

# Section 125 Cafeteria Plan Approval

## Item 8A – Group Insurance Board

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Office of Strategic Health Policy





# Action Needed

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the Section 125 Cafeteria Plan Document, effective January 1, 2020.

# Background

February 2019	The Board approved a letter of intent to award the contracts for Third-Party Administrator (TPA) to ConnectYourCare.
February 2019	ETF did not receive complete thoroughly responses for the Cafeteria Plan Document during the recent request for proposal.
March 2019 through June 2019	Office of Legal Services (OLS) and Office of Strategic Health Policy (OSHP) worked together to complete the necessary updates and compliance checks.

# What is a Cafeteria Plan?

- A cafeteria plan is a plan established in accordance with the requirements prescribed by Internal Revenue Code (IRC) Section 125.
- Allows employees to pay for certain qualified benefit premiums pre-tax through a salary reduction agreement, reducing their taxable gross income.
- The plan helps members and employers avoid compliance issues and possible adverse tax consequences.

# Non-Discrimination Testing

## Section 125 Cafeteria Plan

A cafeteria plan must also contain Annual Non-Discrimination Testing (NDT) procedures.

NDT checks for discrimination in favor of highly compensated employees.

# Components of Cafeteria Plan

Health Care  
FSA

Limited  
Purpose  
FSA

Health  
Savings  
Account

Dependent  
Day Care  
Account

# Components of Cafeteria Plan

Group Health  
Insurance

Group Life  
Insurance

Supplemental  
Dental  
Insurance

Vision  
Insurance

# Revision of Cafeteria Plan

- 1 Clarified Article 1 Definitions
- 2 Current IRS Limits on HSA and FSAs
- 3 Amended and Restated Effective Date



# Revision of Cafeteria Plan

**4** Changes Third-Party Administrator Name

**5** Add Component Plans to Article V  
Premium Payment Plans

**6** Add Component Plan to Article VII  
Employee Life Insurance Plan

# Annual and Periodic Changes

## Annual Changes

- IRS limits on contributions
- Amended and restate dated

## Periodic Changes

- TPA name and contact
- Participating employers
- Changes in ETF contact information

# Roles and Responsibilities

## Group Insurance Board

- The Board has oversight authority for the Section 125 Cafeteria Plan under Wis. Stats. §§ 40.03(6) & 40.85.

## Employee Trust Funds

- ETF will continue to work with CYC to oversee the maintenance of the plan documentation each year and provide updates to the Board on an annual basis.

## ConnectYourCare

- CYC is responsible for producing HSA and ERA compliant plan documentation and conduct non-discrimination testing each year.



# Action Needed

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**Questions?**

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# Thank you

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