

Railroad Employees National Flexible Benefits Program For 2009

You are receiving this material because you may be eligible to enroll for benefits in the Railroad Employees National Flexible Benefits Program (FBP). The Summary Plan Description (SPD) for this program describes in detail how the program works. This document only highlights certain features of the FBP and includes instructions for enrolling for 2009. You should also review the SPD for this program closely. If there is any discrepancy between this document and the SPD, the SPD will always prevail.

If you enrolled in the Flexible Benefits Program for 2008, and want to participate in 2009, you must enroll again; your 2008 enrollment will not be carried over to 2009.

Enrolling

Use the enclosed FBP enrollment form to make an election to participate in the Health FSA and/or the Dependent Care Assistance Program. **You must return this form no later than November 12, 2008.**

General Information About the FBP

What is the FBP?

The FBP is designed to allow you to use pretax dollars to pay for certain medical or dependent care expenses.

When you enroll in the FBP, you agree to have a certain amount deducted from the wages that would otherwise be paid to you during the year. The FBP will then reimburse you for eligible medical care or dependent care expenses incurred while you participate in the FBP, up to the amount you have chosen to have deducted from your wages. In general, you do not have to pay income tax or Railroad Retirement tax on the amounts that you receive as reimbursement.

Note: For those employees of Norfolk Southern Corporation and CSX Transportation who are paid on a weekly basis, FBP deductions will be taken from every other paycheck. Other railroads with a weekly payroll may do the same.

The plan has two components: a Health Flexible Spending Arrangement (“Health FSA”), which provides reimbursement for qualifying medical care expenses, and a Dependent Care Assistance Program (“DCAP”), which provides reimbursement for eligible dependent care expenses. You can choose to participate in either, both, or neither of these FBP components.

Pros and Cons of Participating in the FBP

By participating in the FBP, you will likely be able to save money on income taxes, because the amount you choose to have deducted from your wages is not counted as income paid to you. Some persons, however, may gain greater tax savings by claiming a dependent care credit on their federal income tax returns than by participating in the DCAP.

There is also a risk to participating in the FBP:

- Once you agree to have an amount deducted from your wages, you can't change your decision at any time during 2009.
- Although you will get this money back if you submit eligible claims for reimbursement, **any amounts for which you do not submit eligible claims for reimbursement will be forfeited.**
- In addition, since Railroad Retirement taxes are not withheld on your before-tax contributions, it is possible that your future retirement benefits could be reduced.

Consequently, it is very important that you do not elect to deduct more from your wages than you expect to incur in qualified medical care and dependent care expenses during 2009.

FPB Administrator

The National Carriers Conference Committee has selected UnitedHealthcare to administer the FBP. If you enroll for Health FSA or DCAP benefits, your employer will make deductions from your wages and forward those amounts to the FBP trust accounts. UnitedHealthcare will process your claims and issue reimbursement checks to you from these accounts.

Termination of Participation

Your participation in the FBP will automatically terminate if any of the following events happen during the program year:

- You cease to reside in the United States;
- You cease to be employed by a participating railroad (for example, because of death or retirement); or
- Your employer reports a change in your craft, such that you no longer meet the eligibility requirements for participation in the FBP.

If your participation terminates, then all wage deductions and contributions to the DCAP and the Health FSA will cease. Termination also affects your ability to get reimbursements under the Health FSA and DCAP programs. Review the description for each program and the SPD for an explanation of what happens if your participation terminates.

Use It or Lose It Rule

You must use all the money in your Health FSA and/or DCAP accounts for expenses incurred during your participation in the 2009 program year or you will forfeit the unused portion.

The Dependent Care Assistance Program (DCAP)

The DCAP enables you to use pretax dollars to pay for certain types of dependent care expenses that meet requirements established by the IRS and that are not reimbursed from any other source.

Special Requirements for Participate in DCAP

To participate in the DCAP in 2009, your total compensation for 2008 (including all amounts deferred under a 401(k) plan or reduced from your salary under a cafeteria program) must be less than or equal to a threshold established by the IRS (currently \$105,000). If you elect DCAP benefits and your total compensation for 2008 exceeds this threshold, your election will be null and void.

What Dependent Care Expenses Can Be Reimbursed Under the DCAP?

