



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 14-505, **Version:** 1

Approve amending the County's Internal Revenue Code Section 125 Plan Document to incorporate a Flexible Spending Account (FSA); and implement the FSA using a short plan year of July 1 - December 31, 2014.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Approve amending the County's Internal Revenue Code Section 125 Plan Document to incorporate a Flexible Spending Account (FSA); and implement the FSA using a short plan year of July 1 - December 31, 2014.

SUMMARY/DISCUSSION:

The FSA is a new voluntary, account-based plan that gives County employees the opportunity to use pre-tax, payroll-deducted dollars to pay for eligible out-of-pocket healthcare expenses like prescription drugs, co-pays, and vision and dental costs. The County intends to implement the new FSA plan on July 1, 2014.

In order to implement the FSA, the County must incorporate the program into its Section 125 Plan document and must generally follow the plan year outlined in the document. However, the IRS allows employers to offer a short plan year when implementing a new benefit. By using a short plan year for the implementation, both the County and employees will benefit from tax savings through the remainder of 2014. Such savings would be lost if implementation were postponed until 1/1/2015 to coincide with the current plan year language. The implementation of this program, and the short plan year of July 1 - December 31, 2014, is in compliance with Internal Revenue Service (IRS) guidelines under IRS codes 105 and 125 as they pertain to Cafeteria Plans and Flexible Spending Accounts. Thereafter, the FSA would be fully incorporated into the previously established Section 125 plan year of January 1 - December 31.

Approval of these amendments ensures that the Section 125 Plan is current with respect to legal requirements and industry best practices.

OTHER AGENCY INVOLVEMENT:

The Office of the Auditor-Controller and the CAO's Office concur with this recommendation.

FINANCING:

Approval of this action has no fiscal impact.

Prepared by: Konstanze Assaad, Program Manager, 5119

Approved by: James May, Human Resources Director, 5129

Original on file with the Clerk of the Board

Attachments:

Attachment A - County of Monterey Section 125 Flexible Benefit Plan, Amended & Restated Plan Document - Clean Copy

Attachment B - Appendix B: Flex Credit and Flex Dollar Rate Sheet

Attachment C - County of Monterey Section 125 Flexible Benefit Plan, Amended & Restated Plan Document - Marked Copy