

Rules regarding Status Changes as a result of a Life Event

Pre-tax benefits offered through Lewisville ISD are governed by a Section 125 Cafeteria Plan Document administered for LISD by First Financial Administrators, Inc. All mid-year changes must meet the qualifications and restrictions of the Plan.

The rules and regulations regarding mid-year status changes and life events to benefits governed by the Section 125 Cafeteria Plan (pre-tax benefits such as Medical, Dental, Vision and Flexible Spending Accounts) are outlined below:

- Cafeteria plans must follow the general principle that participant elections are irrevocable for the period of coverage (generally, the plan year). In other words, a participant ordinarily may not change an election midyear. But a plan may be designed to allow exceptions to this irrevocability rule, if certain conditions are met. In 2001, the IRS issued final permitted election change regulations, as set forth in Treas. Reg. § 1.125-4. All cafeteria plans should be in compliance with these regulations.
- The permitted election change regulations and other formal IRS guidance recognize certain events as permitting midyear election changes – that is, as allowing an exception to the general irrevocability rule that applies to participant elections under a cafeteria plan. It encompasses a number of different participant “life events” (e.g., marriage, birth, adoption of a child, and various employment status changes). Unless a specified event has occurred requested changes will be denied in order to keep the LISD Section 125 Cafeteria plan in compliance with the Reg. § 1.125 Code. (See below for the list of allowable life events which qualify for a mid-year status change.)
- As the administrator, First Financial Administrators, Inc. must ensure that the plan provisions are followed in the plan’s operation. The 2007 proposed regulations provide that if the cafeteria plan fails to operate according to its written terms or otherwise fails to comply with the requirements of Code § 125 and its underlying regulations, then the plan is not a cafeteria plan and all employees’ elections between taxable and nontaxable benefits will result in gross income.

Below are TRS-ActiveCare rules regarding changes NOT eligible for adding coverage at LISD mid-year due to a loss of coverage. These reasons are considered voluntary and do not qualify as an involuntary loss of coverage:

The following reasons for loss of other coverage do **not** qualify as special enrollment events:

- An increase in the premium cost
- A reduction in the employer’s contribution to the premium
- Voluntary termination of coverage, including failure to pay premium
- Any additional surcharge or benefit reduction for spouse coverage
- Any reduction of benefits such as an increase in deductible or change in the coordination of benefits
- A doctor or other health care provider no longer participates in the plan’s network
- Failure to act or respond to an employer’s eligibility audit, which results in loss of coverage for dependents

Voluntary terminations of other coverage, such as dropping other coverage during a spouse’s enrollment period or a Section 125 cafeteria plan enrollment period due to premium or benefit changes, including spousal surcharges or coverage restrictions, are **not** special enrollment events for TRS-ActiveCare.

SECTION 125 LIFE EVENT DEFINITIONS

Event	Changes allowable
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Change in Employee's Legal Marital Status

1. Gain Spouse (marriage).	Employee may enroll or increase election for newly eligible spouse and new or pre-existing dependent children
2. Lose Spouse (divorce, legal separation, annulment, death of spouse)	Employee may revoke election only for spouse. Employee may elect coverage for self or dependents who lose eligibility under spouse's plan if such individual loses eligibility as a result of the divorce, legal separation, annulment, or death.

Change in the Number of Employee's Dependents

1. Gain Dependent (birth, adoption).	Employee may enroll or increase coverage for newly eligible dependent and pre-existing dependents
2. Lose Dependent	Employee may drop coverage only for the dependent who loses eligibility.

Change in Employment Status of Employee, Spouse, or Dependent That Affects Eligibility

