

Summary Plan Description for Section 125 Cafeteria Plan

SECTION 125 CAFETERIA PLAN for

TOWN OF WILBRAHAM, MASSACHUSETTS

(Name of adopting Employer Sponsor)

Plan Year (check one): **January 1 – December 31**

July 1 – June 30

(other) _____ - _____

THIS PLAN DESCRIPTION IS INTENDED FOR USE BY EMPLOYERS ALLOWING EMPLOYEES TO ACCESS COMMONWEALTH CHOICE COVERAGE THROUGH A SECTION 125 CAFETERIA PLAN ON A VOLUNTARY BASIS. IT IS NOT INTENDED FOR USE BY SMALL GROUP EMPLOYER SPONSORS DESIGNATING A BENCHMARK PLAN AND MAKING AN EMPLOYER CONTRIBUTION.

This plan description provides an overview of the requirements for participation in the Section 125 Cafeteria Plan and is intended to be a brief summary. The Plan is governed by a formal plan document. If there are any differences between this summary and the official plan document, the plan document will govern.

Section 125 Cafeteria Plan Description for Premium-only Plan

Introduction

We are pleased to announce that we have [established/amended and restated] our Section 125 Cafeteria Plan (the "Plan") under which you may pay your medical care coverage premiums on a pre-tax basis. Under the Massachusetts Health Care Reform Law, you are now eligible for favorable tax treatment of your medical care coverage premiums even though you are not eligible for medical care coverage through your Employer. Your participation in this Plan is completely voluntary.

Participation In The Plan

Under the Plan, you may choose to receive your entire compensation in cash or use a portion of it to pay for certain medical care coverage premiums (See "Medical Care Coverage" below). When you elect to pay for your medical care coverage premiums, your regular compensation will be reduced on a pre-tax basis by the amount of your premium payment for the coverage you have selected. This means that you will pay less in taxes each year.

Important note: If you decide to pay for medical care coverage using pre-tax income, the amount withheld from your pay will not be subject to federal income or Social Security ("FICA") taxes. This could result in a reduction in the Social Security benefits you receive at retirement if you earn less than the "taxable wage base." The taxable wage base for 2007 is \$97,500 and is adjusted annually. The tax advantages you gain by paying your medical care coverage premiums with pre-tax income may, however, offset any possible reduction in Social Security benefits and you should consult a tax advisor to determine whether in your situation the benefits achieved outweigh any potential reduction of Social Security benefits.

Medical Care Coverage

You can use pre-tax dollars to purchase any medical care coverage that has been granted the seal of approval by the Commonwealth Health Insurance Connector Authority (the "Connector"). This coverage is not offered through this Plan or through your Employer, is not endorsed by your Employer and is not part of your Employer's benefit program. Your eligibility for the medical care coverage is determined by the Health Connector and the applicable insurance carrier.

Additionally, although the Health Connector has granted its seal of approval to these medical care coverage options, coverage is provided by the insurance carrier issuing the applicable medical insurance policy. Neither the Health Connector nor your Employer have any liability for any benefits due, or alleged to be due, under any such medical insurance policies.

Eligibility

You are eligible to participate in this Plan if (i) you are an employee of the adopting Employer Sponsor shown on Page 1 of this document (the “Employer”); and (ii) you are not an “excluded employee”.

You are an “excluded employee” if you are:

- (i) eligible for another Section 125 Cafeteria Plan offered by your Employer;
- (ii) less than 18 years of age;
- (iii) covered by a collective bargaining agreement unit if health benefits were the subject of good faith bargaining;
- (iv) a temporary employee;
- (v) wait staff, service employee or service bartender and you earn less than \$400 in monthly payroll wages;
- (vi) a student employee employed as an intern or a cooperative education student worker; or
- (vii) a seasonal employee who is an international worker with either a U.S. J-1 student visa, or a U.S. H2B visa and you have travel health insurance;

Electing To Participate In The Plan

If you are eligible to participate in the Plan and you wish to use pre-tax dollars to pay for medical care coverage offered through the Health Connector, you must complete a Participation Election Form within 30 days following the date you become eligible. You will also need to select a medical care coverage plan and complete an enrollment form. This must be done through the Health Connector. More than one method of enrollment may be available, such as a written enrollment form, electronic enrollment on an internet web site or via telephone. For more information on medical care coverage options offered through the Health Connector and/or to enroll in medical care coverage, please visit the Health Connector’s website at www.MAhealthconnector.org.

