

**CITY OF TEMECULA  
AGENDA REPORT**

**TO:** City Manager/City Council

**FROM:** Isaac Garibay, Director of Human Resources and Risk Management

**DATE:** December 13, 2022

**SUBJECT:** Adopt Amended and Restated City of Temecula Section 125 Cafeteria Plan and Adoption Agreement

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**PREPARED BY:** Nicole Collins, Senior Human Resources Analyst

**RECOMMENDATION:** That the City Council adopt a resolution entitled:

RESOLUTION NO

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
TEMECULA ADOPTING THE AMENDED AND RESTATED  
CITY OF TEMECULA SECTION 125 CAFETERIA PLAN AND  
THE AMENDED AND RESTATED SECTION 125 CAFETERIA  
PLAN ADOPTION AGREEMENT

**BACKGROUND:** The City Council originally adopted the City of Temecula Flexible Benefits Plan document on September 18, 1990, to provide a benefit plan compliant with Internal Revenue Code Section 125. The plan includes Healthcare Flexible Spending Accounts, a Dependent Care Assistance Program, and group health, dental and vision insurance for eligible employees. The Amendment being recommended by staff is only an administrative update to be in compliance with IRS regulations, and does not enhance or reduce any benefits provided to City employees by the City.

The amended and restated Adoption Agreement and Plan Document have been revised as follows:

- A. To update the maximum carryover amount for the Healthcare Flexible Spending Account to 20% of the maximum amount permitted under Code §125(i) in accordance with the IRS change;
- B. To establish eligible opt out arrangement requirements for employees receiving cash in lieu of City-sponsored health insurance;
- C. To incorporate terms consistent with applicable memoranda of understanding, compensation plans, policies, resolutions, contracts, and City practice throughout the Plan Document;

- D. To incorporate a claims substantiation procedure and appeals procedure consistent with third-party administrator Ameriflex for the Healthcare Flexible Spending Account and Dependent Care Assistance Program; and
- E. To retroactively adopt amendments for plan year 2021 pursuant to the Consolidated Appropriations Act of 2021 for the COVID-19 flexible changes, including:
  - 1) To allow prospective mid-year election changes for the Healthcare Flexible Spending Account and Dependent Care Assistance Program;
  - 2) To incorporate an unlimited carryover of unused Healthcare Flexible Spending Account funds;
  - 3) To extend the grace period for Dependent Care Assistance Program Extended Grace Period/Claims Extension Period; and
  - 4) To allow the Spend Down of Healthcare Flexible Spending Account once participation has ceased.

Approval of the Adoption Agreement and Plan Document will provide the framework for staff to take such actions that are deemed necessary and proper in order to implement the Plan, and to setup adequate accounting and administrative procedures to provide employee benefits under the Plan.

**FISCAL IMPACT:** None.

**ATTACHMENTS:**

- 1. Resolution
- 2. Section 125 Cafeteria Plan Document
- 3. Section 125 Cafeteria Plan Adoption Agreement