

Working Spouse Eligibility

Frequently Asked Questions

WHAT

What are other companies doing to keep health care coverage affordable?

With any design change, we consider what other companies are doing, as well as the impact to our employees. Based on market data, 35% of those companies plan to exclude working spouses eligible for their own employer's coverage in 2014.

What percentage of employees in our Plan have working spouses?

About 33,000 spouses are covered by the Plan today. Benchmarking analysis tell us that about 15,000 of these would have health care coverage available through their own employers. That works out to be about 20% of the 77,000 employees enrolled in the Flex Plan who potentially will be impacted.

What do you mean by "medical" coverage? If my spouse is not eligible for UPS medical benefits, can she still receive prescription drug, dental, vision, and life insurance coverage?

Under the Flex Plan, "medical" coverage also includes prescription drug and behavioral health benefits; so your spouse would not have access to prescription drug benefits under our Plan. However, you may enroll her in dental, vision, and supplemental benefits such as life insurance; even if dental, vision, and supplemental coverage options are available from your spouse's employer..

The Department of the Treasury announced a delay of the Affordable Care Act. Does this mean the new working spouse eligibility requirement won't take effect until 2015?

No. The delay announced on July 2 by the Department of the Treasury applies only to pieces of the employer requirements under the ACA. These delays are limited in scope. They apply to UPS primarily with regard to employer regulations for reporting to the government. These delays do not impact the individual mandate coverage requirements, or the plan requirements to meet minimum value and affordability; nor do they change UPS's plans for 2014.

What are my working spouse's options for coverage after this year?

If your spouse works and is eligible for coverage from their own employer—regardless of whether they are actually enrolled in that coverage—your spouse is **not** eligible to participate in The Flexible Benefits Plan medical coverage beginning January 1, 2014. Keep in mind that in 2014, all employer coverage must meet minimum value and affordability, and coverage requirements.

What do my working spouse and I need to do to get ready for this change?

Start by obtaining information about your spouse's employer plan:

- Annual enrollment period
- Covered medical expenses
- The amount the plans will pay for covered expenses
- The amount you must pay for medical coverage
- The voluntary benefits that are available, if any, under the plan

WHY

Why can't I cover my spouse for an extra fee, as some other companies allow?

Implementing a premium increase to cover your spouse, rather than the new working spouse eligibility requirement, was an option we considered. Implementing either was a difficult decision to make. Since the Affordable Care Act requires employers to provide affordable coverage, we believe your spouse should be covered by their own employer—just as UPS has a responsibility to offer coverage to you,

our employee. Limiting plan eligibility is one way to manage ongoing health care costs, now and into the future, so that we can continue to provide affordable coverage for our employees.

Why does UPS say it cares about families, when my spouse will no longer be eligible for my health insurance?

UPS does care for its employees and their families. We are working to put in place Plan provisions that will ensure we can continue, in the years ahead, to provide coverage for you and your family members who need coverage. That's why we are continuing to cover spouses who either don't work, or work for employers that don't provide health care benefits.

Why is UPS changing the eligibility rules to exclude my working spouse?

This change is consistent with the way many large employers are responding to the costs associated with the Health Care Reform legislation. A working spouse is ineligible for the Flex Plan when he or she is eligible for medical coverage provided by their own employer. This allows UPS to continue to provide its employees and their families with the coverage they need and value, at an affordable cost.

WHO

My spouse is on Medicare. Can he still be enrolled in the Plan?

Yes, unless your spouse is also eligible for health care coverage from an employer. Medicare is not considered employer-provided coverage.

Will my stepchildren no longer be eligible for the Plan?

Stepchildren will continue to be eligible for the Plan as long as they continue to meet the eligibility requirements, as described in The Flexible Benefits Plan Summary Plan Description. You and your spouse should also consider your spouse's employer plan, to see whether your spouse's plan might be a better fit for your situation or your stepchildren's particular needs.

Will my spouse no longer be covered by the Plan?

Only working spouses with medical benefits available from their own employer will lose eligibility for medical coverage under the Flex Plan beginning January 1, 2014. If your spouse isn't offered health benefits from their job, or doesn't work at all, you may enroll your spouse in Flex Plan medical coverage next year.

What if a spouse is covered by their employer and loses his job? Does the spouse have to elect and exhaust COBRA coverage before being eligible for enrollment in the Flex Plan?

No. A spouse is not required to elect COBRA from their previous employer. If a spouse loses coverage because they left their employer, the event qualifies as a "life event," and the spouse can be enrolled in the Flex Plan. The UPS employee must call the Benefits Service Center within 60 days of the spouse lost coverage from the former employer, so there won't be any break in coverage.

My spouse is currently between jobs. Can I enroll my spouse in the Flex Plan for 2014?

Yes, as long as he or she is not eligible for coverage from a previous employer. However, if at any time your spouse becomes employed and is offered medical coverage through their new employer, he or she is no longer eligible for the Flex Plan. You must call the Benefits Service Center at 1-800-UPS-1508 within 60 days of the effective date their coverage begins through their employer, to drop your spouse from your Flex Plan coverage.

My spouse works at a small company that doesn't provide health care benefits. Will my spouse automatically remain on the Flex Plan next year if my spouse doesn't enroll in any other coverage?

No. For 2014 medical coverage, every employee is required to actively enroll during annual

enrollment—either online at Your Benefits Resources or by calling the Benefits Service Center at 1-800-UPS-1508.

Whose employer's plan—my spouse's or mine—will cover our children?

If your spouse's employer provides coverage for an employee's children, and your children meet the eligibility requirements for both plans, you and your spouse will decide the plan in which you will enroll your children.

Start by comparing key features of both plans. A summary plan description must be made available to you from both employers, to show you what expenses are covered and how much the plan will pay. To obtain a UPS Flexible Benefits Plan Summary Plan Description (SPD), call 800-UPS-1508; or link from UPSers.com, to either the Total Rewards Portal or the Your Benefits Resources website.

Also consider the employee's cost of coverage under each plan. In some cases, your children can be covered under both plans; however, this may be the costliest solution, depending on the specific health care needs of your children.

HOW

How will UPS verify that spouses are eligible for coverage?

