

NOTICE OF PARTICIPATION AND SUMMARY OF THE WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT SECTION 125 PLAN

You are a Participant in the Section 125 Plan of the Wellington Exempted Village School District if you are eligible to participate in the Medical Plan, Dental Plan, Prescription Drug Plan or Vision Plan of the School District (the “Benefit Plans”).

Under the Section 125 Plan, if you elect to be covered under any of the Benefit Plans, your employee contributions for the coverage will be deducted from your pay on a “pre-tax basis”.

The Section 125 Plan is required to comply with various tax law rules. You should have previously received a Plan Summary that provided detailed information regarding the terms of the Section 125 Plan. This Notice is a simple reminder that you are participating in the Plan. A full copy of the Section 125 Plan is available from the Treasurer’s office.

TAX EFFECTS OF THE SECTION 125 PLAN

Employee contributions that you pay under the Section 125 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 Section 125 Plan are still considered to be part of your salary for STRS and SERS pension purposes. Thus, there is no impact on the amount of your STRS or SERS pension.

Likewise, employee contributions that you pay under the Section 125 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. Thus, there is no impact to your ability to electively defer compensation for retirement.

TIMING OF YOUR SECTION 125 PLAN ELECTIONS

Your elections under the Section 125 Plan are automatically tied in with the coverage that you are entitled to, or the elections of coverage that you make, under the Benefit Plans of the School District. You are not required to file any special election forms for the Section 125 Plan.

The “Plan Year” of the Section 125 Plan is from January 1 to December 31. The Benefit Plan elections that you make in open enrollment will generally be effective for the entire Plan Year. However, as is described below, in some circumstances, you may be able to change your election during the Plan Year.

If you are a new employee, the enrollment elections you make will apply for the remainder of the Plan Year. You may also change your election, as is described below.

The remainder of this Summary explains the circumstances when changes in coverage may be permitted. If you have any questions regarding the Plan, please contact the Treasurer's office.

CHANGING SECTION 125 PLAN ELECTIONS

After the close of the open enrollment period, or your other election of Benefit Plan coverage has been made, you may *prospectively* change or revoke any of your Section 125 Plan elections only if the requirements of Paragraphs A and B below, are all satisfied:

- A. Your new election is permitted under the terms and conditions of the Benefits Plan. For example, if you have elected PPO medical plan coverage, you can only make changes to the extent that the PPL plan allows it.
- B. You have a Change in Status Event – “Qualifying Event” – as defined below:
 - (i.) You are enrolling yourself, your spouse or your dependents under a School District medical plan because it is required under federal law,
 - (ii.) There is a judgment, decree, or order resulting from a divorce, legal separation, annulment, or change in legal custody that requires you to provide health coverage for your child or foster child who is your dependent,
 - (iii.) You, 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,
 - (iv.) There is a significant change in the health care coverage for you or your spouse which is attributable to your spouse's employment, or
 - (v.) There is an increase in the Employee Contribution requirements under a Benefits Plan due to a significant increase in the costs of the Benefits Plan or a benefit package option under a Benefits Plan; and you elect coverage under a similar Benefits Plan or under another benefit package option for a Benefits Plan;
 - (vi.) There is significant curtailment in or cessation of the coverage provided to you and/or a spouse and/or Dependents under a Benefits Plan without there being a “loss of coverage”, and there is an overall reduction in coverage provided to Participants covered under that plan, so as to constitute reduced coverage to participants generally; and the Participant elects coverage under a similar Benefits Plan or another benefit package option under a medical plan;
 - (vii.) There is a significant curtailment in or cessation of the coverage provided to you and/or your spouse and/or Dependents under a Benefits Plan, along with a “loss of coverage”;
 - (viii.) A new benefit package or option is provided under a School District Benefits Plan or a benefit package or option under a 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.