

FREQUENTLY ASKED QUESTIONS

- **Q: Does the plan have to offer all possible benefits that are available?**
- A: No. The plan can be individually designed to offer only the benefits that you want to offer.
- **Q: When does the plan have to be funded?**
- A: The benefits must be funded as the claims are presented.
- **Q: Are there any disadvantages?**
- A: The out-of-pocket reimbursement account must be funded as the claims are presented, even if the employee has not had the funds withheld from his pay. If the employee leaves and has drawn out more than was contributed, the amounts may not be collected from the employee.
- **Q: Are there any limits on salary deferral contributions?**
- A: Yes. The limit for the dependent care account is \$5,000. There is no limit for the medical premiums. The limit for the out-of-pocket medical accounts must be set in the plan document.
- **Q: Can plan features be added or deleted in the future?**
- A: Yes. The plan may be amended from time to time to change the benefits offered. Any changes should not be used solely to benefit highly compensated employees.



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Actuaries, Consultants &
Administrators
for Employee Benefit Plans

CAFETERIA BENEFIT PLANS

WERNTZ & ASSOCIATES, INC.

ACTUARIES, CONSULTANTS
& ADMINISTRATORS FOR
EMPLOYEE BENEFIT PLANS



SAVE MONEY WITH A CAFETERIA PLAN

WHAT IS A CAFETERIA PLAN?

Since 1978 many employers have adopted cafeteria plans. These plans permit employees to purchase various benefits on a pre-tax basis. All of the benefits offered through a cafeteria plan are paid for with no FICA, Medicare, Federal, and in most states, no state tax.

The Cafeteria plan can offer a wide variety of benefits that are paid for on a pre-tax basis.

WHAT IS THE ADVANTAGE?

- ◆ **Taxes.** The employer does not pay the matching FICA or Medicare taxes on money that is contributed through the cafeteria plan.
- ◆ **Benefits.** Various new benefits may be provided to employees on an employee paid basis and further reduce FICA and Medicare costs to the employer.
- ◆ **Flexibility.** Employees can pick and choose the benefits that are best suited for them without the employer being forced to pay for these benefits for all employees.

WHAT BENEFITS MAY BE OFFERED IN A CAFETERIA PLAN?

There are numerous benefits that may be offered through the cafeteria plan.

- ◆ **Medical Premiums.** The employee share of employer sponsored medical, dental, and vision programs.
- ◆ **Out-of-Pocket Medical Expenses.** Medical expenses that are not covered by the employer's medical program may be elected. Such items as co-payments, deductibles, and items not covered by a traditional medical program.
- ◆ **Dependent Care.** The cost of keeping children, or dependent adults may be elected up to \$5,000 per year.
- ◆ **Other Insurance Premiums.** Employees share of employer sponsored Long Term Disability, Short Term Disability, Accidental Death and Dismemberment and Group Term Life Insurance premiums.
- ◆ **Debit Cards.** We have available a Pre-paid credit card for participants to use at doctors, hospitals, and pharmacies. In addition many stores can utilize the card for over-the-counter drugs.
- ◆ **2 1/2 month extension.** The plan may add a 2 1/2 month period after the plan year to incur claims.

HOW DOES THE PLAN WORK?

Enrollment. Each year the employee elects the amount of salary deferral to go toward premiums, dependent care or out-of-pocket medical expenses. These elections stay in effect until the next plan year, or until there is a change in family status (Marriage, divorce, job changes by spouse).

Salary Deferrals. Each pay period the amounts that are withheld are placed in the plan account and used to pay premiums or claims.

Reimbursements. Requests for reimbursements are submitted to the employer and forwarded to us. We will process the forms and prepare the checks for employer signature. We process requests each pay period, or as agreed upon with the employer. Each check skirt will have the status of the various reimbursement accounts. We also offer direct deposit for your convenience.

Discrimination Testing and reporting. After the end of each plan year we will send a request for information to collect the data to run discrimination testing on the plan. A report will be prepared to show the results. If the plan requires a form 5500, we will prepare it for you.

HOW MUCH DOES IT COST?

Administrative costs for any benefit plan are twofold, the internal cost of payroll deductions and other tasks to generate information, and the cost of a plan administrator. Generally the FICA and Medicare savings from the cafeteria plan will more than pay administrative fees. We will provide a fee schedule for your plan upon request. Our staff is trained to help minimize the effort required to maintain a first class benefit program.