Aflac is insurance that pays cash benefits directly to the employee. It provides predetermined benefits that are paid regardless of any other insurance the employee may have.

There are several policy options to choose from. Each policy is separate, and provides its own benefit amounts that do not coordinate with an employee's health insurance, paid sick or vacation time, etc. Benefit checks are sent direct to the employee from Aflac via U.S. Mail or Direct Deposit to the account and financial institution. The employee determines which policy/policies fit their needs or the needs of their family and apply only for those they choose. All premiums, except Aflac Plus Rider, will be payroll deducted on a pre-tax basis-bi-weekly.

The following are offered:

1. Accident Advantage
   a. Plus Rider
2. Personal Sickness Indemnity
3. Critical Care Protection
4. Cancer Care
5. Dental Essential

Aflac's plan is a considered a Premium Only Plan (POP). In order to offer premiums on a pre-tax basis, the pre-tax premiums must be supported by a Cafeteria Plan document that the employer maintains in order to satisfy the requirements of IRS Code Section 125.

Below is information regarding the Cafeteria Plan:

What is a cafeteria plan?

A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements of and regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pretax basis. Participants in a cafeteria plan must be permitted to choose among at least one taxable benefit (such as cash) and one qualified benefit.

A qualified benefit is a benefit that does not defer compensation and is excludable from an employee's gross income under a specific provision of the Code, without being subject to the principles of constructive receipt. Qualified benefits include the following:

- Accident and health benefits (but not medical savings accounts or long-term care insurance)
- Adoption assistance
- Dependent care assistance
- Group-term life insurance coverage
- Health savings accounts, including distributions to pay long-term care services

The written plan must specifically describe all benefits and establish rules for eligibility and elections.

A section 125 plan is the only means by which an employer can offer employees a choice between taxable and nontaxable benefits without the choice causing the benefits to become taxable. A plan offering only a choice between taxable benefits is not a section 125 plan.

Is there a filing requirement for a cafeteria plan?

Generally, no. If you only have a cafeteria plan, you are not required to file Form 5500 or Schedule F. However, if you have a welfare benefit plan, you may be required under Department of Labor regulations to file a return for that plan.

How does a cafeteria plan work?

Employer contributions to the cafeteria plan are usually made pursuant to salary reduction agreements between the employer and the employee in which the employee agrees to contribute a portion of his or her salary on a pre-tax basis to pay for the qualified benefits. Salary reduction contributions are not actually or constructively received by the participant. Therefore, those contributions are not considered wages for federal income tax purposes. In addition, those sums generally are not subject to FICA and FUTA. See Sections 3121(a)(5)(G) and 3306(b)(5)(G) of the Internal Revenue Code.

In conclusion, we have the Summary Plan Description that is required for the employer to maintain. There is no other reporting that is required. We would offer this employee benefit to elegible staff upon their 91st day of employment (same as other insurance requirements.) If the employee denies coverage, he/she would be eligible upon open enrollment which is October 1. The benefit to employees is the before tax benefit and the benefit to the employer is reduction in the company’s FICA taxes.