The University of Alabama
Sponsored Dependent Policy for Benefits

I. Policy
The University of Alabama (UA) offers benefit eligible employees the opportunity to cover a Sponsored Adult and/or Child Dependent under various benefit programs as long as they meet the guidelines that have been established within each benefit plan.

II. Minimum Eligibility Requirements
Sponsored Adult Dependent – A benefit eligible UA employee may choose to add one Sponsored Adult Dependent for benefit coverage if the Sponsored Adult Dependent meets all of the following criteria:

- Shares a primary residence with the covered UA employee, other than as a tenant/renter, and has lived with the UA employee for at least the 12 continuous months immediately prior to the effective date of coverage under the benefit plan
- Is at least age 19 (current age of majority in the State of Alabama)
- Is not a relative of the employee. Definition of relatives: Parents, children, husbands, wives, brothers, sisters, brothers- and sisters-in law, mothers- and fathers-in law, uncles, aunts, cousins, nieces, great nieces, nephews, great nephews, grandmothers, grandfathers, great grandmothers, great grandfathers, sons- and daughters-in law and half- or step-relatives of the same relationships.
- Is not employed by the UA employee and was not employed by the employee during the period of the shared residence
- Neither the Sponsored Adult Dependent nor the UA employee is married and neither was married during the period of the shared residence

Sponsored Child Dependent – is defined as a dependent child of the Sponsored Adult Dependent and may be covered under any of the eligible benefit plans if he/she meets the following guidelines:

- Is under age 26 OR is age 26 or more, unmarried, was permanently incapacitated before age 26, is not able to support him or herself and depends on the UA employee and/or the Sponsored Adult Dependent for his/her support due to physical or mental impairment, and
- Is the natural born child of Sponsored Adult Dependent, or
- Is a legally adopted child of the Sponsored Adult Dependent (includes a child placed for adoption), or
- Is a child in the permanent legal custody of the Sponsored Adult Dependent

The above is not intended to be a comprehensive list of eligibility criteria. Please refer to the applicable updated Summary Plan Descriptions and Certificates of Coverage for complete definitions of eligibility for coverage.

III. Enrollment Process for Eligible Sponsored Adult and/or Sponsored Child Dependent(s)
Generally, there are four times when an employee can add an eligible Sponsored Adult and/or Sponsored Child Dependent to his or her UA benefits:

1. Within 30 days of becoming a newly hired or newly eligible employee
2. Within 30 days of experiencing an enrollment event consistent with benefit plan rules
3. During the annual Open Enrollment period
4. Within 30 days of meeting the 12 month residency requirement

In order to cover an eligible Sponsored Adult and/or Sponsored Child Dependent(s), the sponsoring employee must complete and submit the following to the HR Service Center:

- Enrollment form for each benefit
- Documentation of 12 or more continuous months of residency of the Sponsored Adult Dependent with the UA employee

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Signed affidavit by the UA employee verifying he or she has met the eligibility requirements for Sponsored Dependents
Any other documentation necessary to confirm eligibility, e.g. birth certificates, adoption paperwork, divorce decrees, etc. as requested

IV. Important Notification Requirement: It is the sponsoring employee’s responsibility to notify the UA HR Service Center within 30 days if a Sponsored Dependent becomes eligible or ineligible for coverage or if the Sponsored Dependent obtains or loses coverage from another employer.

V. Tax Implications
Sponsoring employees may be subject to taxes due to the value of the benefits provided to their Sponsored Dependents. (Employees may pay their premiums on employer-provided group medical, dental and vision insurance plans with “pre-tax” deductions. Most educational benefits are provided free of taxes to employees and their dependents.) However, the IRS requires that the value of the benefits (the fair market value) provided for a person who is not the employee’s dependent for federal income tax purposes is considered a taxable employer-provided benefit to the employee. This added “employer-provided benefit” is called imputed income and is taxed as additional compensation. All applicable taxes apply. Notwithstanding the above, under a 2013 IRS ruling, the IRS will not impute income and will treat two same-sex individuals as one another’s spouses if their marriage was legal in the state, territory or foreign country where it occurred even if they live in a state that does not recognize same-sex marriages.

If a sponsored dependent(s) qualifies as a dependent as defined by IRS under Section 152 the imputed income may not apply. This is not intended as tax advice but rather to alert employees of potential tax consequences. Employees are strongly encouraged to consult with a CPA, attorney, or tax advisor before declaring that a Sponsored Adult Dependent or child of a Sponsored Adult Dependent satisfies the requirement to be considered a qualifying §152 dependent as defined by the IRS.

VI. Continuation of Coverage for Sponsored Dependent (Adult and/or Child)
A Sponsored Adult or Sponsored Child Dependent is not recognized under COBRA, unless the Sponsored Adult Dependent produces a marriage certificate from a state, territory or foreign country that recognizes same-sex marriage. UA will provide continuation benefits to Sponsored Dependents on the same terms and conditions as if they were qualified beneficiaries under COBRA.

Possible situations involving Sponsored Dependents and COBRA issues are as follows:

- If a Sponsored Dependent’s insurance is cancelled as a result of termination of the sponsoring employee’s employment, or the Sponsored Dependent no longer qualifies as a dependent, the individual who loses the coverage will be eligible to continue the insurance voluntarily for a period of 18 to 36 months, depending upon the reason for the loss of coverage.
- If an employee with a covered Sponsored Dependent terminates employment and chooses COBRA coverage for 18 months, the employee may continue coverage for his or her Sponsored Dependents for the same 18 month period.
- If the employee does not elect COBRA coverage, the employee’s covered Sponsored Dependents may not make a separate election to continue their coverage.
- An employee on COBRA may add a Sponsored Dependent in the same manner as is permitted for active employees with spouses. However, should the employee die or should the Sponsored Dependent cease to meet the eligibility requirements, the Sponsored Dependent may not make an election under COBRA or this policy as a second qualifying event.

Questions related to COBRA, continuation coverage under this policy and notification of qualifying events should be directed to the UA HR Service Center, located in Rose Administration Building, Room G-69. Written notification of qualifying events (such as loss of eligibility) for COBRA or continuation coverage must be provided within 60 days or coverage will not be available.

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