

## SUMMARY PLAN DESCRIPTION

### CHANNAHON SCHOOL DISTRICT 17

#### SECTION 125 CAFETERIA PLAN FOR PREMIUM CONVERSION

#### IMPORTANT INFORMATION

<b>Effective Date:</b>	October 25, 2004
<b>Plan Year:</b>	January 1 <sup>st</sup> to December 31 <sup>st</sup>
<b>Plan Name:</b>	Channahon School District 17 Section 125 Cafeteria Plan for Premium Conversion
<b>Employer (Plan Sponsor):</b>	The Board of Education of Channahon School District 17
<b>Plan Administrator:</b>	The Board of Education of Channahon School District 17 (the "Board").

The Plan Administrator is designated as agent for all purposes of legal process.

#### GENERAL DESCRIPTION

The Board of Education of Channahon School District No. 17 has established a Cafeteria Plan to permit the payment of certain insurance premiums on a pretax basis. Before the start of each Plan Year, you will be able to elect to have some of your upcoming salary paid to the Plan. The money will be used to pay the premium expense for insurance coverage you have selected among the benefit options we are offering to you. The available benefit options are attached to this Summary Plan Description as **Schedule A**. The full Cafeteria Plan is available for your review in the Administration Offices.

#### ELIGIBILITY

**1. When am I eligible to join the Plan?**

You are eligible to participate in the Plan if you are employed by the District and: (1) meet the insurance plan eligibility requirements, including, but not limited to, being regularly scheduled to work thirty (30) hours per week and (2) also meet any additional eligibility requirements set forth in any collective bargaining provision that applies to you.

You will become a participant in the Plan on the later of (a) the effective date of the Plan; (b) the first day of the month following the date you elect to participate; or (c) the first day of the Plan Year in which you elect to participate.

## **ENROLLMENT**

### **2. How do I enroll?**

IRS regulations require enrollment in the Cafeteria Plan before the Plan Year begins, or in the case of a newly eligible employee, before he/she receives any benefit.

After you become eligible, you must select which benefits you would like to purchase through the Plan. Unless you are a newly eligible employee, your decision must be made during the enrollment period preceding the Plan Year for which your decision will take effect. Each year, approximately fourteen (14) days prior to the commencement of the Plan Year, the administration of the Channahon School District No. 17 will provide you with a written Election Form and Compensation Reduction Agreement that will enable you to identify the benefits in which you wish to participate and the portion of your compensation reduction that may be applied to each benefit.

### **4. If I am a new Employee, when can I elect one or more of the optional benefits?**

The Board will provide you with the necessary election forms soon after you become an Eligible Employee. These forms must be completed and returned to the Board before the date specified by the Administrator, which shall be no later than the beginning of the first pay period for which your agreement will apply.

### **5. Can I make changes to the Benefit Options I select?**

For each new Plan Year, you may change the elections that you previously made. You may also choose not to participate in the Plan for the upcoming Plan Year. Keep in mind that your choices are in effect for the entire Plan Year. In other words, the benefit elections are considered irrevocable during the Plan Year, unless there is a "change in status" or a significant change in Premium expenses or benefit options, as determined by the Plan and the Internal Revenue Code and IRS Regulations, as amended from time to time, and as described in Paragraphs 15 and 16 of this Summary Plan Description. Any change that you make to your selected benefits must be consistent with your status change.

### **6. What if I fail to return the Election Form?**

If for some reason you fail to complete an election form, you shall be deemed to have elected not to participate in any of the benefits available under the Cafeteria Plan for the remainder of the Plan Year and you will be prohibited from participating until the

following Plan Year unless you experience a qualifying "change in status," as described in Paragraph 15 of this Summary Plan Description.

