

RESOLUTION NO. 876

A RESOLUTION ADOPTING A CAFETERIA HEALTH BENEFITS PLAN

WHEREAS, The undersigned Principal of Penn Township (the Employer) hereby certifies that the following resolution was duly adopted by the Employer on July 18, 2016, and that such resolution has not been modified or rescinded as of the date hereof:

RESOLVED, that the form of Cafeteria Plan effective Jan 1, 2017, presented to this meeting is hereby approved and adopted and that the Township Manager, who has been designated as the duly authorized agent of the Employer is hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Plan.

RESOLVED, that the Administrator shall be instructed to take such actions that are deemed necessary and proper in order to implement the Plan, and to set up adequate accounting and administrative procedures to provide benefits under the Plan.

RESOLVED, that the duly authorized agent of the Employer shall act as soon as possible to notify the employees of the Employer of the adoption of the Cafeteria Plan by delivering to each employee a copy of the Plan.

The undersigned further certifies that attached hereto as Exhibits "A" and "B", respectively, are true copies of the Penn Township Premium Only Cafeteria Plan and the election form approved and adopted in the foregoing resolution.

RESOLVED AND ENACTED this 18th day of July, 2016.

Board of Commissioners of Penn Township

By: Phillip W. Heilman
Phillip W. Heilman, President

Attest:

Angela M. Hallett
Angela M. Hallett, Township Secretary

EXHIBIT A

Premium Only Cafeteria Plan
Adoption Agreement

The undersigned Employer hereby adopts the attached Premium Only Cafeteria Plan Document for those Employees who qualify as Participants under the Plan:

Employer: Penn Township
EIN: 23-6003197
Effective Date: January 1, 2017
Plan Year: January 1st to December 31st
Eligible Employees: Employees (as defined in the Plan Document) who are eligible to participate in any Benefit Option offered under this Plan are eligible to participate.

Benefit Options:

Each of the following "Benefit Plans" have pre-tax contributions:

- Medical

Cash Option

A cash option is not available under this plan.

This Plan shall be construed, enforced, administered and the validity determined in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974 (as amended and if applicable), the Internal Revenue Code of 1986 (as amended), and the laws of the Commonwealth of Pennsylvania. Should any provision be determined to be void, invalid, or unenforceable by any court of competent jurisdiction, the Plan will continue to operate, and for purposes of the jurisdiction of the court only, will be deemed not to include any provision determined to be void.

This Plan is hereby adopted as of January 1, 2017 (the "Effective Date").

Kristina J. Rodgers
Signature

By (written name): Kristina J. Rodgers

Title: Township Manager

PLAN DOCUMENT

FOR THE

PENN TOWNSHIP
PREMIUM ONLY CAFETERIA PLAN

EFFECTIVE: 1/1/2017

**PENN TOWNSHIP
PREMIUM ONLY CAFETERIA PLAN ("POP") PLAN**

**SECTION 1
INTRODUCTION**

1.1 Establishment of Plan

Penn Township (the "Employer") hereby adopts this Premium Only Cafeteria Plan (the "Plan" or "POP Plan") as of the Effective Date that allows for pre-tax premium contributions. This Plan is intended to replace and supersede the terms of any prior Cafeteria Plan adopted by the Employer to the extent that plan addresses pre-tax premium contributions. Capitalized terms used in this Plan that are not otherwise defined shall have the meanings set forth in Section 2.

1.2 Legal Status

The purpose of this Plan is to allow Eligible Employees of the Employer, and any Related Employers that have also adopted this Plan, to choose between receiving his or her regular compensation or paying for different types of benefits that are available under this Plan based on the Eligible Employee's own particular goals, desires and needs.

The intention of the Employer is that the Plan qualify as a "cafeteria plan" within the meaning of Section 125 of the Internal Revenue Code of 1986, as amended (the "Code") and that the contributions that an Employee pays under this Plan be excludable from the Employee's income under Section 125(a) and other applicable sections of the Code.

**SECTION 2
DEFINITIONS**

"Benefit Plans" or "Benefits" mean the employee welfare benefit plan(s) that are identified in the Premium only Cafeteria Plan Adoption Agreement, the premiums of which are subject to pre-tax deduction from the Participant's Compensation under the terms of this Plan.

