex, Prudential recommends that you consult a tax professional for advice on your personal situation.

## Imputed Income

You'll pay the same amount for qualified adult coverage that you would pay for other eligible adult dependents. The contribution amount is determined according to the coverage selected. However, as illustrated below, the Internal Revenue Service requires employers to report the value of any medical and dental coverage for a **domestic partner** who doesn't satisfy the definition of a dependent under the Internal Revenue Code. As a result of this law, Prudential must add to your compensation reported to the Internal Revenue Service any amount representing the fair market value of providing the medical and/or dental coverage for your domestic partner less your after-tax contribution. You will pay tax on this imputed income. This amount is also subject to applicable income tax withholding taxes as well as FICA/FUTA.

Generally, the fair market value equals the COBRA rate for Employee Only coverage, less 2%.

For purposes of this illustration, assume that the COBRA rate for individual medical coverage is \$55.37 per week. The COBRA rate less the 2% premium equals \$54.28 per week ( $\$55.37/102\%$ ). Weekly employee contributions for the applicable coverage are as follows:

Employee Only	\$5.43
Employee & Qualified Adult	\$16.29

If you elect "Employee and Qualified Adult" coverage for you and your domestic partner (who is not your dependent), then:

- You will pay a total of \$16.29 per week for the coverage.
  - \$10.86 is on an after-tax basis (this represents the domestic partner coverage contribution) computed by taking the difference between the Employee & Qualified Adult rate and Employee Only rate;
  - \$5.43 is on a pre-tax basis (this represents your coverage).
- You will have taxable imputed income equal to \$43.42 per week ( $\$54.28 - \$10.86$  after-tax contribution).

## An Important Distinction for Tax Purposes

Prudential distinguishes between a domestic partner and an extended family member because of the way the current tax law requires employers to treat the value of benefits provided to a domestic partner. In most cases, a domestic partner will not satisfy the definition of dependent under the Internal Revenue Code. As a result, the law requires Prudential to report the entire value of the health care coverage for a domestic partner as taxable income to you, and the contribution you pay for this coverage must be on an after-tax basis.

Alternatively, if you cover an extended family member as defined on Page 3, there's no additional taxable income and your contribution can be made on a pre-tax basis. Because of tax consequences, you must advise the Employee Service Center immediately when an individual you have covered as an extended family member no longer qualifies. (For example, when you no longer provide more than 50% of the support for the individual.)

## Using the Health Care Reimbursement Account

Under current tax law, you may submit eligible expenses for an extended family member (but not a domestic partner) for reimbursement through a Health Care Reimbursement Account. Because domestic partners are generally not considered eligible dependents under the Internal Revenue Code, health care benefits can't be provided to them on a before-tax basis. And since reimbursements from a Health Care Reimbursement Account are made on a before-tax basis, the law does not allow you to be reimbursed for expenses incurred by a domestic partner through a Health Care Reimbursement Account.

## Continuation Coverage

After coverage ends, continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended (COBRA) applies only to the legal spouse and dependent children of an employee. However, with respect to medical and dental coverage, Prudential will make available (within a specified time frame) continued coverage similar to COBRA to a domestic partner or an extended family member for a defined duration of time if they have one of the following qualifying events:

- a domestic partner relationship ends;
- an extended family member no longer meets the eligibility requirements;
- the employee terminates employment; or
- the employee dies.

It's important to note that at this time not all medical and dental coverages allow COBRA-like coverage for a qualified adult. *It is the responsibility of the employee to contact the health care administrator of his or her Medical and/or Dental Program to verify what type of qualified adult continuation coverage is available.* In order to be eligible for COBRA-like coverage, the qualified adult must be covered by the employee under the Prudential Medical and/or Dental Program at the time of a qualifying event listed above.

The rate for qualified adult continuation medical and/or dental coverage will be the same as the COBRA rate. Contributions will be made on an after-tax basis and will represent the full value of the coverage plus 2%.

If you die while continuing your own coverage under COBRA, coverage may be continued by the qualified adult for the remainder of the original COBRA period.

## How to enroll a Qualified Adult for Coverage

You must complete and return the Qualified Adult Health Care Certification Form (found in the back of this kit) to the Employee Service Center by the end of the designated annual benefits enrollment period, or within 60 days after you become eligible, or within 60 days of a qualified change in status. (See the Prudential Benefits Handbook for a list of qualified changes in status.)

In addition, in the same time frame, you will need to complete additional forms to enroll your qualified adult for coverage:

- At hire: A Prudential Medical Plan Enrollment Form
- At annual enrollment: A Dependent Change Form
- If you have a qualified change in status: A Benefits Status Change Form

You may also need to select a Primary Care Physician for your qualified adult, by completing the appropriate Form.

These forms may be obtained from the Employee Service Center or through the People Service Network available on Lotus Notes.