The DCAP will only reimburse you for expenses incurred for care of someone who is:

- A child under age 13 for whom you are entitled to claim as a dependent on your federal income tax return (or, if you are a divorced or separated parent, a child who is in your legal custody, even if you cannot claim a dependency exemption);
- Your spouse, if he or she is physically or mentally incapable of self-care and who lives with you for more than ½ of the year; or
- Any other person who qualifies as your dependent under federal tax law, if that person is physically or mentally incapable of self-care and who lives with you for more than ½ of the year.

In addition, the expenses must be incurred in order to enable you and your spouse to be gainfully employed or to attend a full-time educational institution. The expenses cannot be reimbursable from any other source.

Following are some types of expenses that may be eligible for reimbursement under the DCAP (provided that all of the other DCAP and federal tax law requirements are satisfied):

- Licensed nursery schools
- Qualified child-care centers
- Adult day care facilities
- After school programs
- Baby-sitters inside or outside the home while you are at work (as long as the baby-sitter is not your child under age 19, or anyone you or your spouse can claim as a dependent for federal income tax purposes)
- Day camps for dependent children under age 13
- Preschool tuition

You can get a more detailed list of eligible expenses online at www.myuhc.com or by calling UnitedHealthcare toll free at 1-877-311-7849.

Keep in mind that the IRS establishes the expenses for which you can be reimbursed and can modify this list from time to time. In the case of an IRS audit, it is your responsibility to establish that the expenses for which you receive reimbursement meet IRS rules.

How Much Can You Contribute to the DCAP?

You can contribute a minimum of \$120 and a maximum of \$5,000 to the DCAP for 2009. However, the IRS sets limits on how much of the money you receive from a DCAP, can be excluded from your income for tax purposes. You can't exclude, and should not elect to contribute, more than the smallest of the following amounts:

- \$5,000 if you are single or married and file a joint return, or \$2,500 if you are married and file separate returns;
- Your earned income for 2009; or
- Your spouse's earned income for 2009.

Termination of Participation

If you stop working, and thus cease to earn wages, no DCAP contribution will be made, and the maximum amount you can be reimbursed will automatically be reduced. If you resume work, and thus start to earn wages again before the end of the program year, the wage deductions and contributions will automatically resume.

Even if you stop working, you can still be reimbursed for any dependent care expenses that are incurred during the program year, provided that they meet the IRS criteria for reimbursement.

Amount of Reimbursement Available

Under the DCAP, you can only be reimbursed up to the amount you have actually contributed to the DCAP account (minus any amounts for which you have already been reimbursed). If you submit a claim that exceeds your DCAP balance, you will be reimbursed up to your balance. If you make additional contributions to the DCAP for the 2009 program year, you can be reimbursed for any remaining portion of the claim that has not previously been reimbursed out of those additional contributions.

Special Tax Filing Requirements

If you participate in the DCAP, you are required to complete IRS Form 2441 when you file your federal income tax return for 2009 (or Schedule 2 if you file your taxes on Form 1040A). In general, you will need to provide the name, address, and taxpayer identification number (TIN) of any person who provides the dependent care for which you are reimbursed. You should ask any provider of dependent care services to fill out a copy of IRS Form W-10 and keep it for your records. Copies of these forms can be obtained either on the IRS website (www.irs.gov), or by calling 1-800-TAX-FORM.

The Health Flexible Spending Arrangement (Health FSA)

The Health FSA enables you to use pretax dollars, up to the total amount that you decide to have deducted from your wages, to pay for certain types of health care expenses that are not reimbursable from any other source.

What Health Care Expenses Can Be Reimbursed Under the Health FSA?

The Health FSA will reimburse you for eligible expenses for you and your dependents as defined by federal tax law. The expenses must be for “medical care” as that term is defined by the IRS, and must not be for a kind of care that is excluded under the terms of the Health FSA. In addition, the expenses cannot be reimbursed or reimbursable under any other insurance (including coverage under a railroad Health and Welfare Plan or hospital association, Medicare or Medicaid) or from any other source.

The expenses must be incurred from January 1, 2009 through December 31, 2009 and while you participate in the FBP. As discussed below, your period of coverage may terminate early if you stop working or stop making contributions to the Health FSA.