"Change in Status" has the meaning described in *Section 7: Irrevocability of Elections; Exceptions*.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any regulations there under and any comparable or succeeding provisions of any legislation that amends, supplements or replace such section or subsection.

"Employer" means the Employer and any Related Employers that have adopted this Plan.

"Compensation" means the wages or salary paid to an Employee by an Employer as reported in Box 1 of Form W-2 plus any pretax deductions, such as contributions made to the Plan or to certain retirement plans. Compensation includes overtime, commissions, and bonuses.

"Dependent" includes any Spouse or child of a Participant who is eligible for coverage under any Benefit Plan. For purposes of COBRA, Dependent will be defined in accordance with COBRA.

"Effective Date" of this Plan is the date shown in the Adoption Agreement.

"Election/Enrollment Form" means the form provided by the Employer for the purpose of allowing an Eligible Employee to participate in the Plan. It includes an agreement pursuant to which an Eligible Employee or Participant authorizes the Employer to make Salary Reductions.

"Eligibility Date" means that date on which an Eligible Employee has met all of the requirements for coverage under this Plan.

"Eligible Employee" means an Employee who is eligible to participate in the Plan, as provided in *Section 3: Eligibility, Enrollment and Termination*.

"Employee" means any individual whom the Employer classifies as a common law employee and who is on the Employer's or a Related Employer's W-2 payroll. Employee does not include any independent contractor or an individual who is self-employed in accordance with Code Section 401(c).

"Employer" means the Employer shown in the Adoption Agreement and on the cover page of this Plan Document.

"FMLA" means the Family and Medical Leave Act of 1993, as amended.

"Open Enrollment Period" with respect to a Plan Year means the period of time before the beginning of the Plan Year when Eligible Employees may elect to participate in the Benefit Plans. The Employer will inform Eligible Employees each year about the Open Enrollment Period.

"Participant" means a person who is an Eligible Employee and who is participating in the Plan in accordance with the provisions of *Section 3: Eligibility, Enrollment and Termination*.

"Period of Coverage" means the time period within the Plan Year during which an Election/Enrollment Form is in effect and irrevocable. If an Employee elects to participate during an Open Enrollment Period, the Period of Coverage will be the Plan Year. If an Employee first becomes eligible during a Plan Year or terminates coverage during a Plan Year, his or her Period of Coverage includes only the portion of the Plan Year in which he or she participated in the Plan.

"Plan Year" means the period that begins and ends as shown in the Premium only Cafeteria Plan Adoption Agreement.

"QMCSO" means a qualified medical child support order that is issued by a court or state agency that requires a parent to provide health care coverage for his or her dependent child.

"Related Employer" means: (a) any corporation or other business entity which shall be included in a controlled group of corporations within which the Employer is included, as provided in Code Section 414(b); (b) a trade or business under common control with the Employer as provided in Code Section 414(c); (c) a member of an affiliated service group within which the Employer shall also be included as provided in Code Section 414(m); or (d) an entity which is required to be aggregated with the Employer pursuant to regulations issued under Code Section 414(o). All Related Employers that participate in this Plan are listed on the Adoption Agreement.

"Salary Reduction" means the amount by which the Participant's Compensation is reduced and applied by the Employer to fund the Benefits under this Plan before any applicable state and/or federal taxes have been deducted from the Participant's Compensation.

"Spouse" means the legally married husband or wife of an Employee in accordance with federal law.

SECTION 3 **ELIGIBILITY, ENROLLMENT AND TERMINATION**

3.1 Eligibility and Enrollment

Employees who are eligible under this Plan are described in the Adoption Agreement, but only those Employees who are participating in a Benefit Option that requires or allows pre-tax premium payments are considered Participants in this Plan. Participation will become effective for each Participant upon completion of any forms required to enroll in the Benefit Options.

3.2 Qualified Medical Child Support Orders

An eligible Dependent may include a child for whom a Participant is required to provide coverage pursuant to a Qualified Medical Child Support Order (QMCSO).

