SAMPLE EMPLOYEE HEALTHCARE CONTRIBUTIONS ONLY
PLAN DOCUMENT
FOR PRESBYTERIAN CHURCH (U.S.A.) EMPLOYERS

(Short Form Version)

Instructions and Legal Disclaimer

The Board of Pensions of the Presbyterian Church (U.S.A.) offers the attached sample **Section 125 Employee Healthcare Contributions Only Plan** as part of a toolkit for employers who want to enable their employees to pay any healthcare contribution requirement on a pretax basis.

In producing this document, the Board of Pensions intends only to supply a sample of the documentation that an employing organization needs to prepare when adopting such a program. The Board does not provide legal or tax advice to employing organizations and the sample plan is not intended to substitute for the advice of your legal or tax counsel. **If your organization elects to adopt a plan, it should adopt its plan with the advice of its own legal and tax counsel.**

The Board has posted two sample plan documents at pensions.org. This document is sample #1.

**#1: Section 125 Employee Healthcare Contributions Only Plan (Short Form Version)**

The only benefit provided by this sample plan is pretax coverage for an employee’s healthcare contribution under the Medical Plan. If you would like to offer additional plan features, for example, to allow for the payment of out-of-pocket Medical expenses on a pretax basis, then another type of plan may be more suitable.

This sample plan incorporates certain default provisions with the intent of providing a plan that is fairly simple to administer. However, the default provisions may not be the most advantageous to employees or the least risky to an employing organization. The default provisions that were selected by the Board in drafting this sample plan are explained on the next page. **Each employing organization must make its own decisions about the plan design provisions before it prepares and adopts a final plan document.**

Coverage under a plan must be provided for a full 12‑month period (referred to in the sample plan as the *Plan Year*). However, if an employing organization wishes to adopt a plan in the middle of a plan year, it may do so, provided that coverage is available for the entire short plan year. For example, if a plan uses the calendar year as a plan year, but the plan is adopted July 1, the full amount of coverage elected by eligible employees must be available from July 1 through December 31.

The tax benefits of a Healthcare Contributions Only Plan are contingent upon compliance with the technical and operational compliance requirements of the Internal Revenue Code and the U.S. Department of the Treasury and Internal Revenue Service regulations, rulings, and interpretations. In recent years, these legal requirements have been modified several times. **If your organization adopts a plan, it is the responsibility of the organization to keep current with the law and regulations governing such plans and to administer it in accordance with all applicable laws and regulations.** **The Board of Pensions does not assume legal responsibility for these plans and shall not be responsible for your plan or its operation.**

Each employing organization should review the sample plan provisions, particularly the following default provisions, to determine the applicability of the terms to its organization. The plan document should be customized for each organization’s needs.

* Eligibility. The sample plan provides that all employees who are regularly scheduled to work a minimum of 20 hours per week are eligible upon enrollment in the Medical Plan. The provision may be revised to cover only a particular class of employees (e.g., salaried or hourly). Also, the minimum hours requirement and/or the initial waiting period could be modified or eliminated. The Affordable Care Act requires that the maximum waiting period for health coverage is 90 days. Coverage must be effective no later than the 91st day of employment.
* Coverage Following Severance. Under the sample plan, coverage is not available if an individual is receiving severance. This provision could be revised to allow coverage if permitted under the severance agreement.
* Leaves of Absence. The sample plan permits employees who take unpaid leaves of absence to continue coverage during the leave in accordance with the employer’s policy on Medical Plan enrollment. Alternatively, this provision could prohibit coverage during an unpaid leave (which would eliminate the administrative burden of processing after‑tax contributions).
* Administration of the Plan. The sample plan provides that the employing organization is legally responsible for administering the plan and is treated as a fiduciary of the plan. The employing organization may delegate some or all of its administration duties to a person or committee.

**MODEL EMPLOYEE HEALTHCARE CONTRIBUTIONS ONLY PLAN**

**FOR PRESBYTERIAN CHURCH EMPLOYERS**

Section 125 of the Internal Revenue Code permits an employer to establish a program through which an employee enters into a salary reduction agreement with the employer to pay for his or her contributions for health care coverage on a pretax basis. Your Employer has established such a program called the Healthcare Contributions Only Plan (the “Plan”). This document sets forth the terms of the Plan and answers questions that you may have about the Plan.

**ELIGIBILITY AND ENROLLMENT**

Eligible Participants. You, your spouse\* and dependents will be eligible to participate in the Plan if you are employed to work an average of at least 20 hours per week and enrolled for Medical Plan participation by your Employer. You may begin participating in this Plan upon enrollment in the Medical Plan. The Employer will notify you when you become eligible to participate in the Plan.

\* Under IRS regulations adopted since the June, 2013 U.S. Supreme Court decision in the U.S. v. Windsor case, for purposes of federal tax law the term “spouse” includes a same-gender spouse who has a marriage certificate. The term “spouse” does not include a same-gender covered partner who has entered into a civil union under state law, even if the state’s civil union statute gives comparable rights and privileges to individuals joined in a marriage. Covered partners with civil union certificates do not qualify for benefits under this Plan. The dues contributed by both the member and the employer for civil union partners are subject to federal income tax.

Enrollment. To participate, you will be required to complete all forms determined necessary by your Employer, including an election form that authorizes a salary reduction. Your salary will be reduced on a pretax basis to pay the dues you are required to contribute for the Medical Plan (towards your spouse and dependent coverage) and/or the Optional Dental Benefits under the Benefits Plan. The amount of your salary reduction will depend on which benefits you elect and if your spouse\* and dependents will be covered. The election form must be completed, executed and returned to [ ] no later than [ ]. If you follow these instructions, your coverage will be effective as of [ ]. If you fail to submit a completed election form for this Plan when you are first eligible to participate in the Medical Plan, you will be deemed to have elected not to reduce your salary to pay any required employee contributions on a pretax basis under this Plan.

