

## **INITIAL NOTICE OF COBRA RIGHTS**

This notice is being made available to you because you are eligible under the PetSmart, Inc. SmartChoices Benefit Plan.

This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Plan. **This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** When you become eligible for COBRA, you may also become eligible for other coverage options that may cost less than COBRA continuation coverage.

The right to COBRA continuation coverage was created by a federal law; the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you and other members of your family who are covered under the Plan when you would otherwise lose your coverage under the PetSmart, Inc. SmartChoices Benefit Plan. For more information about your rights and obligations under the Plan and under federal law, you should read the COBRA section of this Summary Plan Description (SPD) or contact the PetSmart Benefits Department.

***You may have other options available to you when you lose group health coverage.*** For example, you may be eligible to buy an individual plan through the Health Insurance Marketplace, or be eligible for Medicaid or coverage through a spouse's plan. By enrolling in coverage through the Marketplace, you may qualify for lower costs on your monthly premiums and lower out-of-pocket costs. Additionally, you may qualify for a 30-day special enrollment period for another group health plan for which you are eligible (such as a spouse's plan), even if that plan generally doesn't accept late enrollees. You can learn more about many of these options at [www.healthcare.gov](http://www.healthcare.gov).

### **What is COBRA Continuation Coverage?**

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this notice. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse, and your dependent children could become qualified beneficiaries if coverage under the Plan is lost because of a qualifying event. Under the Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for COBRA continuation coverage.

If you are an employee, you will become a qualified beneficiary if you lose your coverage under the Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced; or
- Your employment ends for any reason other than your gross misconduct.

If you are the spouse of an employee, you will become a qualified beneficiary if you lose your coverage under the Plan because any of the following qualifying events happens:

- Your spouse dies;
- Your spouse's hours of employment are reduced;
- Your spouse's employment ends for any reason other than his or her gross misconduct; or
- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries if they lose coverage under the Plan because any of the following qualifying events happens:

- The parent-associate dies;

- The parent-associate's hours of employment are reduced;
- The parent-associate's employment ends for any reason other than his or her gross misconduct;
- The parents become divorced or legally separated; or
- The child stops being eligible for coverage under the plan as a "dependent child."

### **When is COBRA Continuation Coverage Available?**

The Plan will offer COBRA continuation coverage to qualified beneficiaries only after the PetSmart Benefits Department has been notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction of hours of employment, or death of the employee, the employer must notify the COBRA Administrator of the qualifying event.

**For the other qualifying events (divorce or legal separation of the employee and spouse of a dependent child's losing eligibility for coverage as a dependent child), you must notify the PetSmart Benefits Department within 45 days after the qualifying event occurs. You must send this notification and supporting documentation in writing, to the PetSmart Benefits Department.**

### **How is COBRA Continuation Coverage Provided?**

Once the PetSmart Benefits Department receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. Covered employees may elect COBRA continuation coverage on behalf of their spouses, and parents may elect COBRA continuation coverage on behalf of their children.

COBRA continuation coverage is a temporary continuation of coverage that generally lasts for 18 months due to employment termination or reduction of hours of work. Certain qualifying events, or a second qualifying event during the initial period of coverage, may permit a beneficiary to receive a maximum of 36 months of coverage.

### **Extension of Continuation Coverage:**

There are two ways in which the 18-month period of COBRA continuation coverage can be extended.

**Disability:** If you or anyone in your family covered under the Plan is determined by the Social Security Administration to be disabled and you notify the COBRA Administrator in a timely fashion, you and your entire family can receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. The disability would have to have started at some time before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must make sure that the COBRA Administrator is notified of the Social Security Administration's determination within 60 days after the latest of:

- The date of the Social Security Administration's disability determination;
- The date of the covered associate's termination of employment or reduction of hours; and
- The date on which the qualified beneficiary loses (or would lose) coverage under the terms of the Plan as a result of the covered associate's termination of employment or reduction of hours.

You must also provide this Notice within the 18-month period of COBRA continuation coverage. This Notice should be sent to the COBRA Administrator as listed on the last page of this Notice, and you must also provide a copy of the Social Security Administration's determination.

**Second Qualifying Event:** If your family experiences another qualifying event during the 18 months of COBRA continuation coverage, the spouse and dependent children in your family can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan. This extension is available to the spouse and any

dependent children receiving COBRA continuation coverage if the employee or former employee dies, or gets divorced or legally separated, or if the dependent child stops being eligible under the Plan as a dependent child, but only if the event would have caused the spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. In all of these cases, you must make sure that the COBRA administrator is notified of the second qualifying event within 60 days of the second qualifying event.

The COBRA coverage periods described above are the maximum coverage periods. COBRA coverage can end before the end of the maximum coverage periods described in this notice for several reasons, which are described in the Plan's summary plan description.

### **Health Care FSA and Limited-Purpose FSA Component**

COBRA coverage under the Health Care FSA or Limited-Purpose FSA will be offered only to qualified beneficiaries losing coverage who have underspent accounts. A qualified beneficiary has an underspent account if the annual limit elected by the covered employee, reduced by the reimbursable claims submitted up to the time of the qualifying event, is equal to or more than the amount of the premiums for Health Care FSA or Limited-Purpose FSA COBRA coverage that will be charged for the remainder of the plan year. COBRA coverage will consist of the Health Care FSA or Limited-Purpose FSA coverage in force at the time of the qualifying event (i.e., the elected annual limit reduced by reimbursable claims submitted up to the time of the qualifying event). The use-or-lose rule will continue to apply, so any unused amounts will be forfeited at the end of the plan year, and COBRA coverage will terminate at the end of the plan year.

Unless otherwise elected, all qualified beneficiaries who were covered under the Health Care FSA or Limited-Purpose FSA will be covered together for Health Care FSA or Limited-Purpose FSA COBRA coverage, respectively. However, each qualified beneficiary could alternatively elect separate COBRA coverage to cover that beneficiary only, with a separate Health Care FSA or Limited-Purpose FSA annual limit and a separate premium.

### **Are There Other Coverage Options Besides COBRA Coverage?**

Yes. Instead of enrolling in COBRA coverage, there may be other coverage options for you and your family through the Health Insurance Marketplace, Medicaid, or other group health plan coverage options (such as a spouse's plan) through what is called a "special enrollment period." Some of these options may cost less than COBRA coverage. You can learn more about many of these options at [www.HealthCare.gov](http://www.HealthCare.gov).

### **Questions**

If you have any questions concerning your COBRA continuation coverage you should contact the COBRA Administrator. For more information about your rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), the Patient Protection and Affordable Care Act, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa). Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's web site.

### **Keep Your Plan Informed of Address Changes**

In order to protect your family's rights, you should keep the PetSmart Benefits Department and the COBRA Administrator informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to the PetSmart Benefits Department and COBRA Administrator.

The COBRA Administrator who is responsible for administering COBRA continuation coverage for the PetSmart Inc. SmartChoices Benefit Plan is:

WageWorks, Inc., a HealthEquity company  
PO Box 226101  
Dallas, TX 75222-6101  
(877) 722-2667  
**[mybenefits.wageworks.com](http://mybenefits.wageworks.com)**