StanleyBlack&Decker

Domestic Partner Benefits Policy

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Introduction

Overview

Stanley Black & Decker extends benefits for same and opposite-gender Domestic Partners of Active Full time and Part time, working more than 20 hours per week, US based employees.

The plan includes coverage for Domestic Partners as well as children of Domestic Partners.

Rationale

Stanley Black & Decker extends benefits to the same and opposite-gender partners of active unmarried employees. This decision reflects Stanley Black & Decker's commitment to respond to the diverse needs of its workforce and to offer a workplace where all employees are valued and respected. It supports Stanley Black & Decker's belief that workforce diversity is critical to ensure continued growth and will help attract and retain top talent.

Stanley Black & Decker's decision is consistent with other large employers: many Fortune 500 companies offer domestic partner coverage as part of their total compensation package. Also, some of our customers require that their business partners offer domestic partner benefits.

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Eligibility

Definition of Domestic Partner

Stanley Black & Decker extends the benefits listed in Section 3 to same and opposite-gender Domestic Partners of active employees. To be considered as an eligible Domestic Partner, the employee and the Domestic Partner must meet all of the following criteria:

- They are in a relationship of mutual support, caring, and commitment, and are responsible for each other's welfare. They intend to maintain the relationship indefinitely.
- They share a primary residence and intend to do so indefinitely.
- They are not married to each other or to anyone else, and neither has another domestic partner.
- Both are at least 18 years of age and otherwise competent to enter into a contract.
- They are financially interdependent (examples include, among others, sharing household expenses, both names appearing on a residential lease, shared bank accounts, etc.).

Alternatively, a person will also be considered an employee's Domestic Partner if they are registered as Domestic Partners or have entered into a Civil Union in a state or municipality that has such registration.

Children of Domestic Partners

Biological or adopted Children of Domestic partners are eligible for medical, dental and vision coverage if they meet the following requirements:

- They are child(ren) under age 26 (coverage will continue through the end of the month in which child turns age 26); **or**
- They are children age 26 or older mentally or physically unable to work as a result of a condition that began prior to age 26.

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Benefits Offered

Overview

Domestic Partners will be eligible for coverage under the following programs. Employee premium contributions to cover a Domestic Partner shall be the same amount as to cover a spouse.

- Medical
- Supplement Health Benefits: Accidental Injury, Critical Illness & Hospital Care
- Dental
- Vision
- Health Care and Dependent Day Care Flexible Spending Accounts *(for tax qualified dependents only)*
- Health Savings Accounts *(for tax qualified dependents only)*
- COBRA Coverage Equivalent as described in this policy
- Family Medical Leave Equivalent as described in this policy
- Family leave or sick leave as required under state laws such as CA & CT
- Dependent Life and AD&D Insurance
- Employee Assistance Program
- Group Legal Insurance Plan
- Voluntary Benefits (Home, Auto & Pet Insurance and ID Theft Protection)
- Adoption
- Retirement Account Plan

In addition, the following Stanley Black & Decker policies recognize Domestic Partners:

- Bereavement Leave
- Relocation
- Adoption
- Travel
- Access to Company Facilities and Discounts
- Care.com (formerly LifeCare) Work/Life Services
- Torchlight by LifeSpeak Inc., a parenting & caregiving solution
- Quit for Life on Rally Coach™ – Tobacco Cessation Program
- IonTuition – Student Loan Management Program
- Weight Watchers

Domestic Partners and their children have limited eligibility for coverage under the following Stanley Black & Decker benefits:

Health Care Flexible Spending & Health Savings Accounts

The Health Care Flexible Spending Account may be used to reimburse an employee for expenses incurred by the employees' Domestic Partner and/or Domestic Partner's children *only* if the Domestic Partner and/or Domestic Partner's children meet the criteria for tax-free health benefits under the Internal Revenue Code (IRC) (see Section 5).

For the Health Savings Account, reimbursements for expenses incurred by the employees' Domestic Partner and/or Domestic Partners' children will be tax free to the employee account holder only if the Domestic Partner and/or Domestic Partner's children are employee account meet the criteria for tax dependent status under the Internal Revenue Code.

