

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

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

DATE: November 15, 2022

SUBJECT: Approve Amendment to the City of Temecula Section 125 Cafeteria Plan

PREPARED BY: Nicole Collins, Senior Human Resources Analyst

RECOMMENDATION: That the City Council adopt a resolution entitled:

RESOLUTION NO. 2022-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
TEMECULA AMENDING THE CITY OF TEMECULA
SECTION 125 CAFETERIA PLAN

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.

In response to the COVID-19 pandemic, the Consolidated Appropriation Act of 2021 was signed into law providing temporary relief for Healthcare and Dependent Care Flexible Spending Accounts (FSA's) for the 2020 and 2021 plan years. The Plan Document has been amended for the 2020 plan year as follows:

- A. To allow prospective election changes for Healthcare and Dependent Care FSA's;
- B. To incorporate an unlimited carryover of unused Healthcare FSA funds;
- C. To extend the grace period for Dependent Care Assistance Program Extended Grace Period/Claims Extension Period; and
- D. To allow the Spend Down of Healthcare FSA once participation has ceased.

Approval of the Adoption Agreement 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: No fiscal impact.

ATTACHMENTS:

1. Resolution
2. Section 125 Cafeteria Plan Document Amendment