

**RIVER ROAD INDEPENDENT SCHOOL DISTRICT
BOARD OF EDUCATION
AMARILLO, TEXAS**

Subject: Benefit Plan Amendments

Date: Monday, August 11, 2014

Presented By: Mike Hodgson
Business Manager

Related Page(s): This page +1

ACTION

BACKGROUND INFORMATION:

Our Financial Benefits adviser (Financial Benefit Services - FBS) has suggested that we amend our Section 125 Unreimbursed Medical Expense cafeteria plan.

There are two options available that would allow people to carry forward some of the money that they have deducted from their checks to pay for various medical expenses. The first option I will call the FSA Rollover Option. With this option, the employee would be able to roll forward an amount up to \$500 from the current year to the next plan year, to be used at any time during the subsequent year. The second option I will call the Grace Period option. This option allows the employee to roll forward any amount they have unspent at the end of the plan year, but they may only utilize those funds for 75 days.

Because the large majority (95%) of our employees have balances remaining in this year's plan that are less than \$500, we would recommend that the district choose the Rollover option.

FBS also recommends that we amend our plan related to the Affordable Care Act (ACA) to allow our employees a one-time option to change/drop their pre-tax health insurance election without a Qualifying Event. We would also recommend that the school district make this amendment.

BOARD ACTION REQUESTED:

We request that the Board approve the Administration to make a plan amendment to the Section 125 Unreimbursed Medical Expense Cafeteria Plan utilizing the Rollover option discussed above and to make the ACA related plan amendment. We further request that the Board designate Mike Hodgson and Randy Owen to sign the necessary documents for these amendments.

Hello Everyone ~

Over the last few months, FBS has sent you information in regards to IRS 125 Cafeteria Plan Document amendment options. As we are seeing several changes on a national level, we want to keep you informed and prepared. In particular, there are 3 amendments that we want you to be aware of and would like to get your feedback on. **Please let us know if your district is interested in proceeding with any of the amendments listed below.** If you are not interested in pursuing these changes, please kindly respond so I have it on file. Thank you!

FSA Rollover

- See attached documents for guidance based on if your district currently has a grace period or not.
- You can choose to implement this rollover feature as early as this plan year.
- You can also choose an amount of \$500 or under to allow employees to rollover into the next plan year.
- Your district cannot have both the rollover and the grace period. Your plan can either adopt only one of those plan provisions, or neither.

OR

Grace Period

- This is not a new feature to the cafeteria plan. It allows employees up to 75 days after their plan year ends to use any remaining funds.
- The downside to this feature for the employee is that there is a time limit to the employees using the funds.
- The upside to this feature is that employees can use ANY amount remaining in their balance and it is not limited to \$500.
- Once again, your district cannot have both the rollover and the grace period. Your plan can either adopt only one of those plan provisions, or neither.

AND

ACA one-time Amendment

- This amendment allows your employees the option to change/drop pre-tax health insurance election without a Qualifying Event, and stems from the mandate for individuals to maintain minimum essential coverage in 2014.
- Please see the attached email about ACA. I have highlighted some key information for you, but the entire document is a good overview.

How much does it cost to amend the district's cafeteria plan?

- NBS typically charges \$300 for a plan amendment. However, we have negotiated on your behalf, and the fee is reduced to \$150.
- The Grace Period amendment is \$150.
- *Special Savings!* If both ACA Amendment and the \$500 Rollover are done at the same time, the amendment fee is waived.
- *Special Savings!* If the district requests the ACA Amendment, or, the \$500 Rollover Amendment alone, the first amendment requested will be waived. If one or the other is requested at a later date, then the amendment that was not done first will be charged the \$150.00.