

# Spring Branch ISD Section 125 Cafeteria Plan Summary

## Requirements for Change in Benefit Elections

The purpose of the Cafeteria Plan is to furnish certain employees nontaxable benefits in lieu of taxable compensation. The Plan is intended to qualify as a Cafeteria Plan within the meaning of Section 125 of the Code. The nontaxable benefits an employee elects to receive under the Plan are intended to qualify for exclusion from such employee's income, reducing federal income taxes by reducing taxable income by the amount of the insurance premiums paid.

The IRS has strict rules governing this plan. An employee makes an election once a year (during open enrollment) and may not change the election except for certain events that are stipulated by IRS code. Changes must be made within 31 days of the qualifying event. Qualifying events are as follows:

### 1. Legal Marital Status

- Marriage
- Death of spouse
- Divorce
- Legal separation
- Annulment

### 2. Number of Dependents

- Birth
- Adoption / placement for adoption
- Obtain legal guardianship of dependent
- Death of a dependent

### 3. Employment Status

- Termination or commencement of employment by employee, spouse, or dependent

### 4. Work Schedule

- Commencement or return from an unpaid leave of absence

### 5. Dependent Eligibility Status

- An event that causes employee's dependent to satisfy or cease to satisfy requirements for coverage due to attainment of age or similar circumstance

You cannot elect to drop coverage retroactively; a future cancellation date is required. Therefore, your cancellation will be effective the first of the month following the day that paperwork is received by the Benefits Department (assuming paperwork was received within 31 days of the qualifying event).

*Example: Your spouse got a new job and will be covering himself and your children on his new plan. His benefits are to become effective November 1. Paperwork must be received by November 30. If paperwork is received in October for a November 1 cancellation date, the cancellation will be effective November 1. If paperwork is received in November for a November 1 cancellation date, cancellation will be effective December 1 and you will be responsible for paying premiums for the full month of November.*

Please note: In addition to the Section 125 Cafeteria Plan requirements stated above, the Spring Branch ISD Benefits Department must also comply with the rules set by the insurance carriers. The carriers may deny a qualifying event change if it is not in compliance with the carrier's enrollment rules.