



North East Independent School District Cafeteria Plan

The annual open enrollment for the NEISD Cafeteria Plan will be from **July 30 through August 27, 2008**. The 2008-2009 plan year will run from October 1, 2008 to September 30, 2009. In the absence of special circumstances, this will be your **only** opportunity to enroll in the Cafeteria Plan, to make changes in elections for the 2008-2009 plan year, or to cancel participation. Now is your opportunity to place benefit plan premiums on the Cafeteria Plan if you have not yet done so. ***It is also the time to drop insurance coverage which you no longer want.***

What Is A Cafeteria Plan?

The Internal Revenue Service allows employees to pay some benefit premiums with before tax dollars. It is entirely your choice which benefits you will include on the Cafeteria Plan. In fact, that's where the name cafeteria comes from, you pick and choose the benefit premiums you want to include. Health benefit plans offered by the District (NEISD Blue Choice Low Option PPO, Blue Choice High Option PPO, and HMO Blue Texas), dental insurance, cancer/catastrophic illness, group term life insurance plans, and a **new benefit for the 2008-09 plan year, vision insurance**, are available for payment through the Cafeteria Plan.

For many employees, this becomes a wonderful benefit because it allows you to pay the employee premium contributions with before tax dollars, reducing your taxable income, which in turn, lowers the amount of federal income tax you pay each pay period! You see an immediate tax savings.

Is This Legal?

Absolutely! It is allowed under Section 125 of the Internal Revenue Code. Anyone with doubts or questions can contact the local IRS Office directly for full details.

Will I Have To Pay Taxes On These Benefits Later?

No. The benefit premiums are deducted from your salary before taxes, decreasing the amount of salary subject to tax. At the end of the year, the salary reported to the IRS which is subject to tax, is reduced by the amount of premium deductions under the Cafeteria Plan.

How Much Will I Save Each Month?

It is impossible to predict what everyone will save each month because savings will vary according to which benefits are placed on the Cafeteria Plan, individual salaries, and tax rates. Anyone needing help in calculating their savings should contact their personal accountant.

What Does It Cost To Be On The Cafeteria Plan?

It costs you nothing. This is a **service** provided by North East ISD.

This Seems Like A Great Benefit. Why Would Anyone Choose Not To Participate?

When you decide to pay premiums through the Cafeteria Plan, your selections are final for the current benefit year (October 2008 through September 2009) unless there is a change in family status as outlined in the Internal Revenue Code, Section 125, and related regulations.

These changes include:

- * ***divorce, legal separation, or marriage***
- * ***the death of a child or spouse***
- * ***the birth of a child***
- * ***the legal adoption of a child***
- * ***change in custody of a child***
- * ***Leave of absence***
- * ***change or loss of employment by employee, spouse, or dependent***
- * ***reduction in work hours***
- * ***ineligibility of a dependent child***

Unless you experience one of these changes in family status or another change described in Section 4.7 of the District's Cafeteria Plan, you may not drop your dependents or your coverage for that benefit year. Specific IRS requirements apply even within the listed categories. ***The Employee Benefits office must receive the appropriate forms and supporting documentation within 31 calendar days of any applicable status change in order to make election changes. If your 31st day falls on a weekend or holiday, you must submit your form/enrollment information on the last working day prior to your 31st day.***

Is My Teacher Retirement System (TRS) Deduction Affected?

No. The total TRS contribution will remain at the 7.05% of your monthly or bi-weekly gross salary.

Remember:

Premiums paid through the Cafeteria Plan cannot be claimed as itemized deductions on your income tax return at the end of the year. The premiums on the Cafeteria Plan for voluntary group term life insurance cannot exceed a policy value of \$50,000.

Online Enrollment

To enroll in the Cafeteria Plan for the first time during open enrollment, choose the pre tax option for each qualified plan you wish to include. The effective date will be **October 1, 2008**.

New Hire Enrollment

Complete the **Election and Compensation Reduction Agreement** form. Check off those benefit premiums you want to include in the Cafeteria Plan, indicate that you elect to participate in the plan, sign, date and return the form to the Employee Benefits Office no later than 31 days from the date of your employment.

