

ARCHDIOCESE OF CINCINNATI
CAFETERIA PLAN
OVERVIEW

The Archdiocese of Cincinnati is pleased to present its new Cafeteria Plan for its employees. The Plan is for your benefit and provides you with a way to save taxes.

The Plan allows you to elect to pay your contribution under our group medical and dental plans on a pre-tax basis. You simply sign an agreement to have your compensation reduced by the amount of your contribution expense. This amount will then be taken off the top and applied to the payment of your contribution under the group health plan.

Since you have elected to reduce your compensation under a Cafeteria Plan (sometimes referred to as a “Section 125 Plan,” named after the section of the Internal Revenue Code allowing this tax benefit), the amount of your contribution expense will not be subject to Federal, Ohio, Indiana or Kentucky income tax. It is also exempt from FICA (Social Security) tax.

This ability to pay your contribution on a pre-tax basis is available for whatever option you have selected under the group Health Care Plan and/or Dental Plan: Single or Family Coverage.

Your election to pay (or not to pay) with pre-tax dollars is binding for the entire plan year. However, the Cafeteria Plan (pursuant to IRS Regulations) would allow a change in your election upon the occurrence of certain specified events as long as the election is consistent with the event. Events that may allow you to make a mid-year election change include: (i) a change in status (including a change in your legal marital status, number of dependents, employment status, dependents satisfying or ceasing to satisfy plan eligibility requirements, change in residence, and commencement or termination of adoption proceedings); (ii) significant cost changes to a plan; (iii) significant curtailment of benefits under plan; (iv) addition or significant improvement of benefit option; (v) change in coverage under other employer plan (including plan of your spouse’s employer); (vi) being eligible for HIPAA special enrollment rights; (vii) a judgment, decree, or court order relating to health plan coverage; and (viii) entitlement to Medicare or Medicaid. For more details regarding the events that may permit you to make a mid-year election change, please contact the plan administrator.

In addition, your election will remain in effect for future plan years unless you tell us during the annual open enrollment of the plan year to revoke your election.

While the ability to save taxes under this Cafeteria Plan is generally positive, you should be aware that since your pre-tax contribution is not subject to FICA it also is not considered to be part of your wage base for determining the amount of your Social Security benefits. These Plans are quite popular, however, and it seems that most people believe the amount of tax savings far outweighs the reduction in Social Security Benefits.