Spouses will be included in the verification process that will take place immediately following annual enrollment. You will be asked, when you enroll for 2014 benefits under the Flex Plan, to certify the eligibility of each of the dependents you've listed as eligible for the Plan next year.

How does this change impact my spouse's supplemental life insurance?

Your spouse's eligibility for life insurance and other types of supplemental benefits under the Flex Plan won't change, even if he or she is no longer eligible for medical coverage under our Plan. Only medical coverage for a spouse, including prescription drug and behavioral health expenses, is not available from the Flex Plan if your spouse has access to medical coverage from their own employer.

If my spouse's plan also has a deductible, how can I offset the additional cost of meeting the deductible for two plans?

The difference in your cost share for dropping your spouse from coverage may make up some or all of the additional cost. You can also contribute pre-tax funds into an HCSA (if you're enrolled in the Traditional option) or an HSA (if you're enrolled in the Healthy Savings option). These funds can offset the cost of out-of-pocket expenses, including deductibles. And UPS will again contribute \$200 to your HSA with Optum Bank if you enroll in the Healthy Savings option for 2014.

How did you calculate I could save \$1,600 a year when I drop my spouse from coverage?

The \$1,600 is an example of the difference in your premium for 2014 between You + Family coverage and You + Children coverage for the Traditional medical option. About 75% of our people are in the Traditional option.

My wife is expecting a baby in February 2014, so with this change she'll be covered by her employer's plan at that time. How will that affect her benefits?

Most employer health plans have an annual deductible and either a copay amount or coinsurance percentage you must pay. Your spouse should request information now from her employer about the health plan she intends to enroll in for 2014; including deductibles and copays, when the plan year begins, how maternity and childbirth expenses are covered, and whether her current doctor, hospital, and other providers participate in the plan's network.

Will my spouse have to find different doctors when he's covered by another plan?

Most physicians, hospitals, and other medical facilities participate in more than one network. It's very

likely that the providers you use now will be considered "in network" by your spouse's health plan. That being said, your spouse will want to confirm that with the other employer plan.

How much will I pay for my coverage next year when my spouse isn't covered?

The cost of coverage under the Flex Plan for 2014 is the same as the 2013 coverage. However, if you currently cover your spouse and he or she will not be covered by the Plan in 2014, you will experience a significant decrease in the cost of your coverage from UPS. For example, if you currently have You + Family coverage and you elect You + Children coverage in 2014, you will save almost \$1,600 in the employee's cost share for coverage compared to 2013.

WHEN

I will retire in 2014. Can my spouse be enrolled in my plan once I'm retired?

If you are eligible for the Retired Employees' Health Care Plan (REHCP), at the time you retire you may enroll yourself and your spouse in that plan. To be eligible for the REHCP, your spouse does not have to be **enrolled** in your active employee health plan at the time of retirement; he or she is only required to meet the definition of a spouse at the time you retire.

When my wife goes back to work next June, should I call the Benefits Service Center to let them know when she'll become covered under her new employer's plan?

Yes. You must call the Benefits Service Center within 60 days of the date her coverage begins under her employer's plan. Her medical coverage ends under the Flex Plan on the day she becomes covered under her employer's plan.

When does my spouse have to change coverage?

The Flex Plan change related to the eligibility of working spouses is effective January 1, 2014. If your spouse is currently enrolled in the Flex Plan and enrolls in other employer coverage prior to January 1, 2014, you may call the Benefits Service Center within 60 days to cancel your spouse's coverage under the UPS plan. If the effective date of your spouse's new coverage is prior to December 1, 2013, your employee cost share for health care coverage for the remainder of 2013 will be reduced. However, you are not required to drop your spouse's coverage prior to January 1, 2014.

When can I find out my cost share to keep myself and my children on the Flex Plan in 2014?

As in previous years, you can take advantage of the annual enrollment preview period prior to the actual annual enrollment period of October 14 – November 1. Beginning October 2, you can access the Your Benefits Resources enrollment website through a link on UPSers.com. The interactive enrollment tool will allow you to select different combinations of coverage options and see how much each will cost in 2014. Be sure to use the Medical Expense Estimator and other tools on the site to get a good idea of the impact to your out-of-pocket expenses for 2014 as a result of this change.

Be sure your spouse asks about options and related costs for coverage from their own employer—including whether coverage for you and/or your children is available.

WHAT IF....

...my spouse has medical coverage from her employer, but no coverage for prescription drugs? Can I enroll my spouse in my plan for those benefits?

No, because prescription drugs are covered under the medical benefits; and your spouse has medical coverage from their employer. Your spouse should contact the Human Resources group at their job to learn how their company advises employees to minimize out-of-pocket prescription drug expenses.

...my spouse is a retired union UPS employee? The Flex Plan provides better coverage for our needs than my spouse's UPS union retiree plan offers. Can I enroll my spouse in the Flex Plan also?

Yes. Your spouse's eligibility or enrollment in any retiree health plan, even a UPS retiree plan, does not affect their eligibility for the Flex Plan.

...my spouse is going to school part-time, and is covered under a health plan from the school? Does that mean my spouse is not eligible for our plan next year?

The new working spouse eligibility requirement applies only to spouses who are actively employed and are eligible for coverage from their employer. So the answer depends on whether your spouse is employed by the school and their coverage results from that employment; if so, your spouse is not eligible for the Flex Plan. If your spouse is receiving coverage as a student only, then they would be eligible for our Plan.

...my spouse has to quit his job next year as a result of my relocation and no longer has coverage? Will he have to wait until the next annual enrollment to be covered by our Plan?

No. If a spouse loses coverage due to leaving the spouse's employer, the event qualifies as a "life event," and your spouse can be enrolled in the Flex Plan mid-year. You must call the Benefits Service Center within 60 days of the date coverage from the former employer was lost, so there won't be any break in coverage.

...my spouse doesn't really have an "employer." She's an owner of her company. Can I enroll her for medical coverage under the Flex Plan?

A working spouse may be an employee, owner, consultant, partner, or principal in a business. If medical coverage is available to them through that working arrangement (whether or not they are enrolled), then your spouse is not eligible for medical coverage under the Flex Plan beginning in 2014. However, you may enroll your spouse for dental, vision, and supplemental coverage.

...my spouse has a pre-existing condition? Will her employer pay for health care related to that condition?

