

## NOTICE TO EMPLOYEES

### MONTVILLE BOARD OF EDUCATION PRE-TAX PREMIUM PLAN

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In conjunction with employee contributions, Montville Board of Education is introducing a Pre-Tax Premium Plan for those employees with Co-Pay. The Pre-Tax Premium Plan takes advantage of Section 125 of the Federal Tax Code. Under the Plan, all payroll deductions for medical insurance will be taken from your gross salary **BEFORE TAXES**, thus reducing the amount of Federal Income Tax and FICA (Social Security tax) you must pay.

Below is a simplified illustration of the tax savings for a married employee earning \$500 per week, and for example, contributing \$14 biweekly (\$7 per week) to the medical insurance program:

#### TAX SAVINGS EXAMPLE

	<u>New Way</u>	<u>Old Way</u>
Gross Salary	\$500.00	\$500.00
Medical Premiums	7.00	N/A
Net Gross	<u>\$493.00</u>	<u>\$500.00</u>
Federal Income Tax (15%)	73.95	75.00
Social Security (7.65%)	37.72	38.25
Medical Premiums	<u>N/A</u>	<u>7.00</u>
Net Pay	<u>\$381.33</u>	<u>\$379.75</u>

In this illustration, estimated tax savings is \$1.58 per week, or **\$82.16 per year**.

As you can see, the Pre-Tax Premium Plan offers permanent tax savings. **How much it will actually save you depends on your individual situation.**

There is important information you should also be aware of:

1. Your eventual Social Security benefit may be slightly reduced. The impact is greater as you near retirement age. However, for most individuals, the current tax savings is worth much more than the lost Social Security benefit.
2. Because a Pre-Tax Premium Plan is governed by strict I.R.S. regulations, you will not be able to change your medical coverage after the plan year begins unless you have a change in family status, or there is a significant change in your spouse's employment.

The Pre-Tax Premium Plan is for all employees who accept medical insurance and sign the enclosed authorization form.

**SUMMARY OF MATERIAL MODIFICATION TO  
MONTVILLE BOARD OF EDUCATION HEALTH PLAN**

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(Note: To be hand delivered or sent by first class mail to all participating employees.)

Pursuant to ERISA Section 102 and Department of Labor Regulations Sections 2520.102-3 (p), 2520.104b-2 and 2520.104b-3, the Plan Administrator hereby furnishes you with the following summary of material modification to the Health Plan.

**PRE-TAX EMPLOYEE CONTRIBUTION**

The Employer has adopted a special type of a benefits plan permitted under Section 125 of the Internal Revenue Code ("Cafeteria Plan") that allows employees who participate in the Health Plan to pay their contributions to the Health Plan on a pre-tax basis. The Cafeteria Plan has not changed the health benefits offered under the Health Plan; rather, an employee's contributions have been converted from after-tax to pre-tax, thus enabling the employee to reduce his or her income taxes.

Note: The tax reduction discussed above is conditioned on the qualification of the Cafeteria Plan under Code Section 125 and the Health Plan, or both the Cafeteria Plan and the Health Plan, the Employer cannot guarantee or warrant that the desired tax results will, in fact, be achieved now or in the future.

**TOWN OF MONTVILLE, BOARD OF EDUCATION  
FLEXIBLE BENEFITS PLAN**

**Enrollment Form and Compensation Reduction Agreement**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Social Security Number: \_\_\_\_/\_\_\_\_/\_\_\_\_

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**Election to Enroll in Flexible Benefits Plan**

I have enrolled for certain benefits under the TOWN OF MONTVILLE, BOARD OF EDUCATION Benefit Plan.

\_\_\_ Yes, I hereby elect to receive these benefits under TOWN OF MONTVILLE, BOARD OF EDUCATION Flexible Benefits Plan. Any previous compensation reduction agreement under this Flexible Benefits Plan is hereby revoked.

\_\_\_ No, I do not elect to receive these benefits under the TOWN OF MONTVILLE, BOARD OF EDUCATION Flexible Benefits Plan. Any previous compensation reduction agreement under this Flexible Benefits Plan is hereby revoked.

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**Compensation Reduction Agreement**

TOWN OF MONTVILLE, BOARD OF EDUCATION and I agree that my compensation will be reduced by the amount of my required contribution for the benefit options that I have elected under the Flexible Benefits Plan, and will continue for each succeeding pay period until this agreement is amended or terminated. The amount of my required contribution is set forth on a schedule that has been provided to me.

**I understand that:**

- I cannot change or revoke this compensation reduction agreement as of any date prior to the next MAY 1 unless I have (a) a change in family status as set forth in the Flexible Benefits Plan, (b) the cost to me to receive the benefits significantly increases, (c) or the benefits, insofar as they are provided through insurance or health maintenance organizations, are significantly curtailed or cease during the Plan Year.

- If my required contributions are increased or decreased while this election to participate and compensation reduction agreement remain in effect, my pay reduction will automatically be adjusted to reflect that increase or decrease. However, if such increase is significant within the meaning of Internal Revenue Service regulations, then I will have the right to change or revoke this compensation reduction agreement. If I revoke my election hereunder, I may receive coverage under another health plan sponsored by the Employer, if one is available, that offers similar coverage.
- Prior to MAY 1 of each year, I will be offered the opportunity to change my enrollment forms for the following Plan Year. If I do not complete and return new enrollment forms at that time, I will be treated as electing to continue my benefits coverage then in effect for the next 12-month period beginning on MAY 1 and ending on APRIL 30.
- The Plan Administrator may reduce or cancel the amount of my compensation reduction or otherwise modify this compensation reduction agreement in accordance with the Flexible Benefits Plan if it believes it is advisable in order to satisfy certain provisions of the Internal Revenue Code.
- The reduction in my cash compensation under this compensation reduction agreement will be in addition to any reductions under other agreements or benefit plans.

Signature of Employee

Date: \_\_\_\_\_

\_\_\_\_\_

Accepted and agreed to:

TOWN OF MONTVILLE, BOARD OF  
EDUCATION

Date: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_