**7. What happens to my election if I am no longer eligible to participate in the Plan?**

Your participation shall terminate when you leave employment: (1) on the date on which the Plan terminates; (2) if you are no longer eligible to participate under the terms of any insurance policies and/or collective bargaining agreement; (3) upon your death; (4) the first date of any Plan Year in which you elect not to participate; (5) the date on which you revoke your election due to a change of status or other qualifying event; or (5) when you stop making premium contributions\*, whichever happens first. **Elections made under this Plan will automatically terminate on the date on which you cease to be a participant in the Plan.**

\*In accordance with any rules that may be established by the Employer, the Plan Administrator may permit the continued participation of a formerly Eligible Employee who is absent by reason of sickness, disability or other authorized absence, for so long as such authorized absence continues.

### **TAX ADVANTAGES**

**8. What are the tax advantages of participating in the Plan?**

One of the major advantages of the Cafeteria Plan is the potential for tax savings. The Plan provides each employee with the opportunity to allocate part of the employee's pre-tax compensation for the purchase of certain benefit options offered through Channahon School District No. 17. Pursuant to a Compensation Reduction Agreement, the employee's compensation is reduced by the amount necessary to pay the employee's share of the costs of the benefits the employee elects to receive. Thus, Income Taxes (and Social Security, if applicable) are not withheld from the amounts used to pay the employee's share of the cost of the benefits.

**9. If I elect to reduce my compensation, how does this affect my Teacher's Retirement System Benefits ("TRS") or my Illinois Municipal Retirement Fund Benefits ("IMRF")?**

A reduction of your compensation under the Plan will not reduce the amounts contributed to the Teacher's Retirement System or the Illinois Municipal Retirement Fund on your behalf.

**10. Will My Social Security Benefits Be Affected?**

Your social security benefits may be slightly reduced because when you receive tax-free benefits under our Plan, it reduces the amount of contributions that you make to the

federal social security system. Similarly, our contributions to social security on your behalf are also reduced.

**11. What is the “Plan Year”?**

. Each Plan Year shall begin on January 1<sup>st</sup> and end on December<sup>31<sup>st</sup></sup>. The Cafeteria Plan is established and maintained in accordance with the IRS regulations and is subject to compliance with such regulations and amendments to the same. Employees will be provided notice of any applicable changes to the Plan Year.

**CONTRIBUTIONS AND BENEFITS**

**12. What are the benefits available to me?**

Under the Plan, you may choose to receive your full compensation for any Plan Year in cash or to have a portion of it applied by the Board toward the cost of group health and dental insurance coverage. The amount of the reduction in your salary for the Plan Year will be equal to your share of the cost of the insurance you elected in excess of the Board contribution. The District will provide details relative to the cost for each benefit during the enrollment period. Please also note that the cost of benefits may change during the Plan Year and the Channahon School District No. 17 may adjust accordingly the amount withheld from your salary to maintain the elected benefit.

Any benefits to be provided by insurance shall be provided only after (1) you have provided the Board the necessary information to apply for insurance, and (2) the insurance is in effect for you.

**13. Where can I obtain more information about the benefits available to me?**

The details of the insurance coverage options and plans are available from the District administrative office. A copy of the full Section 125 Cafeteria Plan explaining the details of the conversion plan also is available from the District administrative office.

**14. Who makes contributions to the Plan?**

The Board makes all contributions to the Plan. You will have the option to enter into a Compensation Reduction Agreement with the Board, whereby you may irrevocably elect to redirect a portion of your compensation for the Plan Year and have this amount contributed by the Board to provide benefits to you under this Plan. As mentioned above, once you have signed the agreement, you will not be able to change the amount of salary redirected during the Plan Year unless you have a "change in status" or take an unpaid leave under the federal Family and Medical Leave Act (the "FMLA"). This is further explained in Paragraphs 15 and 16.