As a result of the Affordable Care Act, your spouse cannot be denied coverage under their employer's plan because of any pre-existing medical condition—even if he or she is currently being treated.

...my spouse's employer asks for proof that he's no longer eligible for the Flex Plan?

Part of your enrollment materials will include a Summary of Material Modifications (SMM), stating that coverage is not available when a spouse has access to coverage from their own employer. Then, following enrollment, you will receive a letter from the Benefits Service Center, indicating that your spouse has lost eligibility for coverage under our Plan. Your spouse should provide their employer with a copy of this notice as soon as it is received and request to enroll in their plan. Even if your spouse's employer is not currently in an open enrollment period, IRS regulations require their employer to enroll an eligible employee who has lost outside coverage eligibility from another employer. There should be no break in the coverage period.

...my spouse's employer also offers a high-deductible plan and an HSA? Can we both contribute to an HSA?

Yes. As long as you are both enrolled in a high-deductible plan, such as the Healthy Savings medical option, you can both contribute to an HSA. If you have an HSA with Optum Bank and make pre-tax payroll contributions to your account, remember that you may also make after-tax contributions to your account to maximize your tax savings for health care expenses—now and in the future. Remember that IRS regulations require that contributions from you and your spouse must not exceed the family maximum amount. It is your responsibility to ensure you do not exceed this amount.

...I'm enrolled in the Healthy Savings medical option with an HSA and I move to my spouse's health plan. Can I still contribute to my HSA through payroll deductions?

No. If you're not enrolled in the Healthy Savings medical option with UPS, you are not eligible to contribute to the Optum Bank HSA via payroll deduction. However, if you and your spouse are both still enrolled in a qualified high deductible health plan (HDHP), you can continue to make after-tax contributions that are tax deductible to your OptumBank HSA.

...my spouse enrolls in her employer's plan beginning January 2014, but becomes unemployed later?

Loss of outside medical coverage from your spouse's plan is considered by the IRS as a "qualified life event." You may enroll your spouse in The Flexible Benefits Plan in this event. You must call the Benefits Service Center within 60 days to enroll your spouse in the Plan, to avoid a break in coverage.

...I don't tell UPS that my wife is eligible for coverage from her employer? What will be the penalty?

You would be in violation of UPS's code of ethics as well as falsifying enrollment which is subject to discipline, up to and including termination of coverage under the plan or termination of employment with UPS where permitted by law. You would be required to repay all claims paid for your wife's medical expenses—at the very least.

...my spouse has medical coverage from his employer, but not dental or vision? Can I enroll him in my plan for those benefits?

Yes. In 2014 your spouse can be enrolled in dental, vision, or any supplemental benefit offered under the Flex Plan. He is excluded only from coverage in medical benefits, which include prescription drug and behavioral health expenses.

...my spouse and I are both UPS employees? Does one of us have to find coverage outside the company?

No. If you're married to a UPS employee eligible for the Flex Plan, during annual enrollment for 2014 both of you will elect You Only coverage; except that, if you have children, one of you will elect You + Children coverage.

...my spouse's employer doesn't provide medical coverage?

You may enroll your spouse in The Flexible Benefits Plan for 2014. Only working spouses whose own employer offers coverage are excluded from eligibility for the Plan beginning in 2014.

...my spouse would rather be covered by UPS? Can I pay an additional charge to include my spouse on my coverage?

No. When a working spouse is enrolled in the Flex Plan instead of their own employer's plan, the cost of the spouse's coverage is transferred from their company to UPS. That makes it more expensive for UPS to provide affordable coverage to its employees.

...my spouse's employer has already completed its annual enrollment, and it's too late for my spouse to enroll in that health plan?

While the Plan Year for some employers' health plans may be different from UPS's plans (which are based on the calendar year), the Internal Revenue Code recognizes that certain qualified life events do occur that create the need for changes to benefit choices mid-year, including enrollment changes. More familiar qualified life events include divorce, and the birth of a child. The loss of outside medical coverage eligibility with another employer is also a qualified life event. Your spouse should contact the Human Resources group at her job to learn how to enroll in their health plan mid-year.

...coverage from my spouse's employer is more expensive than from UPS?

If you switch from You + Family to You + Children, you could save as much as \$1,600 in 2014, compared to what you're paying now. This may offset some or all of the cost your spouse will pay to purchase coverage from their employer.

...my spouse will switch to the coverage available from my spouse's employer in 2014? I don't have to actively enroll for 2014 benefits under the Flex Plan, right?

Not true. All employees must actively enroll for coverage in 2014 during annual enrollment. If you do not, you will receive the default coverage: your spouse will not be covered, and you will pay a higher employee cost share for failing to certify your tobacco use status.

...I am married to a UPSer? What happens to their coverage?

The eligibility rule still applies. Your spouse would be considered a working spouse with eligible coverage from their own employer, and therefore, would not be eligible as a dependent under your plan. In this scenario, both you and your spouse would have to enroll in coverage for 2014 benefits.

...I want my children to be covered by both my spouse's plan and the Flex Plan?

As long as your children meet the eligibility requirements of both plans, you are welcome to do so. Be aware that some plans have rules about which plan will pay first (as the primary plan) and how the benefits are paid when a participant is enrolled in two group health plans. To learn these rules under the Flex Plan, refer to the *Filing a Claim* section in The Flexible Benefits Plan Summary Plan Description; and look for *Maintenance of Benefits* and *Determining Which Plan is Primary*. Your spouse's employer will provide a Summary Plan Description of their plan. Then compare not only these provisions but all provisions of both plans, to ensure you are getting value from your children being covered under both plans.

UPS Tobacco Cessation Program

Frequently Asked Questions

WHAT

What is the Tobacco Cessation Program?

Effective Jan. 1, 2014, UPS is implementing a wellness incentive as part of the company's overall program to improve health and wellness. The goal is to improve health by discouraging the use of tobacco products. Smoking and other forms of tobacco use are harmful to health and contribute to the rising costs of health care shared by UPS and UPSers.

Starting with the 2014 Plan year, UPS will implement a \$150 per month premium increase on medical coverage under The Flexible Benefits Plan for an employee who uses tobacco, or whose covered spouse uses tobacco and who doesn't otherwise complete the Quit for Life[®] Program. The program doesn't apply to covered children; and any use of tobacco by your children doesn't affect whether you must pay the premium increase.