Your participation in the Plan will be effective when you sign up and will remain in effect until you cancel it or you otherwise become ineligible to participate in the Plan.

If you are eligible to participate in the Plan but you decide not to use pre-tax dollars to pay for medical care coverage, or you do not enroll in medical care coverage within 30 days following the date you become eligible, you will be deemed to be a participant in the Plan who has elected the cash option. This means that, absent a change in status event (described in the next section below), you will not be able to elect to use pre-tax dollars to purchase medical care coverage until the Plan’s next annual enrollment period.

Before the start of each Plan Year, you will be offered an annual enrollment period to change your existing election. If you do not make a new election, your existing election will remain in effect.

Changing Your Election

Generally, you cannot change the elections you have made under the Plan after the beginning of the Plan Year. However, you are permitted to change certain elections if you experience an IRS defined "change in status" and/or other special events as described below.

Examples of status changes include these events:

- marriage;
- divorce, legal separation or annulment;
- death of your spouse or dependent child;
- birth, adoption or placement for adoption of a child;
- termination of the employment of your spouse or dependent child;
- commencement of the employment of your spouse or dependent child;
- your or your spouse's or dependent child's commencement or return from an unpaid leave of absence from employment;
- adjustment to your or your spouse's or dependent child's work schedule, such as a switch between part-time and full-time work, a strike, a lockout or an increase or reduction in hours of employment, that causes a loss of coverage;
- a change in your or your spouse's or dependent child's worksite or residence that causes a loss of current coverage eligibility;
- adjustments in dependent status through satisfying or ceasing to satisfy the age, student status or other requirements to qualify as a dependent under the Plan;
- significant change in your or your spouse's health coverage attributable to the spouse's employment; and
- leave of absence under the Family Medical and Leave Act.

Your election may also be changed if one of these special events occurs:

- the issuance of a judgment, decree or order that requires accident or health coverage for your dependent child.
- your or your spouse's or dependent child's entitlement to Medicare or Medicaid that causes a loss of coverage.
- a "significant" increase in the cost of any benefit under the Plan.
- elimination or "significant" cutback in coverage provided by an insurance company or other third party. You may cancel your election and receive coverage under a similar plan, provided both plans agree to make the change.
- your failure to make the required premium payment. Your election will be canceled but you will not be able to make a new election for the rest of the Plan Year.
- your separation from service. If you terminate employment, you may cancel your election for any remaining period of coverage.

If you have a status change and/or other special event and you want to cancel or modify your election for the remainder of a Plan Year, you must file a request with your Employer within 30 days of the event. Keep in mind that any change to your election must be consistent with your status change. Your Employer will consider your application and inform you of the decision.

All change requests received more than 30 days after the date the event occurred will not be processed. To make the change after this 30 day period, you will have to wait until the next annual enrollment period or a subsequent status change event, whichever occurs sooner.

Individuals Not Covered By This Plan

There are certain instances where an individual is a dependent for medical care coverage purposes but may not be your dependent for purposes of this Plan. For example, if you cannot claim the individual as a dependent on your federal income tax return, but the individual is eligible for coverage under your medical care coverage, the value of the medical coverage for this individual must be paid on an after-tax basis. In addition, domestic partners and same sex spouses are not eligible for the favorable tax treatment unless you can claim them as dependents on your federal income tax return.

Participation While On Leave

If you take a leave of absence for your own serious health condition or to care for family members with a serious health condition or to care for a newborn or adopted child, you may be able to revoke your election. If you revoke your election, you may also reinstate your election when you return to work. See your Employer for more information about your rights.

Termination of Employment

If you stop working for your Employer, you will no longer be eligible to participate in this Plan and your election to participate will automatically terminate. This means that your medical care coverage premiums payable after you stop working for your Employer will be paid for on an after-tax basis (unless you subsequently become employed and enroll in another employer's cafeteria plan). In the event you become a participant in this Plan again within 30 days of the date you stopped being a participant and before the end of the same Plan Year, the elections you previously had in effect will automatically be reinstated for the balance of the Plan Year.

Keep in mind, your termination of employment does not affect your underlying medical care coverage. You can keep your medical care coverage in effect by simply continuing to make the required monthly premium contributions by sending after-tax payment directly to the Health Connector by the applicable due date.

Questions

If you have any questions or would like additional information, you can contact the Employer at the phone and address noted on Page 1.