A QMCSO is a court or administrative judgment, decree or order that is typically issued as part of a divorce or as part of a state child support order proceeding and that requires Health Plan coverage for an "alternate recipient" (meaning either a child of a Participant or Employee or state or political subdivision acting on behalf of a child). The alternate recipient must be treated like any other Dependent.

Upon receipt of a child support order, the Employer will promptly send a written notice of receipt of the order to the Participant and all alternate recipients named in the order and their legal representatives. If the Employer receives a National Medical Support Notice, it will review the content and, if all required information is provided, notify the state agency whether coverage for the child is available under the Plan and indicate the effective date of coverage (or any steps necessary to make the coverage effective, including copies of any forms that must be completed). The Employer will also send a description of the coverage and a copy of its QMCSO Procedures.

After sending the notice of receipt, the Employer has the ultimate authority to determine whether or not the order meets the requirements of a QMCSO. Within 40 days after the date of the order, the Employer will notify the Participant and the alternate recipients that either the order is a valid QMCSO or that the order is not a valid QMCSO. If an order is found to be invalid, the parties may "cure" the deficiencies with a subsequent order.

Coverage will become effective for the eligible child(ren) on the first day of the month following the later of (1) the date of the Employer notification to the alternate recipient that the notice is a valid QMCSO; or (2) the date the Employer receives any required enrollment forms; or the date specified in the QMCSO. If the Employee has not yet met the waiting period, coverage will not become effective until the end of the waiting period.

3.3 Termination of Participation

A Participant will cease to be a Participant in this Plan upon the earlier of:

- the termination of the Plan;
- the expiration of the Period of Coverage for which the Employee has elected to participate in a Benefit Option (unless during the Open Enrollment Period for the next Plan Year the Employee elects to continue participating);
- the date, on which the Employee ceases (because of retirement, termination of employment, layoff, reduction in hours, or any other reason) to be an Eligible Employee and/or a Participant in any Benefit Option;
- the date the Participant revokes his or her election to participate in all Benefit Options under a circumstance when such change is permitted under the terms of the Plan; or
- the date on which the Participant fails to make a required premium contribution when due. For employee's whose pay is less than the amount of the required contributions, the due date for payment of any balance will be the 1st day of the month with a 30-day grace period. If the contribution is not made by the due date or within the grace period coverage will terminate as of the day before the due date.

3.4 Enrollment Following Termination of Employment or Loss of Eligibility

If a Participant terminates his or her employment for any reason, including (but not limited to) disability, retirement, layoff or voluntary resignation, and then is rehired within thirty (30) days or less of the date of a termination of employment, the Employee will be reinstated with the same elections that such individual had before termination. If a former Participant is rehired more than thirty (30) days following termination of employment and is otherwise eligible to participate in the Plan, then the individual may make new elections as a newly hired Employee.

3.5 Leaves of Absence

If a Participant goes on a qualifying leave under FMLA or any other leave of absence approved in accordance with the Employer's policies, then to the extent required by FMLA or the applicable policy, the Participant may continue his or her Benefit Plan participation on the same terms and conditions as if he or she were still an active Employee. However, if the Employee elects, he or she may revoke Plan coverage during the period of his or her leave.

If the Participant is on a paid leave and does not revoke coverage, the Participant's share of the premiums shall be paid by the method normally used during any paid leave (that is, on a pretax Salary Reduction basis).

If the Participant is on an unpaid leave and does not revoke coverage, the Participant may pay his or her share of the premium in one of the following ways as determined by the Employer or any applicable employment policy:

- With after-tax dollars, by sending monthly payments to the Employer by the due date established by the Employer;
- With pretax dollars, by prepaying such amounts with the Participant's Compensation (if any, including unused sick days and vacation days). Any election to prepay using pretax dollars is applicable only for the period beginning with the first day of the Participant's FMLA leave and ending on a date no later than the last day of the Plan Year. If a Participant's leave spans two Plan Years, the Participant may not prepay his or her required contributions with pretax dollars for the portion of the leave that falls within the second (or subsequent) Plan Year; or
- Under another arrangement agreed upon between the Participant and the Employer (for example, the Employer may withhold "catch-up" amounts, on a pretax Salary Reduction basis, from the Participant's Compensation upon the Participant's return from the leave).