What is the tobacco premium increase?

The tobacco premium increase is a pre-tax payroll deduction of \$150 per month if either you and/or your spouse uses tobacco products and is enrolled in medical benefits under The Flexible Benefits Plan for 2014. The tobacco premium increase is \$150 per month, regardless of whether one or both of you uses tobacco.

What are tobacco products?

As defined by the UPS Tobacco Cessation Program, "tobacco products" include, but are not limited to:

- cigarettes
- cigars
- pipe tobacco
- chewing or dipping tobacco
- snuff
- tobacco packets
- hookah
- electronic cigarettes ("e-cigarettes")

What is the Quit For Life Program?

Brought to you by the American Cancer Society® and Alere, Quit for Life is the nation's leading tobacco cessation program. It can help you or your adult dependents overcome physical, psychological and behavioral addictions to tobacco through coaching, nicotine replacement therapy (as appropriate), a customized quitting program, and a supportive online community. Expert Quit Coaches® help you gain the knowledge, skills and behavioral strategies you need to quit for life. You have unlimited access to phone-based coaching, as well as to Web Coach®, an online community for e-learning and social support. You also receive a printed workbook that helps guide you through the quitting process, and access to supportive text messages sent to your mobile phone. For more information, call Alere toll free at 1-866-784-8454, or visit www.quitnow.net/ups.

What is my cost to complete the Quit For Life® Program?

Because UPS is committed to help you become free of tobacco, this program is offered to you and your adult dependents age 18 or older, including your spouse, at no cost to you.

WHY**Why did UPS decide to charge \$150 per month for tobacco use?**

A number of other large companies are applying a premium increase to both employees and spouses individually. UPS decided to assess \$150 per month premium increase when either the employee and/or spouse use tobacco. The regulations issued jointly by the Internal Revenue Service, the U.S. Department of Labor and the U.S. Department of Health and Human Services that govern wellness incentive programs previously allowed a premium increase of up to 20% of the total premium for a tobacco user. In 2014, the wellness regulations raised the allowable premium increase for tobacco users to 50%. Other companies will be adjusting their tobacco user premium increases because of this change in the regulations. It is anticipated that even the exchanges offered by the states will apply as much as a 50% tobacco premium, which is specifically allowed by the Affordable Care Act.

Why is UPS now using different language to explain the changes about tobacco use?

To better reflect the wellness regulation under the Affordable Care Act, UPS has clarified certain terminology in our communications related to the UPS Tobacco Cessation Program.

Why are e-cigarettes listed as tobacco products?

Electronic cigarettes, or "e-cigarettes," have not been proven to be safe, and there has been relatively little testing of the products. While testing two brands, the FDA determined that various samples tested contained not only nicotine; but also detectible levels of known carcinogens and toxic chemicals, including tobacco-specific nitrosamines and diethylene glycol, a toxic chemical used in antifreeze.

Why charge tobacco users more for coverage?

Managing health care costs would be easier if we all took better care of ourselves. Tobacco use, poor diet, and lack of exercise can all lead to higher health care costs. About 42% of employers have a

tobacco premium increase, and survey data suggests 62% of employers will in 2014. Other employers charge their employees more if they are overweight, or have high cholesterol or high blood pressure. Managing health care costs is a shared responsibility between UPS and our people. This is a first step in that direction.

Why punish tobacco users only—what about people who are obese or who participate in some other potentially hazardous activity?

Many personal choices people make may lead to increases in health care costs. According to the American Cancer Society, use of tobacco and tobacco products is one of the main drivers of chronic health conditions. Addiction to tobacco can be overcome in a matter of a few months, providing progressive health benefits that begin almost immediately; and we have a best-in-class program to assist you at no cost to you. Additionally, on average, health care costs for smokers are 40% higher compared to non-smokers.

Why is UPS implementing a tobacco premium increase?

A study by the Centers for Disease Control and Prevention indicated that cigarette smoking costs the United States more than \$193 billion each year, including \$96 billion in direct health care expenditures and \$97 billion in lost productivity. According to the American Cancer Society, statistics show that smokers have more medical problems and die at an earlier age than nonsmokers. Tobacco users visit doctors' offices more often, and typically use more medications than the average nonsmoker. Cigarette smoking alone is directly responsible for approximately 30 percent of all cancer deaths annually in the United States.

Why associate tobacco use with the cost of medical coverage?

The cost of providing health care coverage to employees and their families is directly impacted by poor lifestyle choices, including tobacco use. That's why UPS promotes a wellness program for its union-free employees. Tobacco use is inconsistent with this program.

Since 2007, UPS has offered the Quit For Life[®] tobacco cessation program to employees and their eligible dependents, at no additional cost to the employee.

To help ensure the company can continue to offer affordable health care to its employees, UPS will require tobacco users enrolled in medical coverage under the Flexible Plan to pay a monthly premium increase. The purpose of the premium increase is to discourage tobacco use. By encouraging our employees and their spouses to make healthy lifestyle choices, everyone benefits.

I use tobacco products only occasionally—why do I have to certify that I'm a tobacco user?

Make no mistake—an individual who only smokes at parties or enjoys an occasional cigar is still a tobacco user and is putting their health at risk.

Why are you penalizing me for a personal habit?

The premium increase is not a penalty. We realize that individuals who have used tobacco products for a long time may find it difficult to quit. That's why UPS offers you and your spouse (if applicable) two ways to accomplish your goal. As current tobacco users, you can avoid the premium increase in 2014 by completing the Quit For Life program; or, for one time only, you can quit tobacco by September 1, 2013, and remain tobacco free through the end of 2013.

WHO

I currently smoke only a few cigars a year, at special occasions. How many can I smoke each year without being considered a tobacco user?

The Affordable Care Act has been very fluid, and changes are continuing to roll out almost weekly. UPS has complied with the Act, and will continue to do so as more guidance is released. As of today, the

UPS Tobacco Cessation Program is based on examples provided in the wellness regulations related to tobacco use. These define any individual who has used tobacco in the last 12 months, even if only on an infrequent basis as a tobacco user.

If additional guidance is released at some point in the future that changes this definition, UPS will certainly comply.