**CHANGE IN STATUS**

**15. Can I change or revoke my elections during the Plan year?**

In general--no. The IRS has established a condition of irrevocability to help avoid abuse of Section 125 cafeteria plans. Once a selection is made and money is designated to it, the election cannot be revoked and a new election made as to the remaining portion of coverage during the Plan Year unless the Board determines that the employee has had a "change in status," as defined by the IRS, and the revocation and new election is consistent with the change in status to the extent necessary or appropriate for such change. Any new election will be effective at such time as the Administrator will prescribe, but not earlier than the first pay period beginning after the election form is completed and returned to the Administrator. Examples of changes in status for which a change to a benefit option may be permitted include the following:

- Marriage, divorce, legal separation, or annulment directly involving the Participant
- Birth, adoption, or placement for adoption of a child by the Participant
- Death of a spouse or dependent
- Termination of a dependent's status due to attaining age or other event that causes dependent to cease to satisfy requirements for coverage
- Termination or commencement of employment of employee, spouse, former spouse or dependent
- Conversion from part-time to full-time status or full-time to part-time status of employee, dependent, or spouse
- Commencement of or return from an unpaid leave by employee, dependent, or spouse, including a strike or lockout
- Significant change in health coverage attributable to the spouse's employment
- Coverage change under the Plan of the spouse or dependent.
- Change that results in entitlement to COBRA continuation coverage or loss of COBRA coverage
- Entitlement to or loss of Medicare or Medicaid coverage by employee, spouse or dependent
- Change in the place of residence or worksite of the employee, spouse, or dependent
- Administrator's receipt of a Qualified Medical child support order ("QMED") (If the QMED requires coverage, the employee may elect to add a child to the Plan, if the QMED requires the ex-spouse to provide coverage, the employee may drop the child from the Plan.) In such an event, the change in election will be automatically implemented.
- Change in the number of the Participant's family members or dependents who may benefit from Plan coverage
- Change in the employment status of employee, spouse, or dependent with the consequence that the individual becomes (or ceases to become) eligible under the plan
- A Health Insurance Portability and Accountability Act ("HIPAA") event that

would entitle the employee, spouse or dependent to special enrollment rights.

### **CHANGE IN PREMIUM EXPENSES OR COVERAGE**

**16. Can I revoke an election if the Premium expense increases or coverage decreases?**

If Premium expenses increase significantly or the coverage under a Benefit option is significantly curtailed or ceases, as determined by the Administrator, you may revoke your election, and in lieu thereof, participate on a prospective basis in another Benefit option with similar coverage. If no such option is available, you may drop your coverage. By the same token, if Premium costs decrease or if the Plan adds a new Benefit option or an existing Benefit option is improved, you may revoke your election and elect to participate in another Benefit option or in the new or improved Benefit option.

### **FAMILY AND MEDICAL LEAVE ACT**

**17. What if I take a leave of absence?**

If you take a *paid* leave of absence under the Family Medical Leave Act, or if the Employer pays your share of the cost of premiums, you will be required to continue your participation in the Plan during your leave. Employees who take an *unpaid* leave of absence under the Family and Medical Leave Act have the option to continue their participation in the Plan or revoke their election(s) while on leave. An employee who takes a leave of absence under the FMLA and elects to continue participation under the Cafeteria Plan shall be responsible for continuing to make his or her required contributions toward the cost of Benefit options in the manner specified in the Cafeteria Plan. If an employee chooses to revoke an election for coverage while on FMLA leave, and subsequently returns to work, his or her participation will be reinstated in accordance with the terms of the Cafeteria Plan and applicable law.

### **OTHER IMPORTANT PROVISIONS**

#### ***Qualified Medical Child Support Orders***

Generally, your Plan benefits may not be transferred, sold, assigned, pledged, attached, encumbered or alienated in any manner. However, an exception applies in the case of a “qualified medical child support order.” Basically, a qualified medical child support order is a court-ordered judgment, decree, order or property settlement agreement in connection with state domestic relations law which either (1) creates or extends the rights of an “alternate recipient” to participate in a group health plan, including this Plan, or (2) enforces certain laws relating to medical child support. An “alternate recipient” is any child of a Participant who is recognized by a medical child support order as having a right to enrollment under a Participant’s group health plan.