If a Participant's Benefit Plans terminate while on leave (for example, for non-payment of required contributions), the Participant is entitled to reinstate the Benefits upon return from such leave on the same basis that the Participant was participating in the Plan before the leave, or as otherwise required by FMLA (for Benefit Plans subject to the FMLA) or the Employer's policies for non-FMLA leave.

SECTION 4 METHOD AND TIMING OF ELECTIONS

4.1 Elections When First Eligible

An Eligible Employee may elect to participate in one or more Benefit Plans to the extent available to the Participant in accordance with the plan document and other documentation of the Employer.

Prior to the beginning of the Participant's Period of Coverage, if the Eligible Employee has elected to participate in any of the Benefit Plans and completed the Election/Enrollment Form required for this Plan within thirty (30) days of first becoming eligible, participation in this Plan will begin on the first day of the Period of Coverage after the Employee's Eligibility Date. An Eligible Employee who does not complete the required Election/Enrollment Form when first eligible may not enroll in this Plan until the next Open Enrollment Period, unless an event occurs that would justify a midyear election change, as described in *Section 7: Irrevocability of Elections; Exceptions*.

The Participant will agree to a reduction in his or her Compensation equal to the Participant's portion of the cost of each Benefit Plan in which he or she enrolled, as described in the Employer's policies or in the open enrollment materials. If a Participant elects to participate in any Benefit Plan and is required to pay all or a portion of the cost of coverage as described in documents provided to the Eligible Employee by the Employer, such portion will be paid by a reduction in the Participant's regular Compensation for the Period of Coverage.

4.2 Elections during Open Enrollment Period

During each Open Enrollment Period with respect to a Plan Year, the Employer will make available a method of enrollment for each Employee who is eligible to participate in the Plan and has not yet enrolled. The enrollment process will enable the Employee to elect to participate or waive participation in any available Benefit Options for the next Plan Year and to authorize the necessary Salary Reductions to pay for the Benefit Options elected. The enrollment must be completed on or before the last day of the Open Enrollment Period (and prior to the first day of the Plan Year).

If an Eligible Employee makes an election to participate during an Open Enrollment Period, then the Employee will become a Participant on the first day of the next Plan Year. If an Eligible Employee fails to make an election during the Open Enrollment Period, then the Employee may not elect to participate in the Plan until the next Open Enrollment Period, unless an event occurs that would justify a mid-year election change, as described in *Section 6: Irrevocability of Elections; Exceptions*.

Forms to elect, change or waive coverage will be available during Open Enrollment each year.

4.3 Failure to Make an Election

If a Participant fails to make an election under Section 4.1 before the due date specified by the Employer, this failure will constitute an election not to participate in the Plan and to instead receive his or her full Compensation in cash.

If a Participant fails to make an election during Open Enrollment as provided in Section 4.2 before the due date specified by the Employer, this failure will constitute an election to not participate in this Plan during the subsequent Plan Year and to instead receive his or her full Compensation in cash.

SECTION 5 **PRE-TAX PREMIUM CONTRIBUTIONS**

5.1 Benefits

The specific benefits, types and amounts of coverage, requirements for participation, and other terms and conditions of the coverage provided under the Benefit Plans are fully explained in the plan documents for each of these Plans. A list of the Benefit Plans for which employees can make their contributions on a pre-tax basis is shown on the Adoption Agreement.

5.2 Benefit Plans are not part of this Plan

All insured Benefit Plans that are available under this Plan will be provided by the Employer's health insurance policy not this Plan. All self-funded Benefit Plans are provided in accordance with the plan document for those plans. All claims to receive benefits and issues of coverage will be subject to and governed by the terms and conditions of the applicable plan documents.

5.3 Cash Option

A cash option is not available under this Plan.

5.4 Continuation Coverage (COBRA)

Notwithstanding any provision to the contrary in this Plan, to the extent permitted by Code Section 4980B or under applicable state law, a Participant who has elected continuation coverage under any Benefit Plan can continue to participate in this Plan. If there is no Compensation paid, all contributions made under the Plan will be made directly by the Participant on an after tax basis. Coverage and benefits with respect to qualified military service will be provided in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA).

