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A MESSAGE FROM HUMAN RESOURCES

The University is committed to maintaining an excellent health and dental program at an affordable cost to all employees.

Although our USA Health & Dental Plan is projected to have an increased cost of \$2 million in 2011 due to rising health care costs and federal mandates, the majority of employees will not have a premium increase for the 2011 benefit year.

The Fringe Benefits Committee (FBC) recommended and the University adopted the following for 2011:

- Employees and their spouses who declare that they do not use tobacco products (and have not for at least six months) will not have a premium increase and will continue to pay \$76 for single and \$252 for family coverage.

This is possible because employees and their spouses who declare that they do not use tobacco products are eligible to receive a \$25 wellness incentive and because the University will increase its contributions to \$5,917 per covered employee for the 2011 benefit year. The University's contribution to the Health and Dental Plan will increase from \$326 to \$348 for single and from \$584 to \$637 for family coverage monthly. To take advantage of the \$25 wellness incentive (one per family) effective January 1, 2011, employees are required to certify that they do not use tobacco products on the Tobacco Declaration Form. The form must be submitted to Human Resources by November 30, 2010. The form is available online at an open enrollment link on the Human Resources website at www.southalabama.edu/hr.

- Employees and their spouses who use tobacco products are

not eligible for the \$25 wellness incentive. Their monthly contribution rate will increase to \$101 for single and \$277 for family coverage.

- However, employees and their spouses can qualify for the \$25 wellness incentive after they stop using tobacco products for at least six months.
- The USA Health & Dental Plan will continue to include Infirmity West as a USA Network provider for the purposes of the deductible and copay.

Please refer to details in this newsletter about the open enrollment period, enrollment deadlines, SouthFlex and the Annual Employee Benefits Fair to be held on November 4 and 5, 2010.

FORMS SUBMISSION DEADLINE

Tobacco Declaration Forms, SouthFlex and all enrollment forms must be received in Human Resources no later than 4:30 p.m. on Tuesday, November 30, 2010. Please contact your Human Resources office should you have any questions.

ANNUAL OPEN ENROLLMENT PERIOD

*The open enrollment period
is from November 1, through
November 30, 2010.*

During open enrollment, eligible faculty, staff, and administrative employees may enroll in the USA Health & Dental Plan and/or add eligible dependents with coverage to be effective January 1, 2011. This also applies to employees of the USA HealthCare Management, LLC. USA Health & Dental Plan enrollment forms are now available online at an open enrollment link on the Human Resources website at www.southalabama.edu/hr and in the Human Resources offices. You may print, complete, sign and fax the enrollment form to 460-7483. Faxed copies of the enrollment form are accepted. If you send by fax, it is not necessary to send the original.

If you are currently enrolled in the USA Health & Dental Plan, and wish to make no change in coverage, no action is required on your part other than to submit the Tobacco Declaration Form.

SOUTHFLEX

If you have not already done so, now may be a good time for you to consider participating in SouthFlex, a plan designed to increase your disposable income by reducing the amount of taxes you pay. Enrollment in SouthFlex will allow you to be reimbursed for copays and deductibles on a pre-tax basis. SouthFlex information and enrollment forms will be available again this year online at an open enrollment link on the Human Resources website at www.southalabama.edu/hr. The enrollment form may be completed online. Once completed, please print, sign, and fax to Human Resources at 460-7483. Remember, even if you are currently enrolled in SouthFlex you must re-enroll during the 30-day open enrollment period beginning November 1, 2010 in order to participate during the 2011 benefit year.

It is important to note that for the 2011 benefit year, in accordance with federal law, over-the-counter drugs no longer qualify as eligible expenses under SouthFlex. This was eliminated as a benefit under SouthFlex by PPACA.

ANNUAL EMPLOYEE BENEFITS FAIR

As your work schedule permits, we encourage you to attend the sixth annual Employee Benefits Fair to be held on:

Thursday, November 4, 2010, at
USA Children's and Women's Hospital
at CWEB2 – Atlantis Room from
8:00 a.m. to 11:00 a.m.

and on

Thursday, November 4, 2010,
at the USA Medical Center
in the Cafeteria
from 2:00 p.m. to 4:30 p.m.

and on

Friday, November 5, 2010, at
USA Main Campus at
Human Resources,
TRP III, Suite 2200
from 8:00 a.m. to 1:00 p.m.

The Benefits Fair is a good opportunity for you to submit your Tobacco Declaration, enrollment and other benefits-related forms directly to Human Resources staff who will be available on-site to answer questions. It is also a good time to speak directly with vendor representatives from Blue Cross Blue Shield, Teachers' Retirement System, TIAA-CREF, Standard Insurance and Reliance Standard, as well as representatives from USA Departments that provide services to University employees.