I smoked every day until early this year, when I quit cold turkey. Will I have to pay the premium increase in 2014 if I don't complete Quit For Life?

A one-time exception is being made for employees who have quit tobacco on or before September 1, 2013 and who expect to remain tobacco free for the rest of 2013. If you're successful in avoiding tobacco products through the end of the year, you won't have to pay the premium increase in 2014.

Who has to pay the premium increase?

Any UPS employee and/or eligible spouse who has used tobacco products in the past year—even once—and who is enrolling in The Flexible Benefits Plan must pay an additional \$150 per month for medical coverage, beginning January 1, 2014, unless he and/or she completes the Quit for Life Program. Alternatively, Plan participants who use tobacco can avoid the premium increase for 2014 by quitting tobacco by September 1, 2013 and remaining tobacco free through the end of 2013.

Does the premium increase apply to dependent children who are tobacco users?

No. Whether or not a dependent other than your spouse uses tobacco, there's no impact to the cost of coverage—even if the dependent is enrolled for medical coverage under the Plan. However, eligible children ages 18 or older can use the Quit for Life Program at no charge.

My family is enrolled in a medical plan offered by my spouse's employer. Do I have to certify our tobacco use if I enroll in the Flex Plan only for benefits other than medical, such as legal coverage?

Yes—if you **don't** certify, you will automatically default to tobacco user status, which could impact your elections for life insurance and/or other supplemental coverage for yourself and your spouse.

We don't use tobacco, and I'm not making any changes to our benefits for next year. Do I have to do anything at annual enrollment time?

Yes. All employees who wish to enroll in benefits for 2014 must actively enroll for benefits during the annual enrollment period. If you do not actively enroll for 2014 benefits, you must pay the tobacco premium increase beginning January 1, 2014. Be sure to take action before the end of the annual enrollment

period: Enroll for 2014 benefits—even if they're not changing for 2014—and certify that you and your spouse do not use tobacco, to avoid the premium increase.

I don't use tobacco, but my spouse does. She's enrolled in medical coverage from her own employer. Do I have to pay the premium increase to enroll for Flex Plan coverage?

If you aren't enrolling your spouse in medical coverage under the Flex Plan, and you don't use tobacco, you won't have to pay the premium increase.

My spouse and I both have medical coverage under his employer's health plan. However, I do enroll every year to specify an amount to be deposited into a spending account. Since we both use tobacco, will I have to pay the tobacco premium increase?

No. The premium increase will not be applied to an employee who doesn't enroll in medical benefits for 2014.

HOW

If I complete the Quit For Life program after UPS has started deducting the tobacco premium increase from my paychecks, how will I receive a refund?

Once you complete Quit For Life, Alere will notify the Benefits Service Center that you have completed the program. About 60 days after you complete the program, your paycheck will include a full refund of the total premium increase you've paid. Since the premium increase was deducted from your paychecks prior to taxes being withheld, the refund will be added to your gross pay and regular payroll taxes will be withheld.

How will UPS know if I start smoking again?

We won't. If you're not paying the tobacco premium increase but start using tobacco again, you must call the Benefits Service Center to let them know your tobacco status has changed to tobacco user. The tobacco premium increase will begin being deducted from your paycheck.

While some companies are testing people to ensure they're tobacco free, UPS is not doing that. We're trusting our people to tell the truth when they certify their tobacco status. Be aware that failure to comply with these rules constitutes fraud, and you will experience adverse consequences.

How will the money deducted for the tobacco premium increase be spent?

The deductions for the tobacco premium increase will be used to offset some of the cost for non-union employees in this Plan only.

How can UPS not support our American right to make our own decisions?

You haven't lost your right to use tobacco. You just have to pay more for your health care benefits if you choose to use tobacco.

How did you come up with your list of "tobacco products" to avoid?

This list was created in partnership with Alere, our Quit For Life tobacco cessation program vendor. It is also based on recommendations by the American Lung Association.

If my spouse or I currently use tobacco, how can I avoid the tobacco premium increase?

Avoiding Any Tobacco Premium Increase

There are two ways to avoid having to pay the tobacco premium increase:

1. Give up tobacco on or before **September 1, 2013**. Then...
 - Certify during annual enrollment that you and your spouse (if enrolled for medical benefits) are not tobacco users; **and**
 - Remain tobacco-free. The premium increase will not be included in your payroll deductions for health care benefits in 2014.

or

2. Begin and **complete** the Quit For Life Program in 2013.

Receiving a Refund of Tobacco Premium Increase

If you can't meet the requirements to avoid paying the tobacco premium increase in 2014, you can enroll in—and complete—the Quit For Life Program. Once you complete the program, you will receive a refund of the tobacco premium increase deducted from your paychecks. Up to a maximum of 18 months of deductions can be refunded, depending on your completion date.

How will UPS know whether my spouse and I use tobacco?

You must certify, each year during the annual enrollment period, whether or not you (and your spouse, if enrolling for medical coverage) use tobacco. If you are new to the Flex Plan, you must certify your tobacco use status during initial enrollment and during annual enrollment in subsequent years.

How do I certify tobacco use status?

You must certify your tobacco use status while enrolling for 2014 benefits during the enrollment period. To enroll, log on to the Your Benefits Resources website from a link on the home page of UPSers.com and follow the online instructions for enrollment. If you call the Benefits Service Center to enroll for 2014 benefits, you will certify your tobacco use status at that time.

My spouse and I both use tobacco, so how much will I have to pay?

You will pay a pre-tax premium increase of \$150 per month for your medical coverage, regardless of whether you, your covered spouse, or both of you use tobacco. The \$150 per month premium increase will apply to each month you're covered under the Plan. That's 12 months times \$150 if you are enrolled as of January 1, 2014.

How do I complete the Quit for Life Program?

The program is considered complete after you enroll and complete 5 coaching calls with a Quit Coach. To enroll, call 1-866-784-8454 toll free, or visit www.quitnow.net/ups.

How would I pay the premium increase?

The \$150 per month premium increase will be added to your employee contribution for medical coverage. The monthly premium increase will be multiplied by the number of months in the year, for a total of \$1,800 if your coverage in 2014 begins January 1. The total amount for the year will be divided by the number of paychecks you'll receive. Since your medical plan contributions are deducted before taxes are calculated, the premium increase will be included in that pre-tax deduction.

