

# **Executive Summary**

## **Prepared for the Board of Trustees Meeting**

### **August 25, 2020**

## **Flexible Spending Account Amendment Ratification**

#### **Summary:**

This item requests ratification of the Flexible Spending Account Amendment to extend the Grace Period for an additional 75 days after the end of the plan year. During this time, medical expenses and employment related to dependent care expenses incurred by the participant, will be deemed to have been incurred during the plan year. The amendment is within Denton ISD IRS Section 125 Cafeteria Plans.

#### **Board Goal:**

Growth & Management ... In pursuit of excellence, we will:

- Provide leadership and/or oversight to ensure Denton ISD meets all fiscal, legal and regulatory requirements
- Demonstrate effective and efficient management of district resources

Culture & Climate...In pursuit of excellence, we will:

- Promote health, wellness and emotional well-being

#### **Previous Board Action**

The Board approved Financial Benefit Services (FBS) January 10, 2017 as the Third-Party Administrator (TPA) in partnership with National Benefit Services (NBS). The Flexible Spending Account was initiated for Denton ISD. The Section 125 plan with the IRS is managed by NBS.

#### **Background Information**

The IRS allowed for changes in Section 125 plans due to COVID related issues. The following amended sections were submitted to the IRS for change to benefit the employees of Denton ISD. By extending the Grace Period, employees will not be impacted by loss of Flexible Spending Funds on the last day of the Plan Year.

1. Article I Definitions, Section 1.13 Grace Period, is amended by adding the following section:  
1.13 “Grace Period” Means, with respect to any Plan Year, the 75 day period after the end of such Plan Year, during which Medical Expenses and Employment-Related Dependent Care Expenses incurred by a Participant will be deemed to have been incurred during such Plan Year.
2. Article VI Health Flexible Spending Account, Section 6.4 Limitation on Allocations is amended by adding the following section:  
(c) Grace Period. Payment of expenses from a previous year in the first months of the next Plan Year, the limit above applies to the Plan Year including the Grace Period. Amounts carried into the next Plan Year as part of the Grace Period shall not affect the limit for that next Plan Year.
3. Article VI Health Flexible Spending Account, Section 6.7 Health Flexible Spending Account Claims (d) is amended by adding the following section.  
(d) Grace Period. Notwithstanding in this Section to the contrary, Medical Expenses incurred during the Grace Period, up to the remaining account balance, shall also be deemed to have been incurred during the Plan Year to which the Grace Period relates.
4. Article VII Dependent Care Flexible Spending account, Section 7.12 Dependent Care Flexible Spending Account Claims is amended by adding the following section:  
7.12 Dependent Care Flexible Spending Account Claims

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**Significant Issues**

No impact to Benefits programming.

**Fiscal Implications**

Flexible Spending Accounts are voluntary and at no cost to Denton ISD.

**Benefit of Actions**

The change allows employee contributions to the Flexible Spending Accounts to have more time to utilize funds after Plan Year ends September 1.

**Superintendent's Recommendation**

It is recommended that the ratification of Flexible Spending Account Amendment extending Grace Period be approved for Section 125 Cafeteria Plans of IRS code.

**Staff Responsible**

Dr. James Scott Niven, Chief Financial Officer

Chris Bomberger, Executive Director Risk Management, Benefits & Child Nutrition

**Attachments**

25-08-20 Amendment Number Two to Denton ISD Flexible Benefits Plan