



Adoption Agreement

City of Temecula Section 125 Cafeteria Plan Amended and Restated January 1, 2026

The undersigned Employer, by executing this Adoption Agreement, elects to adopt the accompanying Section 125 Cafeteria Plan by adopting said Plan Document in full. The Employer makes the following elections granted under the provisions of the Section 125 Cafeteria Plan.

1. Name of the Employer: City of Temecula

The Employer shall be the Plan Sponsor and Plan Administrator.

2. Effective Date:

- This Section 125 Cafeteria Plan shall be effective as of _____.
- This amended Section 125 Cafeteria Plan shall be effective as of January 1, 2026.
- If amended and restated, the Section 125 Cafeteria Plan was originally effective on September 18, 1990.

3. Plan and Plan Year:

The Name of the Plan shall be the City of Temecula Section 125 Cafeteria Plan (the "Plan"). The Plan Year shall begin on January 1st and end on December 31st.

4. Plan Number: 501

5. Employer's Principal Office:

This Plan shall be governed under the laws of the:

- State of California
- Commonwealth of _____

6. Eligible Employees:

All Employees shall be eligible to participate in the Plan as specified in the City of Temecula Schedule of Authorized Positions, the Memorandum of Understanding between the City of Temecula and Teamsters Local 986, the City of Temecula Management Compensation Plan, and the City of Temecula City Council Compensation Plan, **except:**

- Any self-employed person(s), within the meaning of Code Section 401(c), including independent contractors, a greater than 2% shareholder in a Subchapter S corporation, a partner in a partnership, or any owner or member of a limited liability company that is treated like a partnership for tax purposes;
- A relative, within the meaning of IRC Section 318, of one of the above self-employed person(s);

- Commission salesperson;
- Any Leased Employee, as well as any independent contractor, or other “statutory employee” who is not treated as a common law employee of the Employer for payroll purposes, regardless of any other court or administrative agency determination; AND
- Nonresident Aliens.

7. Plan Entry Date/Waiting Period:

Employees eligible to participate may become Participants:

- Same as Employer’s Group Health Plan.
- _____ days after date of hire (but subject to any shorter limitation period if mandated under applicable law).

8. Benefits:

The following Benefit Options shall be included in the Plan:

- Healthcare Flexible Spending Account subject to an annual limit of \$3,400 in taxable year 2026 and as adjusted under IRC Section 125(i) for other taxable years (as indexed for a 12-month Plan Year or prorated for a short Plan Year).
- Limited-Purpose Healthcare Flexible Spending Account subject to an annual limit of \$3,400 in taxable year 2026 and as adjusted under IRC Section 125(i) for other taxable years (as indexed for a 12-month Plan Year or prorated for a short Plan Year).
- Dependent Care Assistance Program subject to the maximums contained in Section 7.9 of the Plan Document.
- Adoption Assistance Program.
- The Employer’s Group Health Insurance (including health insurance, dental and vision insurance, etc.).
- Group Term Life Insurance.
- Disability Insurance.
- Tax-Free Transportation Program.
- Employee Health Savings Account Contributions.

9. Contributions:

The contributions for this Plan shall be:

- Employee (Salary Redirection) contributions only;
- Employer Contributions only, which shall be: \$_____ annually per Participant of which \$_____ that is convertible to cash compensation. A Participant will be credited on a _____ (pay period, annual) basis; or
- Both Employee (Salary Redirection) and Employer Contributions. Employer Contributions, a portion of which is convertible to cash compensation, shall be provided in accordance with the Memorandum of Understanding between the City of Temecula and Teamsters Local 986, the City of Temecula Management Compensation Plan, and the City of Temecula City Council Compensation Plan, as these Plans or MOU may be amended.

10. Claims Extension Period:

The Healthcare Flexible Spending Account shall shall not be subject to the terms and conditions of a Claims Extension Period.

The Dependent Care Assistance Program shall shall not be subject to the terms and conditions of Section 7.8 Forfeitures and Claims Extension Period.

11. Carryover Provision:

The Healthcare Flexible Spending Account shall shall not be subject to the terms and conditions of Section 6.3 Forfeitures and Carryover Provision.

15. Affiliated Employers:

The following Employers have adopted this Plan: N/A

16. Authorized Signatures:

Jessica Alexander, Mayor

Date

Aaron Adams, City Manager

Date