



CITY COUNCIL AGENDA ITEM

January 12, 2015

TO: Brian Kischnick, City Manager
FROM: Thomas Darling, Director of Financial Services
SUBJECT: Amendment to City Section 125 Cafeteria Plan

History

The City requires active employee contributions towards the cost of medical, dental and optical coverage offered by the City. The City established a Section 125 Cafeteria Plan starting in January 1, 2007 in order to make these contributions “pre-tax” to the employee. “Pre-tax” refers to the contribution amounts are not subject to social security, medicare and federal income taxes.

Due to changes in the healthcare laws related to the affordable healthcare act, the plan required some minor modifications to reflect these changes. Primarily addressing employees right to go to the Health Insurance Marketplace and addressing employees who are no longer eligible for City sponsored healthcare due to a reduction in hours. Either of which would make the individual no longer eligible for City sponsored healthcare and thus ineligible to participate in this cafeteria plan because we are no longer accepting employee contributions.

Financial

Financial impacts to the City are savings on social security and medicare taxes related to employee contributions that would otherwise be due.

Legal Considerations

The amendment meets specifications and requirements as directed by the United States Internal Revenue Service.

Recommendation

It is recommended that City Council approve the attached resolution to adopt the amended plan.

CITY OF TROY PRE-TAX BENEFIT PLAN

SUMMARY PLAN DESCRIPTION

January 12, 2015

Copyright 2002-2015
Rehmann

CITY OF TROY PRE-TAX BENEFIT PLAN

SUMMARY PLAN DESCRIPTION

TABLE OF CONTENTS

INTRODUCTION 1

ELIGIBILITY FOR PARTICIPATION 1

 Eligible Employee 1

 Date of Participation 1

 Enrollment 1

 Modification of Elections 1

BENEFITS 2

 In General 2

 Coordination with Other Plans 2

 Limits on Certain Employees 3

FORFEITURES 3

 Plan Year/Termination 3

CONTINUATION RIGHTS 3

 Military Service 3

MISCELLANEOUS 3

 Amendment and Termination 3

 Administrator Discretion 3

 Taxation 3

ADMINISTRATIVE INFORMATION 3

INTRODUCTION

City of Troy (the "City") established the City of Troy Pre-Tax Benefit Plan (the "Plan") effective January 1, 2007. This Summary Plan Description describes the Plan as amended and restated effective January 12, 2015.

This revised Summary Plan Description supersedes all previous Summary Plan Descriptions. Although the purpose of this document is to summarize the more significant provisions of the Plan, the Plan document will prevail in the event of any inconsistency.

ELIGIBILITY FOR PARTICIPATION

Eligible Employee

You are an "Eligible Employee" on the date you become eligible to receive benefits from the contracts described in the Section titled "BENEFITS" below.

Date of Participation

You will become a Participant eligible to receive benefits from the Plan on the date you become eligible to receive benefits from the contracts described in the Section titled "BENEFITS" below.

You will stop being a participant eligible to receive benefits from the Plan on the date you are no longer an Eligible Employee or the date you terminate employment with the City.

Enrollment

You are deemed to elect to contribute the entire amount of any participant-paid premiums unless you otherwise elect in writing.

In addition, your election for your Premium Conversion Account will be automatically adjusted for any change in the cost of contracts as permitted by applicable law.

Modification of Elections

Generally speaking, you may only revise your elections as of the start of a Plan Year. However, in certain situations you may modify your elections upon a "change in status". A brief listing of events that constitute a change in status follows. Please note that there are several conditions and/or limitations that apply to the events listed below. Please contact the Plan Administrator if you have any questions or believe that you may qualify for an election change. A change in status includes:

Change in your marital status.

Change in the number of your dependents.

Change in employment status.

A dependent satisfies or ceases to satisfy eligibility requirements.

Change in your place of residence.

Commencement or termination of an adoption proceeding.

Court judgment, decree, or order.

Entitlement to Medicare or Medicaid.

Significant cost or other coverage changes.