A medical child support order must satisfy certain specific conditions to be qualified. The Administrator may notify you, if it receives a medical child support order that applies to you, regarding the Plan's procedures for determining whether the medical child support order is qualified. If it is not necessary to make a determination regarding the "qualified" status of the order, the law permits the Administrator to automatically implement the qualified order.

### ***COBRA Coverage***

The Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA") permits you and your qualified beneficiaries to elect to continue group health insurance coverage if, among other reasons, you voluntarily or involuntarily terminate your employment, for reasons other than "gross misconduct", or, if as a result of your hours being reduced, you are no longer eligible for group health insurance coverage from your employer.

### ***Future of the Cafeteria Plan***

The Cafeteria Plan is based on the District's understanding of the current provisions of the Internal Revenue Code. The District reserves the right to amend, suspend or discontinue the Plan, in whole or in part, if regulations or changes in the tax law make it advisable, or if the District otherwise deems it appropriate to do so, provided such amendment or termination is consistent with any applicable provision of a Collective Bargaining Agreement between the District and an exclusive bargaining representative. Notwithstanding the foregoing, the District may amend or terminate this Plan at any time as required by law. If the Plan is amended or terminated, it will not affect any benefit to which you were entitled before the date of the amendment or termination.

Additionally, the insurance carrier may cancel insurance policies for underenrollment or non-payment of premiums in certain circumstances. Any failure of insurance benefits, whether due to the Board's negligence, gross neglect, or otherwise, including, but not limited to failure to enroll a participant or pay premiums, shall not result in any liability by the Board or Plan Administrator to a participant.

### ***Not a Contract of Employment***

No provision of this Plan is to be considered a contract of employment between any employee and the Channahon School District No. 17. Participation in this Plan is available for all Channahon School District No. 17 employees who meet the eligibility requirements.

### ***Inconsistencies Between the Summary Plan Description and the Plan Documents***

The previous questions and answers are intended to give you a brief description of the Channahon School District No. 17 Cafeteria Plan. The complete Plan is a legal document that includes these provisions and numerous others. In the event of any inconsistency

between this Summary Plan Description and the actual provisions of the Plan, the Plan Document will govern. Similarly, the Internal Revenue Code and the regulations issued thereunder (as they may be amended from time to time) govern the Plan. In the event of any inconsistency between the Plan and the Code and/or regulations, the Code and/or regulations will govern. Finally, to the extent not preempted by Federal law, the provisions of the Plan are to be construed, administered and enforced according to the laws of the State of Illinois.



**SCHEDULE A**

**CHANNAHON SCHOOL DISTRICT NO. 17**

*SCHEDULE OF BENEFITS*

*TO*

**SECTION 125 CAFETERIA PLAN FOR PREMIUM CONVERSION**

**A.1 Eligibility**

Each Employee of the Board of Education of District 17 who is regularly scheduled to work thirty (30) hours per week, is not seasonal, short-term, or independently contracted, and makes an employee contribution toward health insurance is eligible to be a Participant in the Cafeteria Plan to which this Schedule is attached and into which this Schedule is incorporated, provided such Employee is eligible to participate in the group health benefits pursuant to the requirements of the benefit provider(s) offered by the Employer under this Plan.

**A.2 Schedule of Benefits – Benefit Program**

Available benefits include single and dependent health insurance coverage and single and dependent dental insurance coverage.

<u>Health Insurance Coverage</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
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Blue Cross-Blue Shield (PPO)

Single	90%	10%
Employee + Spouse	90%	10%
Employee + Child	90%	10%
Family	90%	10%

<u>Dental Insurance Coverage</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
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First Commonwealth (HMO)	0%	100%
Freedom Basic (PPO)	0%	100%
Freedom Preferred (PPO)	0%	100%