*Vendor Sponsored Door Prizes and
Refreshments Provided!*

PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA) HEALTHCARE REFORM ACT

EXTENSION OF DEPENDENT COVERAGE TO AGE 26

Dependent children whose coverage ended, or who were denied coverage (or were not eligible for coverage), because the availability of dependent coverage for children ended before attainment of age 26 are eligible to enroll in the USA Health & Dental Plan if the individual is not eligible for other group health insurance through the individual's employer regardless of whether or not the individual enrolls in such coverage. Employees may request enrollment for such dependent children only during the 30-day period starting November 1, 2010. Coverage will be effective January 1, 2011, the effective date of the Patient Protection and Affordable Care Act (PPACA) for the USA Health & Dental Plan. The dependent child may be enrolled by obtaining an enrollment form now available online at an open enrollment link on the Human Resources Website at www.southalabama.edu/hr and in the Human Resources offices. The dependent child added to the USA Health & Dental Plan will be subject to the 270 day waiting period for coverage of a pre-existing medical condition.

LIFETIME MAXIMUM BENEFIT LIMITATION

All lifetime limits on the dollar value of benefits under the USA Health & Dental Plan no longer apply.

Individuals whose coverage ended by reason of reaching a lifetime limit under the plan are eligible to enroll in the plan. Individuals may enroll only during the 30-day period starting November 1, 2010, for coverage effective January 1, 2011. Enrollment forms are now available online at an open enrollment link on the Human Resources web site at www.southalabama.edu/hr and in the Human Resources Offices. The annual limits in the plan no longer apply to Home Health Care in accordance with the Patient Protection and Affordable Care Act. Annual maximums on non-essential health benefits will remain.

PATIENT PROTECTION

The Plan does not restrict coverage to any specific physician and the individual may designate any primary care, pediatrician, obstetric, gynecological, or specialty care provider in the network. A list of the participating physicians, hospitals, and other medical providers may be obtained from Blue Cross Blue Shield of Alabama www.bcbsal.com and the USA Health System www.usahealthsystem.com.

GRANDFATHERED STATUS

Based on the federal guidelines of PPACA, the USA Health & Dental Plan expects to be classified a "grandfathered plan." As permitted by the Act, a "grandfathered" plan can preserve certain basic health coverage that was already in effect

when that law was enacted. As a "grandfathered" health plan, the Plan may not include certain consumer protections of the Act that apply to other plans; for example, the requirement for the provision of preventive health services without any cost sharing. Questions regarding which protections may or may not apply to a "grandfathered" health plan and what might cause a plan to change its status can be directed to the Human Resources Department. You may also contact the Employee Benefits Security Administration U.S. Department of Labor at 1-866-444-3272 or www.dol.gov/ebsa/healthreform.

PRE-EXISTING WAITING PERIOD

The USA Health Plan has a 270-day waiting period for pre-existing medical conditions and does not accept certificates of creditable coverage to reduce the waiting period. Effective January 1, 2011, the waiting period no longer applies to dependent children who are under the age of 19.

BLUE CROSS BLUE SHIELD - QUIT FOR LIFE PROGRAM AVAILABLE TO USA HEALTH & DENTAL PLAN MEMBERS

The Office of Human Resources is pleased to advise you that upon recommendation of the Fringe Benefits Committee (FBC) and approval of President Moulton, the USA Health & Dental Plan has been enhanced to include the Blue Cross Blue Shield of Alabama (BCBS) Quit for Life Tobacco Cessation Program. USA Health & Dental Plan members should have received postcards in the mail about the program.

Effective immediately, covered employees and eligible spouses may participate in the BCBS Quit for Life

Program (1-888-768-7848) at no charge. The telephone-based program has several supportive features including five counseling sessions, 12 months of unlimited "hotline" calls for on-the-spot help, self-help materials, and a free 8-week supply of nicotine replacement therapy, including patches, gum or lozenges.

As an additional incentive, the USA Health & Dental Plan will now cover tobacco cessation prescription drugs, to include waiving the copay for a two-month supply for the tobacco cessation drug Chantix.



Quit For Life[®] Program

Announcing a new partnership. Because protecting your income is *So Important*. Reliance Standard is our new Long Term Disability Carrier.

Your LTD coverage includes:

- **Extended Disability** – May pay an additional benefit in the event you reach retirement age and remain fully disabled
- **Survivor Benefit** – May pay an eligible surviving family member income replacement benefits in the event of your death
- **Identity Theft Recovery Services** – In the event of an ID theft, this service provides compassionate one-on-one, beginning-to-end guidance throughout the entire recovery process using trained personnel and proprietary software to ensure accuracy and expedite the process.
- **Travel Assistance Services** – a 24-hour, toll-free service that provides a comprehensive range of information, referral, coordination and arrangement services designed to respond to most medical care situations and many other emergencies you may encounter when you travel. You can also access pre-trip assistance including passport/visa requirements, foreign currency and weather information.