## Questions and Answers About Qualified Adult Coverage

### Medical/Dental Program Enrollment

**Q: When can I enroll a qualified adult for coverage?**

A: You can enroll a qualified adult under the Medical and/or Dental Program within 60 days of your hire date, during any annual enrollment, or within 60 days of a qualified change in status.

**Q: Can I enroll myself, spouse, and an extended family member under a program?**

A: No. You can elect coverage for a maximum of two adults, in addition to any eligible dependent children. So, if you're married, you can elect adult coverage for either you plus your spouse, or you plus an extended family member.

**Q: What documentation will Prudential require to enroll a qualified adult for coverage under the Medical and Dental Program?**

A: You'll need to complete, sign, and return a Qualified Adult Health Care Certification Form by your specified enrollment deadline. You will also need to complete and submit a Dependent Change Form or a Prudential Medical Plan Enrollment Form or a Benefits Status Change Form.

**Q: Will the Medical and Dental Programs require evidence of insurability as an enrollment requirement for qualified adults?**

A: No. There are no evidence of insurability requirements for any individual under the Medical or Dental Programs.

**Q: Can I enroll my boyfriend/girlfriend as a domestic partner if we've been together in a relationship for at least six months, but do not live together?**

A: No. To qualify as a domestic partner, the person must meet all eligibility requirements outlined on Page 3, which include having lived with you for at least six months and remain a member of your household for the period of coverage. This requirement applies regardless of the length of your relationship.

### Available Medical/Dental Program Options

**Q: Can I select from all Medical and Dental Program options for qualified adult coverage?**

A: No. You can enroll a qualified adult under many of the Medical and Dental Program options. However, at this time, some Health Maintenance Organizations (HMOs) and Dental Maintenance Organizations (DMOs) do not permit coverage according to Prudential's qualified adult definition. For additional information on whether an individual option offers coverage to a qualified adult, please refer to the Qualified Adult Health Care Options List in the back of this kit.

**Q: If a Medical or Dental Program option doesn't permit qualified adult coverage, can my dependent and I be enrolled in different coverages?**

A: No. Consistent with current practice, you and all your covered dependents—regardless of their status—must be enrolled in the same Medical or Dental Program.



## Questions and Answers About Qualified Adult Coverage

### Dependent Children

**Q: Can I cover children of a qualified adult under the Medical and Dental Programs?**

A: You may enroll children of a qualified adult *provided they meet the eligibility requirements of being your dependent children* under the Medical and Dental Programs. Children include your natural children, stepchildren, children under legal guardianship, and legally adopted children whom you may claim as a dependents for federal income tax purposes. Eligible dependent children must be:

- unmarried children under age 19;
- unmarried children between the ages of 19 and 26 who are substantially dependent on the employee for support (previously defined); or
- unmarried children who exceed the age limits but are unable to care for themselves due to physical or mental disability (provided the coverage was in effect prior to exceeding age limit).

**Q: Can I cover my child who is older than age 26 but who still lives with me and still meets the definition of an extended family member?**

A: Yes. As long as your child meets the definition of an extended family member, you may cover him or her. Remember, however, you may only cover up to two adults under the Medical and/or Dental Program (i.e., employee plus spouse, or employee plus domestic partner or extended family member).

### Retirees

**Q: If I retire and am covering a qualified adult when I retire, can I continue to cover that individual under the Medical and Dental Program?**

A: Yes. Employees who retire after January 1, 2000, the effective date of this change, will be able to continue coverage or add a qualified adult to their Medical and Dental coverage at the retiree contribution structure. The same imputed income calculations will apply, as previously described, if the qualified adult is not considered a dependent. Employees who retire prior to the effective date of this policy are not eligible to cover a qualified adult.

**Q: Can someone who is currently retired enroll a qualified adult for medical coverage?**

A: Someone who is currently retired may not enroll a qualified adult for coverage under the Medical Program. Only employees who retire after the effective date are eligible.

## Questions and Answers About Qualified Adult Coverage

### LTD Individuals

**Q: Can an individual who goes on long-term disability add a qualified adult to his or her Prudential medical and dental coverage?**

A: Yes. Employees who go on long-term disability after January 1, 2000, the effective date of the change, will be able to add a qualified adult to their medical and dental coverages within 60 days of a qualified change in status. The same imputed income calculations will apply, as previously described, if the qualified adult is not considered a dependent. Employees on disability prior to the effective date of this policy are not eligible to cover a qualified adult.

### Prudential Employees Married to Each Other

**Q: If two Prudential employees are married to each other, can each cover a qualified adult under the Medical and/or Dental Program?**

A: Yes, each Prudential employee—even if they're married to each other—may separately cover a qualified adult under the Medical and/or Dental Program.

### When Coverage Ends

**Q: When does a qualified adult become ineligible for coverage under the Medical and Dental Programs?**

A: Qualified adult coverage under the Medical and/or Dental Program will end on the earliest of:

- the end of the pay period following an employee's termination;
- the date the qualified adult no longer meets the eligibility requirement; or
- the first of the month following the qualified adult's 65th birthday.