WHEN**When does the premium increase begin?**

The deduction will begin with your first paycheck in January 2014. If you and/or your spouse are tobacco users and complete the Quit for Life Program, the portion of the premium increase you paid will be refunded to you.

How long does it take to complete the Quit for Life Program?

The length of the program is different for everyone, based on the progress of each individual. In general, it takes anywhere from two to four months to complete all five calls with a Quit Coach.

If I become tobacco free now, can I certify that I'm not a tobacco user?

Anyone who has not used a tobacco product since September 1, 2013, can certify during enrollment for 2014 benefits that they are not a tobacco user.

Will I have to re-certify that I don't use tobacco every year?

Yes, you will need to re-certify your tobacco use status each year during the annual enrollment period.

WHAT IF....**...I certify that I'm not a tobacco user, but later start using tobacco again?**

If you become a tobacco user at any time, you must notify the Benefits Service Center so the \$150 monthly premium increase can be added to your cost share going forward.

...I'm a regular tobacco user, but I certify that I'm not, to avoid the charge?

An employee who falsifies an enrollment form is subject to discipline, up to and including termination of coverage under the plan or termination of employment with UPS where permitted by law.

...I don't actively enroll and certify my tobacco user status?

If you do not take action and certify your tobacco user status during annual enrollment, you will pay the premium increase because you didn't participate in the program.

...I was previously enrolled in Quit for Life but am still using tobacco?

Because UPS is committed to help you become free of tobacco, we are allowing employees and their spouses who have previously enrolled in the program but are still using tobacco to re-enroll in the program at no cost to you.

...I was previously enrolled Quit for Life but didn't complete it; but I'm no longer using tobacco?

If you are tobacco free on or before September 1, 2013 and pledge to remain tobacco free through the end of 2013, you may certify during annual enrollment that you are not a tobacco user and you will not have to pay the premium increase.

...I had previously used the prescription drug Chantix to quit smoking and was unsuccessful.

Will these medications be covered in my next attempt to quit?

Chantix is covered under your prescription drug plan and has a 90-day lifetime maximum. Regardless of whether you've previously used Chantix, the number of days this drug is available to you has been reset to 90.

Active Enrollment and Dependent Verification

Frequently Asked Questions

WHAT

I'm told all employees must "actively enroll" in the Flex Plan, or receive default coverage, which means my spouse won't be covered and I'll have to pay the tobacco premium increase. But my family is enrolled in my spouse's employer's plan—I don't want to enroll any of us in the Flex Plan. How can I avoid receiving the default coverage?

If you opted out of coverage for 2013 and you don't actively enroll for 2014 coverage, your default coverage will be the same as you currently have. You'll receive no medical coverage and, because the tobacco premium increase applies only to enrollees in the Flex Plan medical coverage, you'll pay no tobacco premium increase.

What coverage do members of top management get, and how much do they pay?

There is no difference in either the benefits or the cost of coverage in this plan, whether you're an administrative employee or a member of the Management Committee.

What's different about annual enrollment for 2014?

In previous years, you could skip the enrollment process and your current benefits would be carried over to the following year (except for contributions to pre-tax accounts). There are two important changes to the coverage under the Flex Plan in 2014. UPS wants to ensure that every employee understands these changes.

During enrollment—either online at Your Benefits Resources or by calling the Benefits Service Center at 1-800-UPS-1508—you will be required to certify two things:

- whether or not your spouse has coverage available from their own employer; and
- whether or not you and your spouse (if applicable) are tobacco users.

What information about my dependents am I required to verify?

During annual enrollment, you'll be asked to review a list of your dependents currently enrolled in the Plan. If you realize that one of the dependents listed is not eligible for coverage under the Plan, you must remove that dependent from your list of covered family members.

You do not have to certify whether your children are tobacco users.

Please take time before the annual enrollment period to review the *Eligibility* section of *The Flexible Benefits Plan Summary Plan Description*, available from the Your Benefits Resources enrollment site and from the Total Rewards portal. If you discover that any of your currently enrolled dependents does not meet eligibility requirements for coverage, call the Benefits Service Center **now** to remove that dependent from the Plan—don't wait for annual enrollment.

WHY

Why do I have to actively enroll for benefits next year?

Two important changes to The Flexible Benefits Plan for 2014 make it necessary for you to actively participate during the annual enrollment period this fall.

1. Your spouse (if applicable) is not eligible for medical coverage under the Flex Plan when he or she is eligible for medical coverage from their own employer.
2. You must pay a tobacco premium increase for your medical coverage; except when:
 - you and your spouse (if covered) are not tobacco users, **or**
 - you and your spouse (if applicable) have completed the Quit For Life[®] tobacco cessation program.

During annual enrollment, you will be required to certify the status of you and your spouse (if applicable) with regard to the above conditions.

So if you **don't** actively enroll for 2014 benefits in the Flex Plan, you (the employee) will be enrolled for 2014 benefits under the same medical option that you have at the end of 2013. However, failing to actively enroll also means the following will occur:

- No contributions will be deducted from your paychecks in 2014 for any of the tax-advantaged (pre-tax) reimbursement accounts available to you, even if you are participating in 2013;
- Your spouse will **not** be eligible for medical coverage under the Flex Plan in 2014; and
- The tobacco premium increase will be included in your cost for medical coverage in 2014.

By requiring you to actively enroll, UPS is helping to ensure that you receive the coverage you need for yourself and your family in 2014.

Why must I verify my covered dependents? I sent in all the required paperwork long ago, and they've been covered ever since.

You or dependents may have experienced a change in status that makes one or more covered dependents no longer eligible. Some examples of dependents whom you may not remember to remove from coverage include:

- a former spouse
- a spouse who no longer meets the state-approved definition of a "spouse"
- a stepchild who no longer lives with you at least half of the time
- a stepchild whose natural parent you are no longer married to
- a child for whom you are no longer the court-appointed custodian or guardian
- an incapacitated child age 26 or older who is now married and no longer primarily dependent on you for support and maintenance

Why would I want to enroll online? It seems easier just to call and enroll by phone.