Dependent Day Care Flexible Spending Accounts

Dependent Day Care Flexible Spending Accounts can be used for reimbursement of eligible expenses for qualified dependents, as defined by the IRC.

Eligible expenses are those expenses incurred by an employee to provide care for:

- A child who they can claim as a dependent on their federal tax return, and
- Who lives with them for more than half the year, and
- Is under age 13; or
- A domestic partner, if <u>all</u> of the following apply:
  - He or she lives with the employee for the entire calendar year;
  - The employee provides more than half of his or her support;
  - He or she is physically or mentally unable to care for himself or herself, regardless of age;

COBRA Coverage Equivalent

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) provides for continuation of group health coverage for employees and their eligible dependents in certain situations. Although a Domestic Partner is not considered an eligible dependent under the COBRA law, Stanley Black & Decker will offer Domestic Partners and/or children of Domestic Partners the option to continue medical, dental and vision coverage under certain circumstances, or "qualifying events." This coverage continuation is called COBRA Coverage Equivalent.

A Domestic Partner and/or child of Domestic Partner who loses coverage under any of the circumstances in the chart below may elect COBRA Coverage Equivalent at the full COBRA cost.

Summary of Coverage Options under COBRA Coverage Equivalent*	
Qualifying Event	**Maximum Continuation Period for a Domestic Partner**
The employee loses coverage because of reduced work hours takes unpaid leave other than under the Family Medical Leave Act	18 months
Employment terminates for any reason except gross misconduct	18 months
The employee or Domestic Partner are disabled — as defined by the Social Security Act — at the time of a qualifying event or at any time during the first 60 days of COBRA or COBRA Coverage Equivalent	29 months
The employee dies	36 months
The Domestic Partner's eligibility ends because the relationship ended	36 months**
The employee becomes entitled to Medicare	36 months
Child turns age 26	36 months

*HMSA does not offer COBRA coverage to Domestic Partners or Domestic Partner children. If a Domestic Partner or Domestic Partner child was covered under the HMSA PPO plan at the time of the COBRA-qualifying event, Stanley Black & Decker will allow them to enroll in COBRA coverage through one of our Cigna national plans upon request. If you wish to enroll in this coverage or get additional information, please call the Stanley Black & Decker Benefits Center at 1-800-795-3899 and speak to a representative Monday - Friday from 8 AM to 8 PM ET. You must request this coverage within 60 days of your qualifying event date or you will not be eligible to enroll.

**The date of the qualifying event shall be the date the employee notifies Stanley Black & Decker Benefits Center of the change but not more than 31 days from the event.

Family Care and Medical Leave (FMLA) Equivalent

To be eligible for Family Care and Medical Leave Equivalent, an employee must have worked for the Company at least a year and have worked 1,250 hours for the Company in the 12 months before the date the leave starts. An employee may request a Family Care and Medical Leave Equivalent for:

- The birth or adoption of a Domestic Partner's child;
- The placement of a Domestic Partner's foster child in the home; or
- The serious health condition of a Domestic Partner, their child or parent.

Employees may take a maximum of 12 weeks of Family Care and Medical Leave Equivalent in a 12-month period. The 12-month period starts on the first day of the first leave. Family Care or Medical Leave Equivalent can be taken intermittently, or on a reduced schedule where it is medically necessary. Family Care and Medical Leave Equivalent time can be taken up to the state maximums for the employee's state of residence, 12 weeks is a general federal FMLA guideline. All state laws extended to employees will be mirrored for this equivalent coverage. Benefits shall be continued, and job shall be protected as if the employee were on leave under FMLA.

Beneficiary Designations

An employee may designate a Domestic Partner as beneficiary for any death benefit under a life insurance plan or under the Retirement Account Plan [*401(k)]. In the absence of a named beneficiary of a death benefit under a plan, a Domestic Partner will be treated in the same manner as a spouse under any death beneficiary hierarchy that is utilized under the plan as long as that person is a named dependent under the medical plan.

The Domestic Partner will not be the beneficiary of the death benefit under a plan if the employee, at his or her sole discretion, has designated a different beneficiary for the death benefit.