1. Commencement of Employment by Employee, Spouse, or Dependent (or Other Change in Employment Status) That Triggers Eligibility	
a. Commencement of Employment by Employee or Other Change in Employment Status (e.g., PT to FT, hourly to salaried, etc.)	Provided that eligibility was gained for this coverage, employee may add coverage for employee, spouse, or dependents.
b. Commencement of Employment by Spouse or Dependent or Other Change in Employment Status Triggering Eligibility Under Spouse's or Dependent's Plan	Employee may revoke or decrease election under employee's, spouse's, or dependent's coverage if employee, spouse, or dependent is added to spouse's or dependent's plan.
2. Termination of Employment by Employee, Spouse, or Dependent (or Other Change in Employment-Status) That Causes Loss of Eligibility	
a. Termination of Employee's Employment or Other Change in Employment Status Resulting in a Loss of Eligibility	Employer will revoke or decrease election for employee, spouse, or dependent who loses eligibility under the plan.
• Termination and Rehire Within 30 Days	Prior elections at termination are reinstated unless another event has occurred that allows a change.
• Termination and Rehire After 30 Days	Employee may make new elections.
b. Termination of Spouse's or Dependent's Employment (or other change in employment status resulting in a loss of eligibility under their employer's plan).	Employee may enroll or increase election for employee, spouse, or dependents who lose eligibility under spouse's or dependent's employer's plan.

Event Causing Employee's Dependent to Satisfy or Cease to Satisfy Eligibility Requirements

1. Event by Which Dependent Satisfies Eligibility Requirements Under Employer's Plan (e.g., attaining a specified age)	Employee may enroll or increase election for newly eligible dependent.
2. Event by Which Dependent Ceases to Satisfy Eligibility Requirements Under Employer's Plan (e.g., attaining a specified age)	Employee may decrease or revoke election only for affected dependent.

Change in Place of Residence of Employee, Spouse, or Dependent

1. Move Causes Loss of Eligibility (e.g., employee or dependent moves outside HMO service area)	Employee may revoke election or make new election if the change in residence affects the employee's, spouse's or dependent's eligibility for coverage option.
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Change in Coverage Under Other Employer Cafeteria Plan or Qualified Benefits Plan

Loss of Group Health Coverage Sponsored by Governmental or Educational Institution. Note: In the event of a loss of CHIP coverage, HIPAA special enrollment rights may also apply.	Employee may enroll or increase election for employee, spouse, or dependent if employee, spouse, or dependent loses group health coverage sponsored by governmental or educational institution.
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HIPAA Special Enrollment Rights

1. Special Enrollment for Loss of Health Coverage	Employee may elect coverage for employee, spouse, or dependent who has lost other coverage.
2. Special Enrollment for Acquisition of New Dependent by Marriage, Birth, Adoption, or Placement for Adoption	Employee may elect coverage for employee, spouse, or dependent.
3. Special Enrollment for Loss of Medicaid or CHIP Coverage (applies beginning April 1, 2009). Note: There is a 60-day special enrollment period for this event.	Employee may elect coverage for employee or dependent who has lost Medicaid or CHIP coverage.
4. Special Enrollment Due to Eligibility for State Premium Assistance Subsidy From Medicaid or CHIP (applies beginning April 1, 2009). Note: There is a 60-day special enrollment period for this event.	Employee may elect coverage for employee or dependent who has become eligible for premium assistance subsidy from Medicaid or CHIP.
5. COBRA Qualifying Events	Employee may increase pre-tax contributions under employer's plan for coverage if COBRA event (or similar state-law continuation coverage event) occurs with respect to the employee, spouse, or dependents (such as a loss of eligibility for regular coverage due to loss of dependent status or a reduction of hours, etc.) and, if applicable, the individual still qualifies as a tax dependent for health coverage purposes.

Judgments, Decrees, or Orders

1. Order That Requires Coverage for the Child Under Employee's Plan	Employee may change election to provide coverage for the child.
2. Order That Requires Spouse, Former Spouse, or Other Individual to Provide Coverage for the Child	Employee may change election to cancel coverage for the child.

Medicare or Medicaid Entitlement

1. Employee, Spouse, or Dependent Enrolled in Employer's Accident or Health Plan Becomes Entitled to Medicare or Medicaid	Employee may elect to cancel or reduce coverage for employee, spouse, or dependent, as applicable.
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2. Employee, Spouse, or Dependent Loses Eligibility for Medicare or Medicaid.

Employee may elect to commence or increase coverage for employee, spouse, or dependent, as applicable.

Exchange Enrollment

Exchange Enrollment (employee is eligible to enroll in Exchange coverage during an Exchange special or open enrollment period)

Employee may revoke election for self and any related individuals, so long as the revocation corresponds to intended enrollment of employee (and any related individuals ceasing coverage) in Exchange coverage that is effective no later than the day after the last day of employer-provided coverage.