

section 125

Sharing the Cost of Your Coverage

Both you and Coldwater Creek Inc. share the cost of your health coverage, with Coldwater Creek paying the majority of the cost. The part you pay with convenient pre-tax payroll deductions and out-of-pocket costs – such as co-payments and deductibles – represent a small part of the total cost of the benefit.

What is Section 125 Pre-Tax Contribution?

“Pre-tax” means that your contributions for coverage are deducted from your paycheck before federal, Social Security, and most state and local taxes are calculated. As a result, you pay less in taxes.

Since your pre-tax contributions are not subject to Social Security tax, these contributions are not counted toward your Social Security earnings. This means that your future Social Security benefit may be reduced. Generally, the current tax advantage of paying for your benefits with pre-tax dollars is more valuable than the small reduction in Social Security earnings.

You may elect not to participate in pre-tax contributions by contacting the benefits department.

Domestic Partner Benefits

If you have elected to cover a domestic partner for Medical, Dental or Vision coverage, you may not be eligible to participate in the Section 125 pre-tax plan and your domestic partner is not eligible to participate in the flexible spending plan. Please refer to the Domestic Partner Benefits Guide for more information.

Pre-Tax Benefits Include:

- Medical, Dental and Prescription Drug Coverage
- Vision
- Health Care Spending Account
- Dependent Care Spending Account

During annual enrollment in June (for changes effective July 1), you may choose to make changes to your current pre-tax benefit elections for Medical, Dental or Vision. You may add or drop benefit plans or dependents you cover under these benefit plans for the upcoming year.

During annual enrollment in December (for changes effective January 1), you are required to make new elections for the Health Care and/or Dependent Care Spending Accounts.

Status Changes

All pre-tax benefits you choose remain in effect for their full plan year, unless you experience a qualifying change in status. If one or more of the following changes in status occurs and the change affects you and/or your dependent's eligibility for plan benefits, you may revoke your old election and make a new election, either increasing or decreasing coverage. Both the revocation and the new election must be caused by and be consistent with the change in status.

Change in Status

Those occurrences that qualify as a change in status include the events described below and any other events that the Coldwater Creek Plan Administrator (Administrator), in its sole discretion, determines to be within prevailing IRS guidance:

- A change in your legal marital status (such as marriage, divorce, legal separation, annulment or death of your spouse);
- A change in the number of your dependents (such as birth or adoption of a child or placement of a child for adoption, or the death of a dependent);

- Termination or commencement of employment by you, your spouse, or your dependent;
- A change in your, your spouse's or your dependent's work hours (including a switch between full and part-time status);
- Your dependent's satisfying or ceasing to satisfy an eligibility requirement for a particular benefit, such as age or student status; and
- A change in your, your spouse's or your dependent's place of residence or work.

If a change in status occurs, you must inform the Administrator and complete a new election form within 30 days of the occurrence.

If you wish to change your election based on a change in status, you must establish that the change is on account of and is consistent with a change in status and subsequent change in eligibility. The Administrator (in its sole discretion) shall determine whether a requested change is on account of and is consistent with a change in status.

Special Enrollment Rights

If you, your spouse and/or a dependent are entitled to special enrollment rights under a group health plan, you may change your election to correspond with the special enrollment right. For example, if you declined enrollment in medical coverage for yourself or your eligible dependents because of outside medical coverage and eligibility for such coverage is subsequently lost due to certain reason (i.e., due to a legal separation, divorce, death, termination of employment, reduction in hours, or exhaustion of COBRA period), you may be able to elect medical coverage under the Plan for yourself and your eligible dependents who lost such coverage provided that you request enrollment within 30 days after the other coverage ends. Furthermore, if you have a new dependent as a result of birth, adoption, or placement for adoption, you may also be able to enroll yourself, your spouse, and your newly acquired dependents, provided that you request enrollment within 60 days after the event.

Effective April 1, 2009, participants may change their previous 125 Cafeteria Plan elections with respect to group health coverage offered under the Plan provided that the change is on account of and consistent with the following events otherwise required under HIPAA's special enrollment rules (as amended by the Children's Health Insurance Reauthorization Act of 2009):

- The participant or an otherwise eligible dependent loses coverage under a state Medicaid Plan or a state Children's Health Insurance Plan due to loss of eligibility, or
- The participant or an otherwise eligible dependent becomes eligible for state funded group health plan premium assistance under a state Medicaid or Children's Health Insurance Program.

The participant must request enrollment within 60 days of the date coverage is lost or the date the participant or dependent is determined to be eligible for premium assistance (whichever is applicable).

Certain Judgments and Orders

If a judgment, decree or order from a divorce, separation, annulment or custody change requires your child to be covered under this Plan or your former spouse's plan, if the order requires you to cover the child, you may change your election to provide coverage for the child. If the order requires that your former spouse cover the child, you may change your election to revoke coverage for the child.

Entitlement to Medicare or Medicaid

If you, your spouse or a dependent becomes entitled to Medicare or Medicaid, you may cancel that person's health coverage.

Significant Changes in Cost or Coverage

If an independent, third-party provider of medical benefits significantly increases premiums or significantly curtails coverage, you may revoke your election and elect coverage under another health option with similar coverage, provided you notify the plan administrator within 30 days of receiving written notice of the change.

Changes in Coverage Attributable to Spouse's Employment

If there is a significant change in your or your spouse's health coverage that is attributable to your spouse's employment, you may change your election under the Plan provided that the change is on account of and consistent with the change in coverage, as determined by the Administrator (in its sole discretion).