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Enrollment

In order for an employee to enroll a Domestic Partner, they must either log on to the SBD Benefits Center Enrollment Site at sbdbenefitscenter.com or call 1-800-795-3899 to enroll them. They should follow the process for enrolling dependents as outlined in the Benefits Guide.

Making Changes in Coverage

An employee may elect or change coverage for a Domestic Partner only during annual enrollment or within 31 days of one of the following events:

- The employee and Domestic Partner first become eligible (i.e., first meet all the eligibility criteria); or
- The Domestic Partner loses other group coverage due to change in employment or work site; or
- Employee loses other coverage due to domestic partner death or termination of the domestic partner relationship.

Dropping Coverage

An employee may drop coverage for a Domestic Partner only during annual enrollment or within 31 days of one of the following events:

- Eligibility ends (i.e. the relationship ends); or
- The Domestic Partner becomes eligible for other group coverage due to change in employment or work site; or
- The Domestic Partner dies.

Employees must process a life status change online at **sbdbenefitscenter.com** or call the Stanley Black & Decker Benefits Center within 31 days of such an event, using the same procedures as are currently in place for life status changes.

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Taxation of Benefits

Federal Laws

While federal law allows health benefits to be provided tax-free to same gender spouses, it does not recognize Domestic Partners or their children for purposes of the application of federal laws. As a result, the coverage provided to domestic partners subjects the employee to imputed taxable income, based on the coverage's fair market value (see calculation example below). Unless a Domestic Partner and his or her children meet the criteria for tax-free health benefits under the Internal Revenue Code (IRC), the fair market value of the coverage provided to a Domestic Partner and his or her children is considered taxable income to the employee, reduced by the amount, if any, the employee pays for such coverage on after tax basis.

For those partners and children who are *not* such dependents, Stanley Black & Decker must:

- Establish the fair market value of the health coverage;
- Include this amount (less any after-tax employee contributions) in the employee's income when determining income and payroll taxes;
- Report the income on W-2s;
- Deduct employee contributions for the Domestic Partner's coverage on an after-tax basis;
- Not permit Health Care Flexible or Dependent Care Spending Accounts to be used for the reimbursement of expenses for Domestic Partner and/or Domestic Partner's children.

Taxable Income Calculation

If an employee adds a domestic partner or domestic partner's child(ren) to their medical, dental and vision insurance coverage, Stanley Black & Decker's contribution toward that coverage is considered imputed income and subject to tax withholding. The imputed income will increase their taxable income. Therefore, Federal, State, Social Security and Medicare taxes may increase, resulting in a net decrease in their paycheck. Their medical, dental and vision insurance premiums will continue to be deducted on a pre-tax basis, however their premium to cover a domestic partner or domestic partner child will be separated to be deducted on an after-tax basis. This can result in anywhere from **$250 - $350** in additional tax being taken per month for medical and **$4-$15** for dental to cover a domestic partner, based on a 30% tax rate. Actual results may vary based on individual circumstances. Additional tax may be taken if a domestic partner child is also covered.

Annual Rate Calculation Example*:

	Medical			Dental			Vision		
Coverage Level	**Annual Full Cost**	**Annual Employee Cost**	**Annual SBD Cost**	**Annual Full Cost**	**Annual Employee Cost**	**Annual SBD Cost**	**Annual Full Cost**	**Annual Employee Cost**	**Annual SBD Cost**
Employee Only	$6,445.65	$1,608.00	$4,837.65	$319.39	$144.00	$175.39	$73.44	$73.44	$0.00
Employee Plus Spouse/DP	$16,758.69	$4,152.00	$12,606.69	$702.58	$324.00	$378.58	$138.72	$138.72	$0.00
Employee Plus Child(ren)	$10,957.61	$2,712.00	$8,245.61	$606.81	$276.00	$330.81	$145.44	$145.44	$0.00
Employee Plus Family	$21,270.65	$5,268.00	$16,002.65	$990.01	$528.00	$462.01	$213.60	$213.60	$0.00

What Employees Will See on Their Paycheck Example*:

- Employee in Salary Band 1, covering EE+Spouse/DP
- Enrolled in Cigna Medical Option, Basic Dental PPO and Vision Coverage

After-Tax Deduction

- Annual Employee Cost to cover EE + Spouse/DP = $4,614.72
- Annual Pre-Tax Amount = $1,825.44. Annual After-Tax amount = $2,789.28.
- The after-tax amount will be listed on your paycheck under code "Domptr Med". Please note this is NOT an additional deduction; it is only the portion of the employee contribution to cover their domestic partner that is paid for after taxes.