Because of the requirements of the Internal Revenue Code, the employee or qualified adult must notify the Employee Service Center immediately of any changes in eligibility status.

This Qualified Adult Health Care Kit explains some of the features of the new qualified adult health care coverage in non-technical language. Complete information can be found in Summary Plan Descriptions (SPDs) and in the legal documents that govern the operation of the Medical and Dental Programs. Under the Programs, the Company retains the right to amend or terminate the Programs (including the qualified adult health care coverage provisions) in the future at its discretion. If there is a discrepancy between this kit and the plan documents, the plan documents will govern. Receipt of this kit does not imply a contract of employment.

# Qualified Adult Health Care Certification Form

To enroll a qualified adult under the Prudential Medical and/or Dental Program, please complete all five parts of this form. Once the form is completed, please make a copy for your records and submit the original by your designated enrollment deadline to:

Employee Service Center  
 P.O. Box 672  
 Minneapolis, MN 55440

**Please note that both you and your qualified adult must certify the accuracy of the information submitted on this form by signing Part 5.**

Part 1 Employee/ Retiree Information	Name (Last, First, Middle Initial)		Social Security Number
	Employee ID Number		Work Telephone Number (including Area Code)
	Home Address/Telephone Number		Status Full-time - Part-time - LTD - Retiree

Part 2 Qualified Adult Information	Name (Last, First, Middle Initial)		
	Date of Birth		Social Security Number
	Home Address/Telephone Number (including Area Code)		

Part 3 Certification of Eligibility Requirements	By electing qualified adult health care coverage, I certify that all of the following eligibility criteria have been met.		
	<p><b>For Domestic Partner Coverage.</b> The employee's domestic partner must:</p> <ul style="list-style-type: none"> <li>• Be 18 or older and less than 65;</li> <li>• Have lived with the employee for at least six months and remain a member of the household for the period of coverage;</li> <li>• Have a serious and committed relationship with the employee;</li> <li>• Be financially interdependent (<i>as defined on Page 3 of the Qualified Adult Health Care Coverage Kit</i>);</li> <li>• Not be related to the employee in any way that would prohibit legal marriage;</li> <li>• Not be legally married to anyone else nor a domestic partner of anyone else; and</li> <li>• Not be eligible for coverage under the Prudential Medical and Dental Programs.</li> </ul>	<p>Please Check:</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p>	
	<p><b>For Extended Family Member Coverage.</b> Your extended family member must:</p> <ul style="list-style-type: none"> <li>• Be 18 or older and less than 65;</li> <li>• Meet the definition of dependent as defined by the Internal Revenue Code during the period of coverage (<i>as defined on Page 4 of the Qualified Adult Health Care Coverage Kit</i>);</li> <li>• Have lived with the employee for at least six months and remain a member of his/her household during the period of coverage; and</li> <li>• Not be eligible for coverage under the Prudential Medical and Dental Programs.</li> </ul>	<p>Please Check:</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p> <p>Yes ___ No ___</p>	

**Please Note:** If you have checked "No" for any domestic partner or extended family member criteria listed above, then you are not eligible for qualified adult coverage under the Medical and/or Dental Program.

<b>Part 4 Qualified Adult Election Requirements</b>	Qualified adult coverage is elected as marked below and according to the criteria outlined on Part 3 of this form.	
	<b>Please check one:</b> <input type="checkbox"/> Domestic Partner <input type="checkbox"/> Extended Family Member	<b>Please check the selection that applies:</b> <input type="checkbox"/> Medical Plan Coverage <input type="checkbox"/> Dental Plan Coverage

<b>Part 5 Signature Affidavit</b>	<ul style="list-style-type: none"> <li>• I have read the terms and conditions in the Qualified Adult Health Care Coverage Kit. I certify that the information provided in all parts of this form is true, accurate and complete.</li> <li>• I understand that if any of the information is not true and correct, Prudential reserves the right to take disciplinary action - up to and including termination.</li> <li>• I agree to notify Prudential if qualified adult eligibility status ends.</li> <li>• I have been advised that I should consult an attorney regarding the possibility that electing qualified adult coverage may have legal and tax implications.</li> <li>• I understand that if I elect qualified adult coverage for a domestic partner, who is not my dependent, the Internal Revenue Code requires Prudential to treat the full fair market value of the health care coverage as taxable income.</li> <li>• I understand that Prudential has the right to discontinue coverage at any time, and that extending COBRA-like coverage to a qualified adult is not legally required and also may be discontinued at any time.</li> <li>• I understand that coverage options available to employees who elect to cover a qualified adult are limited, and that COBRA-like coverage may not be available under certain conditions.</li> </ul>	
	<hr style="width: 100%;"/> Employee Signature	<hr style="width: 100%;"/> Date
<hr style="width: 100%;"/> Qualified Adult Signature	<hr style="width: 100%;"/> Date	