

Social Security / Medicare Payments Reimbursement Program

Purpose This program is designed to reimburse Social Security/Medicare tax deductions to those LANL employees who elected TCP 1 and began paying Social Security/Medicare taxes for the first time as a LANL employee upon their transition to LANS employment on June 1, 2006, and who subsequently retire from LANS employment without earning entitlement to Social Security/Medicare benefits.

Reimbursement Eligibility

LANS LLC will reimburse Social Security/ Medicare taxes withheld from the pay of any LANL employee who:

- Opted out of Social Security under the terms of the UCRP retirement program and who elected TCP 1 and transitioned from UC to LANS employment effective June 1, 2006.
- Began paying Social Security/Medicare taxes due to such transition to LANS employment.
- Is not eligible for Social Security/Medicare benefits upon retirement from LANL.
- Provides annual documentation from the Social Security Administration that they continue to be ineligible for Social Security/Medicare benefits.

Applying For Reimbursement

To receive reimbursement payments, eligible retirees must:

- At retirement, provide LANL with the original of their annual Social Security Earnings Statement indicating they are not eligible for Social Security Benefits. (Retirees should keep a copy for themselves.)
- Provide LANL annually thereafter with the original of their most recent Social Security Earnings Statement indicating continuing ineligibility for Social Security benefits.

Reimbursement Determination And Payment

LANS LLC will make reimbursements based on the following:

- Reimbursements will be paid annually within 30 days of receipt of the retiree's latest Social Security Earnings Statement indicating continued ineligibility for Social Security benefits.
- The annual reimbursement amount will be equal to the total Social Security/Medicare withholding for the employee during active employment with LANS as shown on the retiree's W-2 forms during the retirees employment with LANS, divided by the number of months of active employment with LANS, multiplied by 12. **The first payment will be prorated on the number of months between retirement and receipt of the Social Security Earnings Statement and the last annual payment will be prorated based on the remaining balance due to the retiree at that time.**

EXAMPLE: The total Social Security/Medicare withholdings for a retiree was \$35,000 dollars from June 1, 2006 until retirement on April 30, 2009 (35 months) the annual amount of benefit would be calculated as $\$35,000/35 \text{ months} = \$1,000$ per month average benefit.

- LANL will pay the retiree a first annual payment within 30 days of receipt of a copy of the employee's Social Security notice demonstrating proof of continuing ineligibility. In this case, if the earnings statement were received in December 2009, a payment of \$8,000 would be made to the retiree.
- The next annual payment of \$12,000 will be made within 30 days of receipt of the next year's Social Security Earnings Statement indicating continued ineligibility for benefits.
- Another \$12,000 will be made the next year upon receipt of proof of ineligibility for Social Security benefits.
- A final payment of \$3,000 will be made the following year subject to same conditions as above.

Disbursement of Reimbursements Payments

Annual payments will be made as follows:

- Annual payments will be made by LANL accounts payable department each year as described above.
- No taxes will be withheld from such benefit payments.

- LANS will issue an IRS Form 1099 annually to eligible retirees and the retiree will be responsible for tax consequences of such payments.

Termination Of Benefits

Reimbursement payments will terminate in the event of any of the following:

- The retiree has been reimbursed for the full amount of Social Security/Medicare taxes withheld by LANS during active employment with LANS.
- The retiree becomes eligible for Social Security benefits.
- The retiree fails to provide the LANL Benefit Group with required documentation of continuing ineligibility for Social Security benefits.