SECTION 6
HEALTH SAVINGS ACCOUNT

This section is not applicable to this Plan.

SECTION 7
IRREVOCABILITY OF ELECTIONS; EXCEPTIONS

7.1 Irrevocability of Elections

Except as described below, an Eligible Employee's election under the Plan (or failure to elect to participate) is irrevocable for the duration of the Period of Coverage to which it relates. Unless an exception applies, an Eligible Employee may not change any elections for the duration of the Period of Coverage whether relating to participation in the Plan or in the Participant's Salary Reduction amounts.

7.2 Procedure for Making New Election if Exception to Irrevocability Applies

- (a) Timeframe for Making New Election. An Eligible Employee or Participant must make any new election or change to current elections within thirty (30) days of the occurrence of an event described in Sections 7.4 (d) through (k) below, but only if the election is made on account of and is consistent with the event. Election changes or new elections triggered by events listed under Sections 7.4(l) and (m) below must be made within 60 days of the event.
- (b) Effective Date of New Election. Elections made under this section are effective for the balance of the Period of Coverage following the change of election, unless a subsequent event allows for a further election change. Election changes become effective on the first day of the month following receipt by the Employer of the required forms, except that election changes due to birth or adoption are retroactive to the date of the event. The Employer must receive the completed election form within the timeframe described in 7.2(a) above.

7.3 Change in Status

"Change in Status" means any of the events described below:

- (a) Legal Marital Status. A change in an Eligible Employee's legal marital status, including marriage, death of a Spouse, divorce, legal separation or annulment;
- (b) Number of Dependents. Events that change the number of an Eligible Employee's Dependents, including birth, death, adoption, and placement for adoption;
- (c) Employment Status. Any of the following events that change the employment status of the Eligible Employee or Dependent: (1) a termination or commencement of employment; (2) a strike or lockout; (3) a commencement of or return from an unpaid leave of absence; (4) a transfer to another location; and (5) a change in employment status (such as a switch from full-time to part-time) that changes the individual's eligibility under the Plan or another employer-sponsored plan covering the Eligible Employee or Dependent;
- (d) Dependent Eligibility Requirements. An event that causes a Dependent to satisfy or cease to satisfy the Dependent eligibility requirements for a particular Benefit Plan, such as attaining a specified age, student status, or any similar circumstance; and
- (e) Other. Any other events permitted by law that the Employer, in its sole discretion and on a uniform and consistent basis, permits.

7.4 Events Permitting Exception to Irrevocability Rule

A Participant may change an election under the Plan, on a prospective basis, upon the occurrence of one of the following event:

- (a) Open Enrollment Period. An Eligible Employee may change an election or elect to participate during the Open Enrollment Period.
- (b) Leaves of Absence. A Participant may change an election under the Plan upon FMLA leave and non-FMLA leave in accordance with *Section 3: Eligibility, Enrollment and Termination*.
- (c) Termination Events. As described in *Section 3: Eligibility, Enrollment and Termination*, a Participant may change his or her Plan elections when his/her or a Dependent's or Spouse's participation in the Plan terminates.
- (d) Change in Status. An Eligible Employee may change his or her election under, or elect to participate in, the Plan due to a Change in Status (as defined above), but only if the election change or election is on account of and corresponds with the Change in Status (referred to as the "general consistency requirement").
- (e) Special Enrollment. An event occurs that triggers one of the HIPAA Special Enrollment Rights including the employee or his or her Spouse or Dependent previously declining coverage and a new dependent is acquired as a result of marriage, birth, adoption, or placement for adoption; or because he or she had coverage and eligibility for such coverage is subsequently lost because it was exhausted (COBRA) or terminated due to loss of eligibility, loss of employer contributions or termination of the plan.
- (f) Certain Judgments, Decrees and Orders. If a QMCSO requires accident or health coverage for an Eligible Employee's Dependent child (including a foster child who is a Dependent of the Eligible Employee), an Eligible Employee may (1) change his or her election or elect to provide for the Dependent child (provided that the QMCSO requires the Eligible Employee to provide coverage); or (2) revoke coverage for the Dependent child if the QMCSO requires that another individual (including the Participant's Spouse or former Spouse) provide coverage under that individual's plan and such coverage is actually provided. The event for purposes of this provision (f) is the date of the Employer's QMCSO approval letter.
- (g) Medicare and Medicaid. If a Participant or his or her Spouse or Dependent becomes entitled to Medicare or Medicaid (other than coverage consisting solely of benefits under Section 1928 of the Social Security Act providing for pediatric vaccines), the Participant may prospectively revoke any medical benefits. Further, if a Participant or his or her Dependent who has been entitled to Medicare or Medicaid loses eligibility for coverage, the Participant may elect to commence coverage in a Benefit Plan.
- (h) Change in Cost. If there is a significant change in cost (whether an increase or decrease) in one of the Benefit Plans, Participants can change their elections consistent with the change in cost. The Employer, in its sole discretion and on a uniform and consistent basis will determine whether the cost increase or decrease is significant or insignificant. For an insignificant increase or decrease, the change in election will be made automatically on a prospective basis.
- (i) Significant Curtailment of Coverage. If there is a significant curtailment of coverage, Participants may change their elections under the Plan. The Employer in its sole discretion and applied on a consistent basis will determine whether there has been a significant curtailment. In the case of curtailment that results in a loss of coverage, the Employer may permit the Participant to withdraw from the Plan.
- (j) Significant Improvement in Coverage. If there is an addition or significant improvement in a Benefit Plan, the Employer may permit Participants to make a corresponding election change.

- (k) *Benefit Plan Change in Coverage.* The Employer may permit an election change when there is a change made under another employer plan and the other plan allows an election change or the other employer plan has a different period of coverage.
- (l) *Loss of Medicaid or SCHIP Coverage.* The Participant, Spouse or a Dependent loses coverage under a Medicaid Plan under Title XIX of the Social Security Act or State Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act, as long as the change is made within 60 days of the loss of coverage.
- (m) *Premium Assistance.* The Participant, spouse or a Dependent is determined to be eligible for group health plan premium assistance under Medicaid or SCHIP plan. The election change must be made within 60 days of the notification of eligibility for premium assistance.
- (n) *Altering Elections due to Enrollment in the Health Insurance Marketplace.* A Participant is permitted to prospectively revoke coverage if (1) the Participant is eligible for a Special Enrollment Period to enroll in a Qualified Health Plan offered by a Health Insurance Marketplace or Exchange; and (2) the revocation corresponds with enrollment (along with the enrollment of any dependents who were covered by the Employer's medical plan prior to the revocation) in a Qualified Health Plan that is effective beginning no later than the day immediately following your last day of coverage under the Employer's medical plan.

The Employer reserves the right to determine whether a Participant has experienced an event that would permit an election change under this Section and whether the Participant's requested election change is consistent with such event.

7.5 Election Modifications Required by Administrator

The Employer may, at any time, require any Participant or class of Participants to amend the amount of their Salary Reductions for a Period of Coverage if the Employer determines that such action is necessary or advisable in order to (a) satisfy any nondiscrimination requirements applicable to the Plan; (b) prevent any Employee or class of Employees from having to recognize more income for federal income tax purposes from the receipt of benefits than would otherwise be recognized; (c) maintain the qualified status of benefits received under the Plan; or (d) satisfy legal nondiscrimination requirements or other limitations applicable to the Employer's benefit plans. In the event that contributions need to be reduced for a class of Participants, the Employer will reduce the Salary Reduction amounts for each affected Participant, beginning with the Participant in the class who had elected the highest Salary Reduction amount, continuing with the Participant in the class who had elected the next highest Salary Reduction amount, and so forth, until the defect is corrected.