There are a couple of reasons why we believe it's better to enroll online. First, although additional Benefits Service Center representatives are available during annual enrollment, enrollment for other UPS health care plans overlaps with Flex Plan enrollment. There may be times you'll have to wait a little longer to be connected to a representative—particularly toward the end of the enrollment period.

More importantly, when you enroll by phone, you don't have access to the enrollment tools available on the Your Benefits Resources website. If you haven't visited Your Benefits Resources in a while, click the link from UPSers.com. You'll be surprised at how helpful these tools can be in making decisions about your coverage in 2014. And we're making improvements every year to ensure the site is simple to use. You can visit several times and try different combinations of choices before you enroll. Even if you complete the enrollment process, you can go back and change your elections right up until the last day of enrollment (November 1, 2013).

WHO**Who is considered an eligible dependent in 2014?**

In general, a dependent eligible for The Flexible Benefits Plan includes:

- Your legal spouse who is not eligible for coverage from their own employer, and/or
- Your children up to age 26.

A detailed description of the dependents eligible for the Plan can be found in the Eligibility section of The Flexible Benefits Plan Summary Plan Description, or SPD. Your SPD is available from a link on the Your Benefits Resources website and from the Total Rewards portal.

HOW**How and when should I submit paperwork this year to verify my dependents' eligibility for the plan?**

Shortly after the enrollment period ends on November 1, you'll receive a letter with instructions for the documents needed to provide proof of eligibility for any dependents requiring verification. You'll also be told where to send the paperwork, and when it must be received. Please don't send any documents to UPS or the Benefits Service Center before you receive these instructions.

How will our deductibles change for 2014?

There's no change in deductibles for next year, in either the Traditional or Healthy Savings option.

I've never enrolled online. How do I do that?

Log on to UPSers.com and click the link to Your Benefits Resources to access the enrollment website without having to log on again. From October 2-13, you can preview the changes for 2014 coverage and use the tools on that site to help you choose the right medical and supplemental coverage options for you, and to determine whether and how much to contribute to a tax-advantage account. Then, during the enrollment period, October 14 – November 1, you can return to Your Benefits Resources and make your elections. If you change your mind after enrolling, you can modify your elections right up until enrollment ends, at 8 p.m. ET on November 1.

One of the dependents I'm covering should be removed. How should I do that?

Call the Benefits Service Center at 1-800-UPS-1508 now, and speak to a representative to let them know you want to drop coverage for one or more of your dependents because you realized they didn't meet the requirements for eligibility in the Plan.

WHEN

When is UPS going to ask the Teamsters to pay for their own health care?

We can not speculate what will happen in the future. We can say that health care expense was one of the major areas of focus for our union negotiations.

If I discover that one of my covered dependents shouldn't be on the Plan, can I wait until the end of the year to drop that person's coverage?

No. You must call the Benefits Service Center immediately to drop an ineligible dependent from your coverage. Once the annual enrollment period is closed, we will begin re-verifying the eligibility of your covered dependents.

When will coverage end for the dependent I removed?

When you call the Benefits Service Center to drop the dependent's coverage, the representative can advise you of the coverage end date.

When is preview week for this year's annual enrollment?

From October 2-13, you will be able to preview the changes for 2014 coverage through Your Benefits Resources (YBR), and use the tools available on that site to help you choose the right medical and supplemental coverage options for you and your family. We encourage you to use the tools to assist in determining things like where and how much to contribute to a tax advantage account.

WHAT IF....

...I decide to enroll in my spouse's employer plan instead of the Flex Plan. Can I still receive an opt-out credit?

No. Although this change was not included among the key changes for 2014, UPS has decided to eliminate the opt-out credit for 2014. Since, under the Affordable Care Act employers are required to provide coverage to their full-time employees and the Individual Mandate requires all individuals to enroll in coverage, it made sense to no longer provide a credit for opting out of medical coverage from the Flex Plan as of 1/1/14.

...I forget to call the Benefits Service Center by the end of annual enrollment to remove a dependent that should no longer be covered?

A re-verification of the eligibility of covered dependents will begin following the end of annual enrollment on November 1. If you do not remove an ineligible dependent prior to that date, you may be subject to adverse consequences.

<h2>Flex Plan and Miscellaneous</h2> <h3>Frequently Asked Questions</h3>
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WHAT

What's changing in 2014 about the wellness incentives?

There are no changes to the program for 2014. You and your spouse, if enrolled in medical coverage under the Flex Plan, can each earn up to \$200 in 2014 for completing the health assessment, then completing a Weight Watchers or exercise program. However, because of the new working spouse eligibility requirement, your spouse may no longer be enrolled in medical coverage under the plan in 2014, and therefore not eligible for the wellness incentive program.

What percentage of UPSers on the Plan are in the Traditional option vs. the Healthy Savings option?

About 75% of employees and their covered family members are currently in the Traditional option; and 25% are in the Healthy Savings option. The percentage of employees who choose the Healthy Savings option increases by 2% to 3% every year.

What is UPS's financial contribution to my benefits?

The amount UPS contributes to your benefits can be viewed by visiting the Total Rewards portal (link to the right, under "Related Links"). On this personalized site, you can see every element of your UPS Total Rewards, including the dollars contributed by UPS to your personal benefits.

WHY**Why does UPS seem to be on the defense with these changes?**

We recognize that employees are concerned about whether, how and when the changes will impact them. A large percentage of our population won't be affected by these changes.

We announced the Plan changes for 2014 in June, much earlier than we have before, to give you time to realize and prepare for the potential impacts to you and your family. We've planned many more communications in a variety of formats to help ensure you get the information you need to enroll for 2014 benefits. In the meantime, we're constantly working to find solutions that will enable us to comply with ACA regulations and still provide coverage for our employees that is viable and sustainable.

Why are you making such dramatic changes to the Plan?

The increase in expenses related to chronic conditions such as cancer, heart disease and musculoskeletal conditions and the rising cost of health care in general, combined with the costs associated with the Affordable Care Act, have made it increasingly difficult to continue providing the same level of health care benefits to our employees at an affordable cost.

These changes may seem dramatic, and they certainly were not made lightly. We considered many options for plan changes that would slow the rate of our cost increases while having the least negative impact on our people, and potentially improve their health. After much consideration of our population and their overall needs, we determined the following changes would achieve the best long-term combination of minimal impact to our population and maximum impact to the cost of our Plan:

- Exclude working spouses from coverage under the Flex Plan when their own employers provide health care benefits; and
- Provide a powerful incentive for tobacco users to give up this dangerous substance, with the help of a cessation program that UPS would provide at no cost to its employees.