You take leave under the FMLA

You are permitted to revoke an election of coverage under a group health plan due to reduction in hours of service. In order to revoke an election of coverage under a group health plan due to reduction in hours of service, you must have been in an employment status under which you were reasonably expected to average at least 30 hours of service per week and there is a change in your status so that you will reasonably be expected to average less than 30 hours of service per week after the change. In addition, your revocation of the election of coverage under the group health plan must correspond to your intended enrollment (and any related individuals who cease coverage due to the revocation) in another plan that provides minimum essential coverage with the new coverage effective no later than the first day of the second month following the month that includes the date the original coverage is revoked.

You are permitted to revoke an election of coverage under a group health plan due to enrollment in a qualified health plan offered through the Health Insurance Marketplace. In order to revoke an election of coverage under a group health plan due to enrollment in a qualified health plan offered through the Health Insurance Marketplace, you must be eligible for a special enrollment period to enroll in a qualified health plan through the marketplace or during the marketplace's annual enrollment period. In addition, the revocation of the election of coverage under the group health plan must correspond to your intended enrollment (and any related individuals who cease coverage due to the revocation) in a qualified health plan through a marketplace for new coverage that is effective no later than the day immediately following the last day of the original coverage that is revoked.

BENEFITS

In General

When you become eligible to participate in the Plan, the City will automatically deduct participant-paid premiums from your pay. The deduction will be used to automatically pay participant-paid premiums for the contracts listed below.

Employer Group Medical

Employer Dental

Employer Vision

The amount paid for premiums may not exceed the employee-paid portion of premiums payable under the contracts listed above. In addition, total premium payments will not be greater than the deductions from your pay. Premiums will only be paid when you are actively participating in the Plan.

If a contract is offered in conjunction with a City-sponsored benefit plan, you will be eligible to make contributions to the Premium Conversion Account only if you are also eligible to participate in the applicable City-sponsored plan, it is described above and you are eligible to participate in this Plan.

In the event of a conflict between the terms of this Plan and the terms of a contract, the terms of the contract (or the benefit plan under which it is established) will control.

Coordination with Other Plans

All claims for benefits that are covered by an insurance policy must be made to the insurance company issuing such insurance policy.

Limits on Certain Employees

If you are a highly paid employee or an owner of the Company, federal law may impose limits on your eligibility to participate in the Plan and/or the benefits you may receive from the Plan.

FORFEITURES

Plan Year/Termination

Any amounts remaining in your account at the end of the Plan Year will be forfeited after all premiums are paid. In addition, any balance remaining in your account on the date you terminate employment with the City will be forfeited after all premiums are paid.

CONTINUATION RIGHTS

Military Service

If you serve in the United States Armed Forces and must miss work as a result of such service, you may be eligible to continue to receive benefits with respect to any qualified military service.

MISCELLANEOUS

Amendment and Termination

The City may amend, terminate or merge the Plan at any time.

Administrator Discretion

The Plan Administrator has the authority to make factual determinations, to construe and interpret the provisions of the Plan, to correct defects and resolve ambiguities in the Plan and to supply omissions to the Plan. Any construction, interpretation or application of the Plan by the Plan Administrator is final, conclusive and binding.

Taxation

The City intends that all benefits provided under the Plan will not be taxable to you under federal tax law. However, the City does not represent or guarantee that any particular federal, state or local income, payroll, personal property or other tax consequence will result from participation in this Plan. You should consult with your professional tax advisor to determine the tax consequences of your participation in this Plan.

ADMINISTRATIVE INFORMATION

1. The Plan Sponsor and Plan Administrator is City of Troy.
Its address is 500 W. Big Beaver Rd., Troy, MI 48084.
Its telephone number is 248-524-3330.
Its Employer Identification Number is 38-6027333.
2. The Plan is a welfare benefit plan which has been designated by the sponsor as its plan number 501.
3. The Plan's designated agent for service of legal process is the chief officer of the entity named in paragraph 1. Any legal papers should be delivered to him or her at the address listed in paragraph 1. However, service may also be made upon the Plan Administrator.
4. The City's fiscal year ends on June 30 and the plan year ends on May 31.