

Cafeteria Plans

<p>What is a cafeteria plan?</p>	<p>A cafeteria plan, also known as a section 125 plan, is a written plan that offers employees a choice between receiving their compensation in cash or as part of an employee benefit. If taken as a benefit, the employee generally receives 2 tax advantages:</p> <ol style="list-style-type: none">1. Employee contributions toward cafeteria plan benefits are made pre-tax.2. Employer contributions toward an employee's cafeteria plan benefits are not taxed.
<p>What requirements must an employer satisfy to establish a cafeteria plan?</p>	<p>To establish a valid cafeteria plan, employers generally must:</p> <ol style="list-style-type: none">1. Adopt a written plan document that governs plan administration.2. Satisfy certain nondiscrimination requirements related to benefits and contributions provided.3. Make employee plan elections irrevocable unless permitted by law.
<p>What types of cafeteria plans can be established?</p>	<ul style="list-style-type: none">• Full flex plans, in which employers make contributions for all plan-eligible employees, and employees use those contributions to buy various benefits. Employees can then make pre-tax contributions toward any benefit that the employer contributions do not fully cover.• Premium-only plans (POPs), which allow employees to choose between receiving his or her full salary in cash or using a share of that salary to pay group insurance policy premiums on a pre-tax basis.

	<ul style="list-style-type: none"> • Simple cafeteria plans, which generally provide employers with 100 or fewer employees a safe harbor from certain plan nondiscrimination requirements in exchange for contributing toward each eligible employee’s benefits. Click here for more information. • Flexible spending arrangements (FSAs), which allow employees to make contributions toward health care and dependent care expenses on a pre-tax basis.
<p>What benefits can be offered in a cafeteria plan?</p>	<ul style="list-style-type: none"> • Group health insurance • 401(k) retirement plans • Health savings accounts (HSAs) • Health flexible spending arrangements (Health FSAs) • Dependent care flexible spending arrangements (dependent care FSAs) • Group-term life insurance • Group dental insurance • Group vision insurance • Group disability insurance <p>For a list of additional benefits, read IRS Publication 15-B.</p>
<p>How do employees elect the cafeteria plan benefits they want?</p>	<p>First, by entering into a salary reduction agreement with the employer, in which the employee agrees to contribute a portion of his or her salary on a pre-tax basis to pay for benefits.</p> <p>Second, by electing his or her benefits during the employer’s annual open enrollment period.</p>
<p>Can employees change their cafeteria plan elections outside of open enrollment?</p>	<p>Not unless permitted by the plan. In general, employers may allow employees to make election changes outside of open</p>

	<p>enrollment due to changes in their:</p> <ul style="list-style-type: none">• Marital status• Employment status• Number of dependents• Residence• Medicare entitlement <p>Click here for more information.</p>
<p>Can employers offer greater benefits or contributions to some employees and not others?</p>	<p>Only if they satisfy certain nondiscrimination requirements under federal law.</p>