Plan Year. A consecutive twelve (12) month period commencing January and terminating December 31.

**CHANGING YOUR COVERAGE ELECTION**

Generally, your coverage elections and salary reduction agreement will remain in effect until the end of the Plan year, which is December 31st. Before each Plan year, your Employer will give you the opportunity to elect, terminate or modify your coverage under the Plan. At this time you may add, cancel, or change coverage for yourself, your spouse and for any of your dependents who qualify for benefits under the options available under the Plan.

Default Coverage. If you fail to complete and submit any required enrollment form by the end of the annual Plan enrollment period, your coverage elections for this year will automatically carry over to next year, subject to any modifications to this Plan, the benefit options you have elected, and the costs of those benefit options.

You may change your coverage election and make appropriate changes in your salary reduction if you experience a qualifying change in status, a special enrollment event or certain other mid-year election events. All of these events are subject to limits prescribed under the law.

Qualifying Change In Status. A qualifying change in status includes a change in: the number of your dependents; your spouse’s or your dependent’s employment status (*e.g.*, a termination or commencement of employment); your dependents’ eligibility for coverage; your, your spouse’s or your dependent’s residence; or your legal marital status.

Special Enrollment Event. A special enrollment event includes: marriage; the birth, adoption, or placement for adoption of a child; a loss of other health coverage due to the exhaustion of COBRA or Continuation coverage or the loss of eligibility for coverage (other than COBRA and Continuation coverage); the termination of employer contributions towards coverage (other than COBRA or Continuation coverage).

You are responsible for notifying your Employer of a qualifying change in status or special enrollment event. If you, your spouse or your dependents experience a special enrollment event, you may elect to enroll them for coverage under the Medical Plan, provided that you notify your Employer within 30 days of the date on which the event occurs. Except as may be provided for changes in status that are also special enrollment events, your change in election will be effective as of the first day of the month after you notify your employer and complete any required forms.

Other Mid-Year Changes. In addition to qualifying changes in status and special enrollment events, you may also change your salary reduction agreement election on account of certain other mid-year events. For example, if (1) the cost of a benefit option you elected increases significantly during the year, (2) coverage under a benefit option you elected under the Plan ceases or is significantly curtailed, or (3) a benefit option is eliminated or a new option is added, you may revoke or change your election accordingly. You may also change your election on account of and in correspondence with your spouse’s or dependent’s change in election under another cafeteria plan. If a qualified child coverage order requires a health plan to provide coverage to your child, or requires your spouse or former spouse to provide health coverage for your child, you may change your election to cancel your child’s coverage. In addition, if you or your dependent become entitled to Medicare or Medicaid coverage, or you or your dependent lose eligibility for such coverage, you may change your election to cancel or reduce coverage.

To make any change to your election under the Plan, you must complete the required forms and return them to your Employer within 30 days of the event. The change will be effective [ ]

**LEAVE OF ABSENCE**

You may participate in the benefit options offered through the Plan during a period of family or medical leave in accordance with the Employer’s policy under the Family and Medical Leave Act of 1993. You may participate in such benefit options during any other leave of absence in accordance with the personnel policies and practices of your Employer. However, if your leave of absence is unpaid, your participation in the Plan will be suspended until you return to work.

**PLAN ADMINISTRATION AND CLAIMS**

This Plan is sponsored by a church organization and is intended to be a church plan as defined in section 414(e) of the Internal Revenue Code, as amended (“Code”) that has not made an election under section 410(d) of the Code and is therefore exempt from the requirements of the Employment Retirement Income Security Act of 1974 generally applicable to such plans.

The Plan is offered on an integrated basis with other health plan coverage offered or approved by the Employer. The provisions of this Plan shall be interpreted in accordance with that intent.

Your Employer serves as Plan administrator responsible for the administration of the Plan and makes all determinations under the Plan. With respect to claims arising under any of the benefit plans paid through this Plan, you should submit claims in accordance with the claims procedure of each benefits plan.

**TERMINATION OF COVERAGE**

Your participation in the Plan will end as of the earliest of the following: (1) the date the Plan is terminated, (2) the date as of which the Plan is amended to make you no longer eligible for benefits, (3) the date as of which the benefit options you elect under the Plan cease to be offered or your coverage under the Medical Plan as an active employee is terminated, subject to any rights you have under this Plan to change your elections, (4) the date as of which you elect to stop participating in the Plan, (5) when your eligibility for enrollment as an active employee ends upon termination of service, retirement, death or otherwise, or (6) the date on which you enter the armed forces of any country in active, full-time duty.

**RIGHT TO AMEND OR TERMINATE PLAN**

The Employer reserves the right to amend the Plan at any time, in any manner, including, without limitation, the right to amend the Plan to reduce, add or to modify the type and amount of benefits provided for any and all participants. Any amendments shall be formally adopted in writing. The Employer reserves the right to delegate this authority to amend, in whole or in part, to any committee, office, officer, or other person or persons as it deems appropriate.

Although the Employer intends to maintain this Plan for an indefinite period, the Employer reserves the absolute right to terminate or partially terminate the Plan at any time, for any reason by or pursuant to a resolution of the board of directors of Employer. Salary reduction amounts made prior to the Plan termination will not be affected.

**ADDITIONAL PLAN INFORMATION**

Detailed information about the benefits offered through this Plan and the Plan’s operation may be made available through open enrollment and other materials. Contact [ ] at [PHONE/EMAIL] if you need additional information on the terms of this Plan.