Coverage	**Employee Annual Payroll Deduction**	**EE Cost to Cover DP (After-Tax Deduction)**
Medical	Employee Only: $1,608.00 Employee Plus Spouse/DP: $4,152.00	$2,544.00
Dental	Employee Only: $144.00 Employee Plus Spouse/DP: $324.00	$180.00
Vision	Employee Only: $73.44 Employee Plus Spouse/DP: $138.72	$65.28

Imputed Income

- Imputed Income is determined by Stanley Black & Decker's cost to cover the domestic partner.
- In this example: $7,972.23 is the annual amount. If paid weekly, they will see $153.31 added to their paycheck under code "Dom Ptr", taxed at the individual tax level, and then removed as an offset.
- It is important to note that this is not a true deduction of $153.31. The paystub will show an earnings and deduction amount of $153.31. This is because Payroll

puts the amount in as earnings, taxes the amount based on the employee's individual tax level and then removes it.
- As stated above, the taxation of this amount will result in a net decrease in employee's paychecks due to additional taxes taken. This amount will vary based on level of coverage and employee's individual tax level.

Coverage	Annual Employer Cost	Employer Cost to Cover DP (Imputed Income)
Medical	Employee Only: $4,837.65 Employee Plus Spouse/DP: $12,606.69	$7,769.04
Dental	Employee Only: $175.39 Employee Plus Spouse/DP: $378.58	$203.19
Vision	Employee Only: $0.00 Employee Plus Spouse/DP: $0.00	$0.00

** Example demonstrates how the imputed income is calculated, but they do not represent current rates. You can find domestic partner imputed income amounts during the enrollment process at **sbdbenefitscenter.com**. This information is also visible on your benefits confirmation statement or your paycheck.*

Tax-Favored Health Coverage

Domestic Partners and Children

A domestic partner and his or her child who shares the employee's residence as a member of his or her household generally satisfies the criteria for tax-free health benefits under the IRC if:
- He or she lives with the employee for the entire calendar year; and
- The employee provides more than half of his or her support; and
- He or she is a citizen or resident of the United States.

State Laws

Generally, states follow federal law with respect to the taxation of Domestic Partner benefits. Thus, in most states, unless a Domestic Partner meets the criteria for tax-free health benefits under the IRC, the fair market value of the health coverage provided to a Domestic Partner and his or her children must be imputed to the employee for state tax purposes.

VERY IMPORTANT NOTE - When you enroll your Domestic Partner you will automatically be assigned a tax status that will match your state of residence. If your Domestic Partner meets Section 152 qualifications and you should NOT have imputed income, you must call the Benefits Center to change this tax status.

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Administrative Procedures

Flexible Spending & Health Savings Accounts

No separate process will be implemented to ensure that employees with Domestic Partners are eligible for reimbursement. The onus will be on employees to verify that the expense is eligible for reimbursement.

Mid-Year Tax Status Changes

Sometimes, an unexpected event during the year may result in a change in Partner's Tax Status for the year. The procedures below outline a suggested process for making mid-year changes, which are expected to be rare. Both may require manual intervention for the W-2.

Taxable to Tax Free

In the event that the employee declares a Partner to be a tax dependent mid-year:
- Convert post-tax deductions to pre-tax deductions for the remainder of the year
- Stop imputing income for the remainder of the year
- Do not "reverse" any year-to-date deductions or imputed income; rather, make the adjustment in the W-2 so there is no imputed income.

This approach means that the employee will make post-tax deductions for the partner during the first portion of the year.

Tax Free to Taxable

In the event that the employee declares a Partner is not a tax dependent mid-year:
- Convert pre-tax deductions to post-tax deductions for the remainder of the year
- Start imputing income for the remainder of the year

Do not implement "catch up" for any year-to-date deductions or imputed income

Please contact your tax advisor for any questions regarding taxability of Domestic Partner benefits and your individual situation.