RELIANCE STANDARD

Reliance Standard Life Insurance Company

www.reliancestandard.com (800)351-7500

Home Office: Chicago, IL Administrative Offices: Philadelphia, PA



BENEFICIARY INFORMATION UPDATE

Is your Beneficiary Information Up-to-Date?

Have you had any life changes or updates to your beneficiary information since you began employment with the University? Each time there is a life change event such as a marriage, birth, divorce, death of a spouse or a designated beneficiary, you should update your information. To ensure your survivors receive the benefits to which they are eligible, we suggest that you periodically review and update your beneficiary information. All benefits eligible employees should have designations of beneficiary information on file for their University Group Term Life Insurance, Teachers' Retirement System Benefits, and TIAA-CREF Retirement Program, if applicable.

Contact Human Resources for information and the proper forms.

GENERIC PROTON PUMP INHIBITOR (PPI) PROGRAM SAVES YOU MONEY

Proton Pump Inhibitors such as Nexium are prescribed to treat heartburn, gastroesophageal reflux disease (GERD) and ulcers.

You can save up to \$300 in 2011 because for the first six months you save \$30 per month while your copay is waived. The following six months you save by paying only a \$10 copay for the generic brand.

You may take advantage of the opportunity to be copay-free for six months by:

- switching from your current brand name PPI to the generic PPI omeprazole;
- receiving omeprazole on any new, first time PPI prescription,
- taking omeprazole as your current PPI prescription.

Talk to your physician at your next visit and ask if this generic omeprazole is right for you. You will need a new prescription for omeprazole if you are currently taking any other brand name PPI.

EMPLOYEE RESPONSIBILITY FOR A CHANGE IN DEPENDENT STATUS

It is required that you notify the Human Resources Department if you have a change-in-status event such as:

- Marriage
- Divorce
- Child reaching age 26 years
- Child over age 19 eligible for other employer sponsored health coverage due to employment
- Birth, adoption, or placement of a foster child

It is the employee's responsibility to notify the Human Resources Department when a change occurs. Failure to provide notice within 30 days of the change will result in the employee becoming liable for claims paid by the USA Health & Dental Plan on behalf of an ineligible individual.

Even in the case of a divorce when the employee is court ordered to provide health insurance for the divorced spouse, the member is required to notify the Human Resources Department of the divorce so that the ex-spouse can be removed from the USA Health & Dental Plan. The USA Health & Dental Plan does not consider an ex-spouse an eligible dependent. The ex-spouse has the opportunity to keep coverage through COBRA continuation of coverage if the Human Resources Department is notified within 30 days of the divorce date.

You are required to remove an ineligible dependent covered by the USA Health & Dental Plan during the open enrollment period. The USA Health & Dental Plan plans to audit dependent coverage during 2011. Removal of dependents during the open enrollment period will not result in any liability for the employee. After that period, the USA Health & Dental Plan will seek reimbursement from the employee for any benefits paid on behalf of an ineligible dependent.

A NEW WAY TO SAVE FOR RETIREMENT WITH THE UNIVERSITY OF SOUTH ALABAMA

The University of South Alabama is introducing the Roth 403(b) Supplemental option as another way for you to contribute to the USA 403(b) Tax Deferred Annuity Plan.

With this option, you may:

- Contribute after-tax dollars.
- Enjoy tax-free distributions, without penalty, when you are age 59½ or older and a distribution is taken five years after the first Roth contribution was made to the contract. Withdrawals of earnings are subject to ordinary income tax, and a 10% early withdrawal penalty may apply prior to age 59½. Withdrawals may also be subject to the provisions of the USA 403(b) Tax Deferred Annuity Plan.

- Roll over assets into a Roth IRA, or into another Roth 403(b) Supplemental Plan that accepts such assets.

How will I benefit from making Roth 403(b) Supplemental contributions?

If you expect your tax rate to be higher in retirement than it is now, then Roth 403(b) Supplemental contributions can provide you with significant tax advantages. On the other hand, if you expect your tax rate to be higher now than in retirement, the tax-deferred annuity option may be the right choice for you. The chart below shows the benefits of contributing to the Roth 403(b) Supplemental option.

