

SUMMARY OF THE BASIC PLAN DOCUMENT FOR THE CODE SECTION 125 - CAFETERIA PLAN

The Code Section 125 - Cafeteria Plan allows you to contribute “before-tax” dollars to pay for your coverage under certain of the Company’s Benefit Plans (e.g. medical and dental coverage). By paying your premiums with “before-tax” dollars, you generally may reduce the amount of income and social security taxes that you otherwise would be required to pay. The below example demonstrates these tax savings.

Example – Jack and his wife Janet combined earn \$50,000 per year. Under Jack’s old health care plan, he was required to pay his premiums with “after-tax” dollars. Under Jack’s new cafeteria plan, he will be permitted to pay his premiums with “before-tax” dollars. Jack’s employer requires that Jack contribute \$200 per month towards the cost of his coverage under the medical and dental care plan.

	Old Plan	Cafeteria Plan
Gross Income	\$50,000	\$50,000
Jack’s Annual Premiums on a Before-tax Basis	<u>-0-</u>	<u>(2,400)</u>
Adjusted Gross Income	\$50,000	\$47,600
Estimated Federal and State Income and FICA (Social Security and Medicare) Taxes (estimated at a 27% of pay tax rate)	(13,500)	(12,852)
Jack’s Annual Premiums on an After-tax Basis	<u>(2,400)</u>	<u>-0-</u>
Disposable Income	<u>\$34,100</u>	<u>\$34,748</u>

Jack and Janet’s annual savings under the cafeteria plan will be \$648 per year (\$34,748 - \$34,100).

The Cafeteria Plan enrollment process is conducted annually during a period of several weeks. The Employer will give you notice of this Annual Enrollment Period. Coverage becomes effective on the first day of the Plan Year following each enrollment period. All employees who are eligible to participate in the Company’s Benefit Plans generally will be eligible to participate in the Cafeteria Plan. Eligibility requirements for each particular Benefit Plan is described in further detail in the Summary Plan Description for such plan. You will be provided with enrollment and benefit election forms by the Human Resources Department, which will state the amount of the premium contribution amount for coverage under the Benefit Plans.

The elections you make during the Cafeteria Plan enrollment period are effective for the entire 12-month Plan Year. You generally are not permitted to change your elections during the year unless you experience a change in status event (such as marriage, divorce, birth or adoption of a child, the death of your spouse or child, a significant change in the medical benefits or premiums

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available to you under the Cafeteria Plan or to your spouse under his or her employer's medical plan, or a significant change in your employment status or the employment status of your spouse). The circumstances that permit a change of election vary from one benefit to another. If you believe you have experienced a change in status event and you wish to change your Cafeteria Plan elections, you should notify the Human Resources Department within 30 days of the change. If available under the Company's Cafeteria Plan, you also may prospectively increase, decrease or revoke a salary reduction election to make pre-tax contributions to a Health Savings Account at any time during the year.

If you fail to return your Cafeteria Plan election form by the specified date for any annual enrollment period, you will be considered to have elected the same benefits that you elected during the previous year for all Benefit Plans, if such benefits are still available.

To protect against unforeseen situations, the Company reserves the right to change or to terminate at any time, in whole or in part, the Cafeteria Plan and any other benefit plan, with respect to all or any class of employees, former employees and retirees.

If you have any questions concerning the Cafeteria Plan, please contact:

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