

PLEASE READ THE ATTACHED MEMO REQUIRED ANNUALLY BY THE IRS

**PLAN SUMMARY
FOR THE
CAFETERIA PLAN OF THE
WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT**

You are a Participant in the Cafeteria Plan of the Willoughby-Eastlake City School District (the "School District") if you are eligible to participate in a Medical Plan, Dental Plan, Prescription Drug Plan or Vision Plan of the School District (the "Benefit Plans").

The Cafeteria Plan provides that if you elect to be covered under any of the Benefit Plans, any employee contributions that you are required to pay for the coverage will be deducted from your pay on a "pre-tax basis".

In addition, the Cafeteria Plan permits you to be eligible for cash payment if you have other benefit plan coverage and elect not to be covered under all of the Benefit Plans of the School District. Effective July 1, 2014 plan years will be July 1 –June 30^t of each year.

The Cafeteria Plan is required to comply with various tax law rules. This Summary provides information to you regarding the terms of the Cafeteria Plan. A full copy of the Cafeteria Plan is available from the Treasurer's office.

YOUR CAFETERIA PLAN ELECTION CHOICES

If you are eligible to participate in the Benefit Plans, you can elect:

- Coverage under one or more of the Benefit Plans. To be covered under any of those Benefit Plans, you must complete the enrollment forms that are provided for those plans. Any employee contributions that you are required to pay for the coverage will be deducted from your pay on a "pre-tax basis".
- Not to be covered by any of the Benefit Plans. You will be eligible for a cash payment of at least \$1,000 if you represent that you have other medical insurance coverage and elect to waive coverage under all of the Benefit Plans of the School District. The cash payment will be \$1,500 if at least 51 employees waive Benefit Plan coverage, and will be \$2,000 if 101 or more employees waive Benefit Plan coverage. If you subsequently change your election and become covered under a Benefit Plan before the end of the Plan Year, you must pay back a pro-rated amount of the payment that you previously received.

TAX EFFECTS OF THE CAFETERIA PLAN

Employee contributions that you pay under the Cafeteria Plan are not subject to federal, state or municipal income taxes, and are not subject to the federal Medicare tax.

However, employee contributions that you pay under the Cafeteria Plan are still considered to be part of your salary for STRS or SERS pension purposes. Thus, there is no impact on the amount of your STRS or SERS pension.

Employee contributions that you pay under the Cafeteria Plan do not affect the amount that you may defer under a tax-sheltered annuity (Internal Revenue Code Section 403(b)) or under an Internal Revenue Code Section 457 plan.

If you are paid cash in lieu of Benefit Plan coverage, the cash you receive is subject to federal, state and municipal income taxes. In addition, if you are subject to the federal Medicare tax, the cash payments will also be subject to the federal Medicare tax.

However, cash payments are not considered to be part of your salary for STRS or SERS pension purposes. Thus, there are no STRS or SERS member contributions deducted from your cash payments.

MAKING YOUR CAFETERIA PLAN ELECTIONS

If you elect coverage under one or more of the Benefit Plans, you are not required to file any special election forms for the Cafeteria Plan. Your employee contributions for coverage are automatically deducted on a pre-tax basis from your paychecks.

If you do not want to elect coverage under any of Benefit Plans, in order for you to be eligible for the cash payment, you must complete a benefits waiver form that will be provided to you by the Insurance Office. The benefits waiver will require you to represent that you have other health care plan coverage.

TIMING OF YOUR ELECTIONS

The "Plan Year" of the Cafeteria Plan is a short plan year this year, from November 1, 2013 to June 30, 2014 to bring future plan years to July 1st of each to June 30th. The Benefit Plan elections that you make in open enrollment will generally be effective for the entire Plan Year. If you are a new employee, the enrollment elections you make will apply for the remainder of the Plan Year. As is described below, in some circumstances, you may be able to change your election during the Plan Year.

During each annual election period, you can complete an election form for the upcoming Plan Year. If you already have a Benefit Plan election form on file and do not complete a new Benefit Plan election form, your existing Benefit Plan elections will be automatically continued. Nevertheless, if you wish to waive Benefit Plan coverage in order to receive the cash payment, you are required to file a new waiver form for each Plan Year. A New Waiver Form will be required in June of 2014 for a July 1, 2014 effective date.

The remainder of this Summary explains the circumstances when changes in your Benefit Plan elections may be permitted. If you have any questions regarding the Plan, please contact the Insurance Office.