CAFETERIA PLAN

Cancel or Change Election Choices During Open Enrollment

If you wish to remove all or some of your benefit premiums from the Cafeteria Plan, you can make your changes on line during the open enrollment period. no later than **August 27, 2008**.

Changes Outside of Open Enrollment

If you experience a change in family status and are eligible to cancel or change coverage under your Cafeteria Plan, you will need to complete the **Cafeteria Plan Election Change** form and submit with evidence of the qualifying event to the Employee Benefits Office no later than 31 days from the qualifying event. If your 31st day falls on a weekend or holiday, you must submit your form/enrollment information on the last working day prior to your 31st day.

Use the **Election and Compensation Reduction Agreement** form to enroll in coverage outside of open enrollment. Indicate whether or not you are electing to participate in the

NEISD Cafeteria Plan, and which benefit premiums you wish to include in the Cafeteria Plan. If you are enrolling due to a qualified family status change, submit evidence of the qualifying event along with your application to the employee benefits office no later than 31 days from the qualifying event.

Where Do I Get The Election Forms?

You may contact the Employee Benefits Office at 804-7231. Forms are also available on the *NEISD INTERNET* at www.neisdbenefits.net and the *INTRANET*. Complete the requested fields, print the completed form, sign, date, and mail or pony to the Employee Benefits Office within 31 days of new hire or your qualifying family status change.

OPEN ENROLLMENT CHANGES BECOME EFFECTIVE ON OCTOBER 1, 2008

Examples of How the Plan Works

A. Employee on a Monthly Payroll: This employee has a monthly gross income of \$3225.00, filed a W-4 as married with one(1) exemption, has an \$39.00 deduction for **group term life insurance**, a \$257.00 deduction for E/C **health coverage**, and a \$55.00 deduction for E/C **dental coverage**. By placing the premiums on the Cafeteria Plan, this employee will increase his/her monthly take-home pay by **\$57.74**. Savings will vary for each employee.

Calculation WITH Cafeteria Plan	
Monthly Gross	\$3,225.00
Life, Health, Dental	<u>-351.00</u>
FICA Gross Wages	2,874.00
TRS Member Contribution (6.4%)	<u>-206.40</u>
Taxable Gross Wages	2,667.60
Federal Withholding Tax	-191.60
Medicare (1.45%)	-41.67
TRS Insurance (.65%)	-20.96
Net Pay (Check Amount—Monthly)	\$2,413.37

Calculation WITHOUT Cafeteria Plan	
Monthly Gross	\$3,225.00
FICA Gross Wages	3,225.00
TRS Member Contribution (6.4%)	<u>-206.40</u>
Taxable Gross Wages	3,018.60
Federal Withholding Tax	-244.25
Medicare (1.45%)	-46.76
TRS Insurance (.65%)	-20.96
Life, Health, Dental	-351.00
Net Pay (Check Amount - Monthly)	\$2,355.63

B. Employee on a Bi-Weekly Payroll: This employee has a bi-weekly gross income of \$650.00, filed a W-4 as married with one (1) exemption, has an \$39.00 deduction for **group term life insurance**, a \$128.50 deduction for E/C **health coverage** (one-half of amount), and a \$55.00 deduction for E/C **dental coverage**. By placing the premiums on the Cafeteria Plan, this employee will increase his/her bi-weekly take-home pay by **\$19.84**. Savings will vary for each employee.

Calculation WITH Cafeteria Plan	
Bi-Weekly Gross	\$650.00
Life, Health, Dental	<u>-222.50</u>
FICA Gross Wages	427.50
TRS Member Contribution (6.4%)	<u>-41.60</u>
Taxable Gross Wage	385.90
Federal Withholding Tax	0
Medicare (1.45%)	-6.20
TRS Insurance (.65%)	-4.23
Net Pay (Check Amount—BiWeekly)	\$375.47

Calculation WITHOUT Cafeteria Plan	
Bi-Weekly Gross	\$650.00
FICA Gross Wages	650.00
TRS Member Contribution (6.4%)	<u>-41.60</u>
Taxable Gross Wages	608.40
Federal Withholding Tax	-16.61
Medicare (1.45%)	-9.43
TRS Insurance (.65%)	-4.23
Life, Health, Dental	-222.50
Net Pay (Check Amount—BiWeekly)	\$355.63