7.6 Determination of Noncompliance

In the event that a determination is made that all or any part of the contributions to the Plan do not qualify as non-taxable contributions to a "cafeteria plan" under Code § 125, the affected contributions made by any Participant will be treated as salary, and the affected contributions made by any Participant will be returned to the Participant. The Participant must pay:

- Any state or federal income taxes due with respect to such amount, together with any interest or penalties imposed;
- The Participant's share (as determined in good faith by the Employer) of any applicable FICA or FUTA contributions which would have been withheld from such amounts by the Employer had such amounts been treated as salary and not as Participant contributions; and
- An amount (as determined in good faith by the Employer) equal to the portion of any applicable penalties and interest payable by the Employer as the result of the failure to withhold and pay such amounts to the appropriate payee allocable to the Participant.

SECTION 8
GENERAL PROVISIONS

8.1 Permanency of Plan

While the Employer fully expects that the Plan will continue indefinitely, the existence of the Plan will be subject to the Employer's right to amend or terminate the Plan, as provided below.

8.2 Right to Amend

The Employer reserves the right to amend the Plan at any time and from time-to-time for any reason or for no reason, and retroactively if deemed necessary or appropriate to meet the requirements of Code Section 125, or any similar provisions of subsequent revenue or other laws, or the rules and regulations in effect under any of such laws or to conform with governmental regulations or other policies and to modify or amend in whole or in part any or all of the provisions of the Plan. Any such amendment will be stated in writing and shall be executed by an authorized officer of the Employer.

8.3 Right to Terminate

The Employer reserves the right to discontinue or terminate the Plan at any time without prejudice.

8.4 No Employment Rights Conferred

Neither the Plan nor any action taken with respect to it will confer upon any person the right to be continued in the employment of the Employer.

8.5 Compliance with Relevant Statutes

It is intended that the Plan meet all applicable requirements of the Code. The Plan shall be construed, operated, and administered accordingly, and in the event of any conflict between any part, clause or provision of the Plan and the Code, the provisions of the Code shall be controlling, and any conflicting part, clause or provision of the Plan shall be superseded to the extent of the conflict.

8.6 No Guarantee of Tax Consequences

The Employer does not make any warranty or other representation as to whether or not any contributions made by a Participant hereunder will be treated as includible in gross income for federal or state income tax purposes.

8.7 Headings

The headings contained herein are for convenience of reference only, and will not be construed as defining or limiting the matter contained there under.

8.8 Applicable Laws

The provisions of this Plan will be construed, administered and enforced according to applicable federal law and the laws of the State of the Employer's Principal Place of Business shown on the Adoption Agreement.

8.9 Severability

Should any part of the Plan subsequently be invalidated by a court of competent jurisdiction, the remainder thereof will be given effect to the maximum extent possible.

EXHIBIT B

Penn Township Premium Only Cafeteria Plan

Section 125 Employee Election Form

Employee Name: _____

Date of Birth: _____ Employee ID: _____

Yes, I want to use pre-tax dollars to fund benefit contributions to my group health and welfare benefits through the Employer's Section 125 Plan. I authorize the Employer to reduce my annual cash compensation in accordance with the terms of the Plan. You may reduce my income by an amount equal to my share of each benefit in which I have enrolled, as checked below.

No, I do not wish to allow an income reduction under my employer's Section 125 Plan. Deduct my contributions for the cost of my group health and welfare benefits from my wages AFTER federal and state taxes have been withheld.

I am electing coverage for myself and my dependents as shown below:

Benefit Option	Employee Only	Employee and Spouse	Employee and Child	Employee and Family
Medical	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I understand that I may not increase or decrease this election during the Plan Year unless I have a change in family status (divorce, marriage, death, birth or adoption of a child) or some other event occurs pursuant to which the Employer permits a change in election.

I understand that my election is valid only for the Plan Year listed at the top of this form and that a new election form will be required each year to continue to participate the Section 125 Plan.

The Employer may reduce or change this Agreement if necessary to satisfy provisions of the Internal Revenue Code.

THIS AGREEMENT IS SUBJECT TO THE TERMS OF THE EMPLOYER'S PREMIUM ONLY PLAN AS AMENDED FROM TIME TO TIME AND SHALL BE GOVERNED BY APPLICABLE LAWS.

I have read and agree to the terms and conditions shown above and agree to the salary reductions described above.

Employee's Signature

Date