Most non-union UPS employees who are eligible for The Flexible Benefits Plan will not be impacted by these changes. According to a 2011 survey by the Centers for Disease Control and Prevention, the national smoking average for adults in the U.S. is approximately 19%. With regard to working spouses who are eligible for medical coverage from their own employer: Only 40% of non-union UPS employees currently cover their spouses under the Flex Plan. And we estimate that about half of those covered spouses either do not work, or do not have coverage available from their own employer.

Why is UPS making non-union employees pay for the new union contract?

We're not. The contributions that non-union employees make to their health coverage under the Flex Plan—including the tobacco premium increase beginning 2014—are applied to The Flexible Benefits Plan and not to any other plan, by law.

Why haven't the other cost savings UPS has realized, such as increases to the shipping rates, helped to cover the rising cost of health care benefits?

Increased rates in other areas of the organization are unrelated to health care costs. Those increases are used to offset other costs related to our business.

Why is our insurance company forcing us to make these changes?

UPS is self-funded for healthcare benefits; that means the company pays your health claims—not an insurance company. Aetna and UnitedHealthcare are claims processors and provide other administrative services. They also provide access to their medical provider networks. It is UPS's decision to make these changes, so that we can continue to provide our employees with affordable coverage and keep costs the same for 2014 for most UPSers.

Why is UPS trying to copy what other large companies are doing?

UPS is committed to providing a competitive total rewards package. To do so, we benchmark against other large employers. We also learn, from these employers and through industry groups, which plan design changes are most common, and assess whether they are the right fit for UPS.

Why does UPS seem to be blaming these changes on the Affordable Care Act?

The ACA has not directed employers to implement the specific changes we're making to the Flex Plan for 2014. However, the ACA has mandated several changes that have been impacting the cost of coverage for UPS employees since its implementation. These include:

- Coverage for dependent children up to age 26; regardless of whether they are enrolled in school, are married, or (beginning 2014) have coverage available from their own employer;
- Removal of lifetime and annual benefit limits;
- Fees for comparative effectiveness research; and
- Fees to help fund the public exchanges.

We are making these changes to, in part, offset cost increases due to the ACA and so that healthcare premiums remain the same for most of our people.

HOW

How much does the cost of coverage usually increase each year?

Historically, the cost of providing coverage to our union-free population has increased yearly, ranging from 6% to 7%. We anticipate an 11.25% increase from 2013 to 2014. That percentage includes 7.25% for trend, or health care inflation; and 4.0% due to the impact of the Affordable Care Act. Our goal for 2014 was to minimize or eliminate cost increases paid by the majority of our people.

How will the other provisions of the Affordable Care Act impact the Plan?

There are more things coming later, like the so-called "Cadillac tax" in 2018 when employers will pay an additional tax for high value plans. We're staying on top of the changes, learning how other large employers are trending, and keeping an eye open for opportunities to manage the required changes while keeping the plans affordable and valuable to our employees.

How will the changes impact UPS employees outside the U.S.?

Only employees living in the U.S. (excluding Puerto Rico) and expatriates are covered by The Flexible Benefits Plan.

How will these changes affect the retiree plan?

At this time, there are no plans to make changes to The Retired Employees' Health Care Plan.

How did you come up with the "4% increase," considering that medical cost increases are slowing according to the article?

The cost of medical care in 2014 is expected to increase about 7.25% compared to 2013. An additional 4% is due to the Affordable Care Act for:

- Comparative effectiveness research fee—an employer-paid fee based on the number of participants in the Plan, to fund the Patient-Centered Outcome Research Institute (PCORI)
- Temporary Transitional Reinsurance – An employer assessment based on the number of participants in the Plan. The funds generated will be used to stabilize premiums in the individual marketplace.
- Individual Mandate – Employees are required to have health care coverage as of January 1, 2014; therefore, employees who have historically opted out of the Flex Plan will now enroll in the Plan.

Changes in prior years have included coverage of adult dependent children up to age 26, and the elimination of lifetime and annual benefit limits.

How much will my coverage cost in 2014?

If you keep the same medical option (Traditional or Healthy Savings) and coverage category (meaning, whom you cover) next year, your employee cost share for medical coverage will be the same as it is in 2013. Of course, any changes you elect, such as contributions to a tax-advantaged account (such as an HSA or HCSA) or supplemental coverage (life insurance, etc.) will impact your cost share.

How can I afford coverage next year? I already have to meet a \$6,000 family deductible, which is about the same as having no insurance.

The in-network family deductible under the Healthy Savings option is \$3,000. Once it's met, the Plan pays 80% of covered expenses. To help offset some of your out-of-pocket expenses, consider contributing to your HSA the difference in the amount of your payroll deductions for the Healthy Savings option, compared to your cost for the Traditional option. The \$6,000 you might be referring to is the maximum out-of-pocket maximum. That is the point at which the Plan pays your covered, in-network expenses at 100%.

WHEN

When can I find out the cost for the different options available for medical and other coverage?

The pricing for medical benefits and other coverage options is the same for 2014 as it is for 2013. UPS has a comprehensive communication plan that will ensure you get the information you need, from a variety of resources, in plenty of time to make informed choices about your 2014 elections.

Complete cost information will also be included on the Your Benefits Resources website beginning October 2. For the most up-to-date information about your options for annual enrollment for 2014, please check UPSers.com regularly for updates and frequently asked questions.

WHAT IF...

...I enroll in Medicare and continue to work?

If you are an active employee covered by The Flexible Benefits Plan, the Plan is primary for you and any covered dependents who are eligible for Medicare (for example, due to a disability or being age 65 or older). That being said, there are rules that determine whether the Plan pays benefits first, or whether Medicare is primary. Medicare benefits will be primary to the extent permitted under applicable law. For more information, check the *Filing a Claim* section of The Flexible Benefits Plan Summary Plan Description.

If there is any conflict between the information in these Frequently Asked Questions and The Flexible Benefits Plan Summary Plan Description (SPD), the SPD will govern.