

COUNCIL ACTION FORM

SUBJECT: FLEXIBLE SPENDING PLAN DOCUMENT

BACKGROUND:

A Flexible Spending Account, as provided to benefit-eligible City of Ames employees, allows an employee to set aside a portion of his or her earnings to pay for qualified expenses, such as health insurance premiums, as well as medical and dependent care expenses. Money deducted from an employee's pay into a Flexible Spending Account is not subject to payroll taxes resulting in substantial payroll tax savings.

Over the past several years, Wellmark Blue Cross Blue Shield has provided good customer service and flexible reimbursement options including automatic reimbursement of health and pharmacy claims processed through Wellmark and direct deposit of reimbursement when elected.

Effective January 1, 2013, Wellmark will charge \$4.60 per contract per month in claims processing fees and \$400 in annual administration fees. This is an increase of 0% from 2012.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative and claims processing services for our flexible spending account (FSA) benefit effective January 1, 2013.
2. Do not renew the agreement with Wellmark and seek another company to provide this service.

MANAGER'S RECOMMENDED ACTION:

Over the past several years Wellmark Blue Cross Blue Shield has been an effective administrator of the City's Flexible Spending Account. Wellmark's services are cost-effective, and they have a strong working relationship with Human Resources staff and the City's other health care partners. Renewal of this contract will provide the best value to the City in administering its health insurance program

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby approving the renewal for administrative and claims processing services for the Flexible Spending Account (FSA) benefit with Wellmark Blue Cross Blue Shield of Iowa for the period from January 1, 2013 to December 31, 2013.

HEALTH CARE FLEXIBLE SPENDING ACCOUNT AMENDMENT

**ARTICLE I
PREAMBLE**

- 1.1 **Adoption and effective date of amendment.** The Employer adopts this Amendment to the City of Ames Flexible Spending Account Plan ("Plan") to reflect changes to Internal Revenue Code (IRC) Section 125(i), as amended by the Affordable Care Act (ACA). The sponsor intends this Amendment as good faith compliance with the requirements of this provision. This Amendment shall be effective on or after the date the Employer elects in Section 2.1 below.
- 1.2 **Supersession of inconsistent provisions.** This Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

**ARTICLE II
LIMITATION ON ALLOCATIONS**

- 2.1 **Effective Date.** This Amendment is effective as of January 1, 2013 (the first day of the plan year beginning on or after January 1, 2013).
- 2.2 **Limitation on Allocations.** Notwithstanding any provision contained in this Health Care Flexible Spending Account to the contrary, the maximum annual contribution amount that may be allocated to the Health Care Flexible Spending Account Benefit may not exceed the lesser of the Participant's salary reduction elected for the plan year or \$2,500 plus any Employer contributions that may be made. (The \$2,500 amount will be indexed each year to reflect any anticipated cost of living adjustments as assigned by the IRS.)

This Amendment has been executed this ____ day of _____, _____.

Name of Employer:

_____ City of Ames _____

By: _____

EMPLOYER

CERTIFICATE OF ADOPTING RESOLUTION

The undersigned authorized representative of the City of Ames (the Employer) hereby certifies that the following resolutions were duly adopted by Employer on October 23, 2012, and that such resolutions have not been modified or rescinded as of the date hereof;

RESOLVED, that the Amendment to the City of Ames Flexible Spending Account Plan (the Amendment) is hereby approved and adopted, and that an authorized representative of the Employer is hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the amendment.

The undersigned further certifies that attached hereto is a copy of the Amendment approved and adopted in the foregoing resolution.

Date: _____

Signed: _____

(print name/title)

SUMMARY OF MATERIAL MODIFICATIONS (SMM)

For the

City of Ames Flexible Spending Account Plan

(1) **General.** This is a Summary of Material Modifications regarding the above referenced Plan ("Plan"). This Summary of Material Modifications supplements and amends the Summary Plan Description (SPD) previously provided to you. You should retain this document with your copy of the SPD.

(2) **Identification of Employer.** The legal name, address and Federal Employer Identification number of the Employer are:

City of Ames

EIN: 42-600-4218

515 Clark Avenue

Ames, Iowa 50010

FOR CAFETERIA PLANS:

(3) **Description of Modifications.** The Employer has amended your Plan effective as of the first day of the Plan year coinciding with or following January 1, 2013. Subsequent plan years will reflect the IRS cost-of-living adjustment indexed amount.

If you have any questions regarding the application of this provision to you, contact your Plan Administrator.

BENEFITS

Annual Health Care Spending Account Amount. The maximum annual contribution amount that may be allocated to your Health Care Flexible Spending Account Benefit may not exceed the lesser of your salary reduction (contribution) elected for the year or \$2,500 plus any Employer contributions that may be made. (The \$2,500 amount will be indexed each year to reflect any anticipated cost of living adjustments as assigned by the IRS.)