You may benefit from contributing to the Roth 403(b) Supplemental option if you:	Benefits:
Are not eligible to make Roth IRA contributions because of high income.	The Roth 403(b) Supplemental does not have adjusted gross income (AGI) limits.
Want to make Roth contributions greater than the Roth IRA limit.	Roth 403(b) Supplemental contribution limits are higher than that of the Roth IRA, allowing you to maximize your after-tax retirement savings.
Are near retirement and believe you will have more savings than required to meet your immediate needs for retirement income.	Assets may be passed along to your beneficiaries income tax-free.
Believe that your income tax rates are likely to rise in the future.	You may enjoy a tax-free benefit at retirement when you expect a higher tax rate. However, you give up the immediate tax benefit of making pretax contributions now.
Want tax diversification of retirement assets.	Having both pretax and after-tax assets in your retirement accounts allows you to hedge against the uncertainty of future tax rates.

When your retirement plan offers two savings options, 403(b) Tax Deferred Annuity and Roth 403(b) Supplemental Plan, your contribution choices will be:

- Roth after-tax contributions to your 403(b) Supplemental plan.
- Pretax contributions to your 403(b) Tax Deferred Annuity Plan.
- Both pretax and Roth after-tax contributions to your USA 403(b) Tax Deferred Annuity Plan.

*Roth 403(b) Supplemental contributions are included in your maximum contribution limits, plus any catch-up limits, if applicable.

GETTING STARTED

Adding the Roth contributions to your USA 403(b) Tax Deferred Annuity Plan is easy. You simply need to complete and submit a new salary reduction agreement. If you are enrolling for the first time, you will also need to complete an enrollment application. For more information please contact your benefits office for a salary reduction agreement or log in to www.tiaa-cref.org/southalabama to review your investment choices and performance.

To learn more about the advantages of the Roth 403(b) Supplemental Retirement Plan option, call TIAA-CREF at 800-842-2776, Monday through Friday, 8 a.m. to 10 p.m., and Saturday, 9 a.m. to 6 p.m. (Eastern Time) or visit TIAA-CREF's website at www.tiaa-cref.org/southalabama. TIAA-CREF is committed to helping you plan for - and live well in - retirement.

IMPORTANT NOTICE ABOUT YOUR PRESCRIPTION DRUG COVERAGE AND MEDICARE

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage provided by your employer and prescription drug coverage that became available January 1, 2006, for people with Medicare. It also tells you where to find more information to help you make decisions about your prescription drug coverage.

1. **On January 1, 2006, Medicare prescription drug coverage became available to everyone with Medicare.**
2. **The prescription drug coverage offered by the USA Health & Dental Plan is, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage will pay.**
3. **Read this notice carefully – it explains the options you have under Medicare prescription drug coverage, and can help you decide whether or not you want to enroll.**

On January 1, 2006, prescription drug coverage became available to everyone with Medicare through Medicare prescription drug plans. All Medicare prescription drug plans provide at least a standard level of coverage set by Medicare. Some plans might also offer more coverage for a higher monthly premium.

Because your existing coverage is on average at least as good as standard Medicare prescription drug coverage, you may keep this coverage and pay no additional money if you decide later to enroll in Medicare coverage.

People with Medicare can enroll in a Medicare prescription drug plan from November 15, 2010, through December 31, 2010. However, because you have existing prescription drug coverage that, on average is as good as Medicare coverage, you may choose to join a Medicare prescription drug plan later.

If you drop your employer's coverage and enroll in a Medicare prescription drug plan, you may not be able to get this coverage back in the future. You should compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

Your current coverage pays for other health expenses, in addition to prescription drugs. Your employer will let you know

if you will be eligible to receive all of your current health and prescription drug benefits if you choose to enroll in a Medicare prescription drug plan.

You should also know that if you drop or lose your coverage with your employer and do not enroll in Medicare prescription drug coverage after your current coverage ends, you may pay more to enroll in Medicare prescription drug coverage later. If you go 63 days or longer without prescription drug coverage that is at least as good as Medicare's prescription drug coverage, your monthly premium will increase at least 1% a month for every month that you did not have that coverage. For example, if you go 19 months without coverage, your premium will always be at least 19% higher than what most other people pay. You will be required to pay this higher premium as long as you have Medicare coverage. In addition, you may be required to wait until next November to enroll.

More detailed information about Medicare plans that offer prescription drug coverage is available in the "Medicare & You" handbook. You may get a copy of the handbook in the mail from Medicare. You may also be contacted directly by Medicare prescription drug plans. You can get more information about Medicare prescription drug plans from the following places:

- Visit www.medicare.gov for personalized help
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You handbook for the telephone number)
- Call 1 800 MEDICARE (1-800-633-4227); TTY users should call 1-877-486-2048.

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For more information about this extra help, visit SSA online at www.socialsecurity.gov, or call 1-800-772-1213 (TTY 1-800-325-0778).

The above notice is the Medicare Part D creditability notice as required by Medicare.



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