

What do I, as U.S. citizen, need to know about MIP's status as a Section 125 Plan?

Who is affected by the Medical Insurance Plan's (MIP's) status as a Section 125 Plan?

The MIP's tax-favored status as a Section 125 Plan affects U.S. citizen staff only; non-U.S. citizen staff (including permanent residents) are not liable for U.S. income taxes on Bank Group income and accordingly are not affected.

Does the MIP's Section 125 status affect my contributions or benefits?

No, this status does not impact your MIP contributions, deductibles, copayments or benefits.

What is a tax-favored Section 125 Plan?

A Section 125 Premium Conversion Plan is an employee benefit plan for U.S. tax payers pursuant to Section 125 of the Internal Revenue Code. A Section 125 Plan allows you (U.S. citizen staff) to pay your share of the premium for insurance benefits with pre-tax dollars. With a Section 125 Plan, your insurance payments are deducted from your paycheck before taxes are withheld. Your taxable income is reduced, which means more take-home pay for you.

Why did the Bank elect to make the Medical Insurance Plan a Section 125 Premium Conversion Plan?

A Section 125 Plan is a more cost effective medical plan design for both the Bank Group and U.S. citizen staff. Since the Bank Group pays an allowance for federal and state taxes and one-half of the Self-Employment tax (SE) to U.S. staff liable for income taxes, the MIP's status as a Section 125 Plan reduces the Bank Group's overall tax allowance payments; similarly, U.S. staff subject to SE taxes save on average approximately \$100 per person annually on the un-reimbursed half of SE taxes.

Does the MIP's status as a Section 125 Plan impact my Medicare benefits at retirement?

No, this status does not impact your Medicare benefits at retirement.

Does the MIP's status as a Section 125 Plan impact my Bank pension benefits?

No, this status does not impact your Bank pension benefits at retirement.

How does the MIP's Section 125 Plan status impact my Social Security benefits?

Because a staff member's SE taxable income is less with a Section 125 Plan, some staff with total Bank taxable income (including tax allowance) less than the Social Security maximum (\$106,800 for 2010 and 2011) may see a modest reduction in their Social Security income at retirement. Generally speaking, the present value of that reduction in future social security benefits will be largely offset by the immediate savings to affected staff on account of lower SE taxes.

Is participation in the Section 125 Plan mandatory?

Staff members who elect to participate in the MIP are required to have their contributions paid to the plan on a pre-tax basis under Internal Revenue Code Section 125. Participation in the Bank Group-sponsored Medical Insurance Plan can be waived with certification of other medical coverage, but participation in the Section 125 Plan is automatic for those who elect to participate.

How does the MIP's Section 125 status impact my tax allowance payments?

If you are a U.S. citizen receiving a tax allowance on your Bank income, your tax allowance payments are adjusted to reflect the lower taxable income.

What happens to my tax allowance and take-home pay if I do not participate in the MIP?

If do not participate in the MIP, your taxable income is not be reduced by your MIP contributions and your tax allowance payments are not adjusted. If you are enrolled in the Bank MIP and decide to discontinue participation, your take home pay will increase by the amount of your MIP contributions, but you will also no longer have Bank-sponsored MIP coverage.

I am enrolled in the family plan – are my contributions for my spouse and dependents considered pre-tax contributions?

Deductions for your spouse and federal tax dependents are eligible for pre-tax treatment.

Are the contributions for my domestic partner coverage eligible for pre-tax treatment?

If your domestic partner does not qualify as your federal tax dependent, your contributions related to your domestic partner's coverage are considered after-tax and included in your income. In this case, your contributions to the MIP are pro-rated based on your coverage to determine the portion attributable to your domestic partner.

I am a U.S. Citizen on an ETT or ETC appointment – how does the MIP's Section 125 status impact me?

The MIP's status as a Section 125 Plan reduces the taxable income on your W-2 tax form and your actual federal, state and SE taxes are lower. Your salary is not adjusted.

How do I report that my MIP contributions are pre-tax on my tax return?

The Bank reduces the wages on your W-2 tax form to reflect that your contributions to the MIP are on a pre-tax basis.

I am not a U.S. citizen, how does the MIP's Section 125 status impact me?

This only affects U.S. citizens liable for U.S. income taxes on Bank income.

Are my contributions to the Bank-sponsored Life Insurance plan calculated on a pre-tax basis?

No, the MIP's status as a Section 125 Plan does not impact the Bank-sponsored Life Insurance plan.

When I retire from the Bank, if I am eligible for the retiree MIP, will my contributions to the retiree MIP be calculated on a pre-tax basis?

No, the Section 125 Plan is not applicable to the retiree Medical Insurance Plan.