Memo To: All Town Employees Paid Bi-Weekly

From: Nancy Heffernan, Treasurer/Collector

Re: PRE-TAX HEALTH CARE PREMIUM PAYMENT PLAN (CAFETERIA PLAN)

1. The cafeteria plan is a tax break offered by the Federal and State governments. If you choose to participate in the cafeteria plan, your deduction for health and/or dental insurance will not change, but you will not pay federal, state, or medicare tax on the health and or dental care premiums deducted from your pay. Your take home pay will be greater than it would have been if you had not had this tax break.

THE APPROXIMATE ANNUAL NET SAVINGS TO YOU OF THE CAFETERIA PLAN:

	ANNUAL PREMIUM	FEDERAL PLUS STATE TAX**			
PLAN (AS of 7/1/2013	EMPLOYEE'S SHARE	15%	25%	28%	33%
Network Blue Options					
Individual	$2,214.00	$447	$669	$735	$846
Family	$5,930.64	$1,198	$1,791	$1,969	$2,266
PPO Blue Options					
Individual	$2,233.92	$451	$675	$742	$853
Family	$5,984.16	$1,209	$1,807	$1,987	$2,286

*State tax rate 5.2%
*If you have Medicare deducted, your savings will be greater

2. You need to sign up for the Cafeteria Plan when you first enroll in the Town's Group Health Insurance program. Thereafter, you do not need to sign up for the plan each year, but you have the opportunity to sign a waiver at the renewal date July 1st each year in order to withdraw from the plan. Please fill out the sign up sheet, if you wish to join the Cafeteria Plan, or sign the waiver if you do not wish to be included in the cafeteria plan.

3. Once the contract year has begun and you are a member of the plan, you may revoke or change your participation in the plan for the following reasons only:

a. change in family circumstances (marriage, divorce, death of spouse or child, birth or adoption of child),
b. termination or commencement of employment of the employee's spouse, the switching from full-time to part-time status (or vise versa) of the employee or his spouse, and the taking of an unpaid leave of absence by the employee or his spouse, or
c. significant change in the health coverage of the employee or the employee's spouse attributable to spouse's employment, or termination of employee's or spouse's insurance by spouse's employer.

We must continue to deduct an equivalent amount of money from your pay if you voluntarily leave the plan for a reason other than (a), (b), or (c) above during the plan year. (IRS Rules)

4. The actual Plan document adopted by the Board of Selectmen, which supercedes all summaries or descriptions should there be a confict, is available in the Treasurer's office. A copy will be furnished upon request.

5. **For income tax purposes**: You are not allowed to claim insurance deductions as an itemized medical expense since they have been deducted pre-tax.

INSTRUCTIONS: IF YOU ARE JOINING THE TOWN'S HEALTH AND OR DENTAL INSURANCE PROGRAMS, YOU MUST FILL OUT ONE OF THE FOLLOWING:

EITHER JOIN:

ELECTION TO JOIN THE TOW OF READING PRE-TAX HEALTH CARE PREMIUM PAYMENT PLAN FOR EMPLOYEEES PAID ON A BIWEEKLY BASIS (COMMONLY KNOWN AS THE CAFETERIA PLAN)

I have received a description of the Town of Reading's Pre-Tax Health Care Premium Payment Plan and acknowledge that the entire Plan was available in the Treasurer's Office upon my request. I am aware of the benefits available to me as well as the other rights and obligations which I have under the Plan. In accordance with my rights under the Plan, the Town and I agree that my cash compensation will be reduced for each pay period and plan year by an amount to pay health and/or dental insurance premiums. I cannot change or revoke any of my elections or this compensation reduction agreement at any time during the plan year unless I have a change in family status or change in spouse's employement as described in the Plan.

Signature _____ Emp # _____

Print Name _____

Date _____ Department _____

OR WAIVE

TOWN OF READING WAIVER OF PARTICIPATION IN THE PRE-TAX HEALTH CARE PREMIUM PAYMENT PLAN FOR EMPLOYEES PAID ON A BIWEEKLY BASIS

I have read and understood the notice describin the Pre-tax Health Care Premium Payment Plan (otherwise known as the cafeteria plan). I hereby waive participation in the plan. In so doing, I understand that my premiums will be ducted on an after tax basis and that I will not be receiving the tax break.

Signature _____

Print Name _____

Date _____ Department _____