Following are some types of expenses that may be eligible for reimbursement under the Health FSA (provided that all of the other Health FSA and federal tax law requirements are satisfied):

- Deductibles or co-payments under your medical, prescription drug, dental or vision plan
- Medical expenses for persons who qualify as your dependents under federal tax law but who are not covered under your plan
- Medical expenses that are not covered by your medical plan or any other plan.

The following kinds of expenses are not eligible for reimbursement under FSA:

- Any amounts that are eligible for reimbursement from another source, such as insurance or Medicare
- Any expenses for which a federal itemized deduction is taken
- Premiums or employee contributions for health, dental or vision coverage
- Health or fitness club membership for general health
- Laetrile
- Weight reduction programs for general health
- Personal care items
- Cosmetic services and supplies
- Cosmetic surgery or other cosmetic procedures that do not qualify as medical care under federal tax law
- Hair transplants
- Marriage/family counseling

You can get a more detailed list of eligible expenses online at www.myuhc.com or by calling UnitedHealthcare toll free at 1-877-311-7849.

As with the DCAP, keep in mind that the IRS establishes rules for what can be reimbursed under a Health FSA and may modify those rules from time to time. In the case of an IRS audit, it is your responsibility to establish that the expenses for which you received reimbursement meet IRS rules.

How Much Can You Contribute to the Health FSA?

The minimum amount you can contribute to the Health FSA for the first program year is \$120 and the maximum amount is \$3600.

Health FSA Period of Coverage/Termination of Participation

As long as you continue to work and make contributions the entire program year, your period of coverage for purposes of the Health FSA will extend from January 1, 2009 through December 31, 2009. But your period of coverage may terminate early if you cease to work or don't work enough to make Health FSA contributions.

If your employer ceases to make wage deductions and contributions because you are not earning wages, you can elect to continue your coverage on a self-pay, after tax basis by sending your contributions directly to the Health FSA. UnitedHealthcare will send you a bill letting you know how much you are required to pay and when payments are due. If you fail to make any required contribution on time, your period of coverage will terminate as of the first day for which no contribution was received. But if you make all of the required after-tax payments, and you begin earning wages again before the end of the program year, your employer will resume making pretax wage deductions and contributions, and your period of coverage will not terminate.

Amount of Reimbursement Available

Under the Health FSA, the amount available for reimbursement at any given time is the full amount you have elected to have deducted from your wages during the program year minus any amounts already reimbursed to you during the program year, regardless of how much you have contributed to the Health FSA.

Submitting Claims

Use one of the enclosed claim forms to submit claims under the Health FSA or DCAP. You can print additional copies from www.myuhc.com. You can also obtain additional claims forms by calling UnitedHealthcare toll free at 1-877-311-7849. The claim form explains what documentation is needed for reimbursement.

A reimbursement check will not be issued until the total expenses claimed reach \$25. This minimum will be waived at the end of your period of coverage to ensure you receive reimbursement of all eligible expenses.

You have until March 31, 2010 to submit claims for expenses incurred in 2009.

Single bill submission

If your medical benefits are administered by UnitedHealthcare or your Mental Health and Substance Abuse claims are paid by United Behavioral Health (UBH) or you have prescription drug expenses paid by Medco, you do not have to submit a claim for reimbursement under the Health FSA. UnitedHealthcare, UBH and Medco will forward any claims they process to the UnitedHealthcare Health FSA unit automatically for processing. The amount of any unpaid covered medical expenses (e.g. deductibles or co-payments) covered under the FSA, will be deducted from your FSA account and a check will be issued to you.

If your medical benefits are administered by Aetna or Highmark Blue Cross Blue Shield, or if you have Mental Health and Substance Abuse claims paid by ValueOptions, or vision claims paid by VSP, or benefits paid by some other plan, you must mail a claim for any unpaid expenses to UnitedHealthcare, using the claim form. A copy of the Explanation of Benefits from these companies should be included with your claim form.

If an expense is not covered by any benefit plan, send the claim form with a copy of an itemized receipt that includes the date of service, service rendered, and total charge.

Confirmation of Your Election

If you elect to participate in the Health FSA and/or the DCAP, you will receive a notice confirming your election in November. If you do not receive a confirmation notice, or you receive a notice but the amounts elected are not correct, call UnitedHealthcare at 1-800-842-9905.

You must call prior to December 9, 2008 to make corrections. If you do not call before that date, changes in amounts, or changes in FBP participation, will not be allowed.