

CAFETERIA PLAN

A Section 125 Cafeteria Plan is merely a tax savings plan which allows participating employees to deduct certain expenses from gross earnings before the computation of federal, state, and social security taxes. Under our plan, we will now have three (3) options in which you may participate. **You may pick any or all in which to participate.**

CURRENT INSURANCE DEDUCTIONS ELIGIBLE TO PRE-TAX

Insurance: Option 1. State Health Insurance
 State Life-Minnesota Life
 Dental – Delta Dental
 Cancer/ICU – Colonial, AFLAC
 Hospital Income-Colonial, AFLAC
 Vision – Superior
 Accident – Colonial, AFLAC, Allstate
 GAP - Allstate

Flexible Spending: Option 2. Dependent Care Expenses
 Option 3. Unreimbursed Medical Expenses

ILLUSTRATION OF SAVINGS IN THE CAFETERIA PLAN

Samples of how your taxes will be computed. *As you can see, participation in the plan increases your spendable income.*

WITHOUT PARTICIPATION IN CAFETERIA

\$1,000 GROSS SALARY/W-2 INCOME
-300 TAXES (STATE, FED, SOC. SEC.)
700 NET CHECKS
-100 INSURANCE &/OR OTHER EXPENSES
\$ 600 NET SPENDABLE INCOME

WITH PARTICIPATION IN CAFETERIA

\$1,000 GROSS SALARY
-100 INSURANCE &/OR OTHER EXPENSES
900 NET CHECKS/W-2 INCOME
-270 TAXES (STATE, FED, SOC. SEC.)
\$ 630 NET SPENDABLE INCOME

*Because of the reduction in Social Security taxes, participation in the Cafeteria Plan could reduce Social Security benefits.

OPTION 1. INSURANCE

When you login into the online enrollment system you will see your current insurance premiums that are eligible to pre-tax under the plan. In order to participate in the insurance part of the Cafeteria Plan, you will simply indicate that you wish to pre-tax your premiums. Please notice the illustration above to see how your taxes will be computed should you participate in the plan.

FLEXIBLE SPENDING

(DEPENDENT CARE AND UNREIMBURSED MEDICAL)

OPTION 2. DEPENDENT CARE EXPENSE

If you have dependents that require care while you and your spouse work, participation in this part of the plan can save taxes by pre-taxing the expense. Simply estimate your dependent care expenses for the **plan year**, up to a maximum of **\$5,000 per calendar year, (\$2,500 if married filing a separate return.)** Your annual election will be divided by the number of pay periods in the plan year and deducted tax free. The amount of Dependent Care you elect under the Cafeteria Plan will be listed on your W-2 Form, excluded from gross wages, but listed to report amount sheltered to the IRS. You must file Form 2441 at tax year end to report Dependent Care. (See Claims Procedures below for required information.) Please note, you must be the legal guardian in order to claim dependent care through the Cafeteria Plan.

OPTION 3. UNREIMBURSED MEDICAL EXPENSES (URM)

If you have medical expenses which you have to pay out of your own pocket such as, medical deductibles, co-insurance, co-pays, dental expenses, eye care expenses, you will save valuable tax dollars by participating in this spending account. To participate, you must estimate the amount of out-of-pocket medical expenses you will incur during the plan year, up to a maximum of **\$2500.00** for the plan year. Your annual election will be divided by the deductions you have during the plan year and deducted tax free. These funds are placed in your account with SABC.

After eligible expenses have been incurred, simply submit proof of the expense with a reimbursement form to SABC and you will be reimbursed up to the amount you have requested, not to exceed your annual election. (**Sample List of Deductible Medical Expenses at www.sabcflex.com/page6.html**)

Expenses may be for you, your spouse and children up to age 26. Should you have any questions about eligibility, please contact SABC. Your plan offers a 2 ½ month extension to incur your expenses. Therefore, you have until **March 15, 2015** to incur expenses for the 2014 plan year. This applies to Unreimbursed Medical only.

IMPORTANT NOTE: Terms of participation in the Unreimbursed Medical portion of the plan require that your annual contribution is fulfilled. Because you're total election is available to you anytime during the plan year, should you terminate anytime during the plan year, your remaining contribution will come from your last paycheck tax free. You will continue to be a participant, and have until the end of the plan year plus the 2 ½ extension to incur the expense and a sixty (60) day grace period after the plan closes to request reimbursement for qualified expenses.

All elections made under the plan are irrevocable unless a Status Change occurs. Examples of Status Changes are - marriage, divorce, birth, death, adoption or, a change of your spouses' employment and the requested change must be consistent with the event. Eligibility will be determined by Human Resources.

It is recommended that your Dependent Care and/or Unreimbursed Medical elections are conservative. Determine your election based on known expenses. This will ensure that you do not forfeit any unclaimed funds at the end of coverage period. Regulations require that monies not claimed become the property of the department.

CLAIMS PROCEDURES FOR FLEXIBLE SPENDING EXPENSES

For claims information, please logon to <http://www.sabcflex.com/page16.html>.

DIRECT DEPOSIT

If you participate in any of the spending accounts, please complete a direct deposit authorization. For more information, please click here: <http://www.sabcflex.com/page28.html>.