

## Adoption Overview

### Plan Funding

The Adoption benefit utilizes a disbursement style funding arrangement which requires funds transfer equal to employee claim reimbursements. In a disbursement funding arrangement, the employer holds on to plan funds and Navia debits the employer's bank account equal to the claim activity. A disbursement style funding arrangement is also known as a Zero Balance Account (ZBA). A year-end plan forfeiture report will be provided after the claim run out period and ERISA appeal period is complete and any discrepancies in accounting will be reported and refunded or requested at that time.

### Disbursement Processing

Employees can expect to receive manual claim reimbursements on a weekly basis, unless a different reimbursement frequency was requested during plan implementation.

The Disbursement Report (DWS) lists claim activity associated with the specified processing cycle. Disbursement Reports can be found on the Employer Portal by selecting 'Reports' then 'Disbursement Report' in the left-hand menu. Navia will initiate a direct debit from the employer's bank account equal to the amount shown on the Disbursement Report within 1 business day.

### Reporting Requirements

Adoption benefits offered on a pre-tax basis means that reimbursements are not subject to income tax but are still subject to FICA & FUTA. Adoption benefits offered on a post-tax basis means that reimbursements are subject to all taxes.

The employer is responsible for generating a Disbursement or Year to Date report online to gather employee reimbursement amounts to ensure accurate W2 reporting and deduction of applicable taxes.