CHANGING YOUR ELECTIONS

After the close of the annual election period, you may prospectively change or revoke any of your Cafeteria Plan elections only if the requirements of Paragraphs A., B. and C. below, are all satisfied:

- A. Your new election is permitted under the terms and conditions of the Benefits Plan (subject to the provisions of HIPAA and other applicable law).
- B. Either:
 - (i) You have a Change in Status event,
 - (ii) You are enrolling yourself, your spouse or your dependents under a School District medical plan under the federal law known as the "HIPAA",
 - (iii) A judgment, decree, or order resulting from a divorce, legal separation, annulment, or change in legal custody requires health care coverage for your child or foster child who is your dependent,
 - (iv) You or your spouse or one of your dependents has become entitled to, or ceases to be entitled to, coverage under Medicare (other than solely under the program for pediatric vaccines) or Medicaid,
 - (v) There is a significant change in the health care coverage for you or your spouse which is attributable to your spouse's employment, or
 - (vi) There is an increase in the Employee Contribution requirements under a School District Benefits Plan due to a significant increase in the costs of a Benefits Plan or a benefit package option under a Benefits Plan; and you are electing coverage under a similar medical plan or under another benefit package option for a Benefits Plan.
 - (vii) There is a significant curtailment in or cessation of the coverage provided to you and/or your spouse and/or dependents under the School District Benefits Plan and there is an overall reduction in coverage provided to Participants covered under the Benefits Plan, so as to constitute reduced coverage to participants generally; and you elect coverage under the medical plan or another benefit package option under the Benefits Plan.
 - (viii) A new benefit package or option is provided under the School District Benefits Plan or a benefit package or option under the Benefits Plan is eliminated and you are either electing the new option or electing an option in lieu of the one that was eliminated.

- (ix) A cafeteria plan or qualified benefits plan (as defined in Section 125 of the Internal Revenue Code) of your spouse (or former spouse) or your dependent permits participants under that other cafeteria plan to make an election change that is permitted under the provisions of Section 125 of the Code.
 - (x) Your spouse (or former spouse) or your dependent is covered under a cafeteria plan or qualified benefits plan (as defined in Section 125 of the Code) of another employer that allows participants to make elections for period of coverage that are different from the Plan Year of this Plan.
 - (xi) You, your spouse or your dependent ceases to be entitled to coverage under any group health coverage sponsored by a governmental or educational institution, including the following:
 - (a) A medical care program of an Indian Tribal Government.
 - (b) A state health benefits risk pool.
 - (c) A foreign government group health care plan.
- C. The new election is on account of and corresponds to your Change in Status event, enrollment election made pursuant to the provisions of HIPAA, or other reason described in paragraph B. above for making the change.

For purposes of Paragraph C. above, if there is a change in status that is your divorce, annulment or legal separation, the death of a spouse or dependent, or a dependent ceasing to satisfy the eligibility requirements for coverage, an election to cancel School District medical plan coverage fails to correspond with that change in status if it cancels coverage for any individual other than the spouse involved in the divorce, annulment or legal separation, the deceased spouse or dependent, or the dependent that ceased to satisfy the eligibility requirements for coverage, respectively. Thus, if a dependent dies or ceases to satisfy the eligibility requirements for coverage, an election to cancel School District Benefits Plan coverage for any other dependent, for the Participant, or for the Participant's spouse fails to correspond with that change in status.

For purposes of Paragraph C. above, if you, your spouse or your dependent becomes eligible for coverage under a medical plan of the employer of a spouse or dependent as a result of a Change in Status that is a change in Legal Marital Status or Employment Status, an election to cancel coverage for any such person will be deemed to correspond with that Change in Status only if such person becomes covered under, or entitled to increased coverage under, the plan of the other employer.

If you wish to change or revoke your Cafeteria Plan election, you may do so by completing and filing a new Cafeteria Plan Election Form with the Plan Administrator; provided, however, that the Cafeteria Plan Elections indicated on your new form will only become effective in accordance with the terms of the medical plan and not any earlier than the next day after you file it.

CHANGES IN STATUS

Under the Cafeteria Plan, Changes in Status only include the following:

1. Legal Marital Status. Events which change your legal marital status, including marriage, death of a spouse, divorce, legal separation, or annulment.
2. Number of Dependents. Events which change the number of your dependents, including birth, adoption, placement for adoption, or death of a dependent.
3. Employment Status. The termination of or commencement of employment by you, your spouse or a dependent. Any of the following events which change the employment status of you, your spouse or a dependent: termination or commencement of employment, a strike or lockout, a commencement of or return from an unpaid leave of absence, and a change in worksite. In addition, a change in employment status occurs if you, your spouse or dependent have a change in employment status with his or her employer and it causes you, your spouse or dependent to become or cease to be eligible under a cafeteria plan or other accident or health plan of the employer.
4. Residence. A change in the place of residence of you, your spouse or dependent.
5. Dependent Loses Eligibility. An event which causes a dependent to satisfy or cease to satisfy the requirements for unmarried dependents under the medical plan which provides coverage to you, including attainment of age, student status, or similar circumstances.

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Determinations of whether the foregoing requirements are met are made by the Treasurer's Office in accordance with the requirements of the federal tax law.

If you wish to change or revoke your Cafeteria Plan (waiver) election, you must complete an Enrollment Form/Change Form to explain the reason for your change. You must then complete and file a new Benefits Plan election form with the Insurance Office. Your new Benefits Plan elections will only become effective in accordance with the terms of the Benefits Plan's, and not any earlier than the next day after you file it.