**Section 125 Cafeteria Plan
Employee Waiver /Election Form/
Compensation Reduction Agreement**

This form must be completed when an employee elects to either a) waive all pre-tax benefits or b) enroll in a pre-tax benefit deducted from their compensation for their medical care coverage premium amount

TOWN OF WILBRAHAM, MASSACHUSETTS

Employer Name (Legal Entity Name)

Employee Name (First, Middle Initial, Last)

Employee Address

Employee Social Security Number

Employee Number/ID

Plan Year _____ through _____

Waiver of Pre-Tax Benefits

I elect to waive all pre-tax benefits under the Section 125 Cafeteria Plan:

I understand that if I have enrolled for medical care coverage on a separate benefit enrollment form, I will pay the required contribution with after-tax payroll deductions. I understand that I cannot elect pre-tax benefits except and until as described below and any after-tax medical care coverage is outside the Plan.

Prior to each Plan Year I will be offered the opportunity to make a new benefit election for the coming Plan Year. If I do not complete and return a new enrollment form at that time, I will be treated as having elected to continue this election to waive participation as indicated above.

Election of Pre-Tax Benefits

I understand that an amount equal to the annual contributions for the coverage I have elected, divided by the number of pay periods in the Plan Year, will be deducted on a pre-tax basis from each of my paychecks (unless another method is prescribed by the Plan Administrator) to pay for the coverage that I elect.

Election for Medical Care Coverage

On a separate enrollment form(s), I have enrolled in medical care coverage and I have received a schedule showing my share of the contributions for such coverage.

In accordance with my rights under the Plan, I authorize salary reductions in the amount of current premiums being charged for the medical care coverage I have elected as follows:

Name of Connector Approved Medical Care Coverage from Enrollment Form: _____

_____ Premium per Month \$ _____

I understand that:

- If my required contributions to pay premiums for the elected benefits are increased or decreased while this agreement remains in effect, my compensation reductions will automatically be adjusted to reflect that increase or decrease.
- The Plan Administrator may reduce or cancel my compensation reduction or otherwise modify this agreement in the event he/she believes it advisable in order to satisfy certain provisions of the Internal Revenue Code.
- The reduction in my cash compensation under this agreement shall be in addition to any reductions under other agreements or benefits programs maintained by my employer.
- Pre-tax contributions are not subject to federal income or Social Security ("FICA") taxes. This could result in a reduction in the Social Security benefits I receive at retirement if I earn less than the annual FICA "taxable wage base" (\$97,500 for 2007).
- Prior to the first day of each Plan Year I will be offered the opportunity to make a new benefit election for the coming Plan Year. If I do not complete and return a new enrollment form at that time, I will be treated as having elected to continue this benefit election for the new Plan Year. In addition, this compensation reduction agreement will continue by its terms in the amount of the required contribution for the benefit option for the new Plan Year.
- This Agreement is subject to the terms of the employer's Section 125 cafeteria plan, as amended for time to time in effect, shall be governed by and construed in accordance with applicable laws, shall take effect as a sealed instrument under applicable laws, and revokes any prior election and compensation reduction agreement relating to such plan.

Employee Signature

Date

Accepted and agreed to by the Employer's Authorized Representative:

Name:

Date:

Section 125 Cafeteria Plan - Employee Revocation/Change in Status Certification

TOWN OF WILBRAHAM, MASSACHUSETTS

Employer Name (Legal Entity Name)

Employee Name (First, Middle Initial, Last)

Employee Address

Employee Social Security Number

Employee Number/ID

Plan Year (MM/DD/YYYY): _____ through _____.

As a participant in the Cafeteria (Plan), I am entitled to revoke my current benefit election and enter into a new election in the event I incur certain changes in status permitted by the terms of the Plan.

I hereby revoke my election effective (MM/DD/YYYY): _____.

I understand that any change in my benefit election must be necessitated by and consistent with the change in status as defined in the Plan and certified by me below:

I certify that I have incurred the following change in status:

- Marriage
- Birth of Child, Adoption of Child
- Divorce, Legal Separation or Annulment
- Dependent Attending School
- Moved out of service area for myself, my spouse or dependent

- Death of my spouse and/or dependent
- Switching from part-time to full-time (or vice-versa) employment on the part of me or my spouse, or dependent or reduction or increase in hours, strike or lockout
- Termination or commencement of employment by my spouse or dependent
- Other permissible event: _____

Date that the change in status occurred (MM/DD/YYYY): _____

The Administrator may require you to provide evidence to document the event which requires the change of election.

Employee Signature

Date

Employer Administrator

Date