



Board Agenda Item 38

DATE: April 13, 2021

TO: Board of Supervisors

SUBMITTED BY: Hollis Magill, Interim Director of Human Resources

SUBJECT: Amendment to the Cafeteria Plan for the Employees of County of Fresno

RECOMMENDED ACTION(S):

Adopt a Resolution amending the Cafeteria Plan for the Employees of County of Fresno to implement changes pursuant to the Consolidated Appropriations Act, 2021.

There is no increase in Net County Coast associated with the recommended action. Adoption of the proposed resolution will amend the Cafeteria Plan for the Employees of County of Fresno (the "Plan") to extend the deadline to incur eligible health care and dependent daycare expenses for benefit Plan Years 2020 and 2021. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board may choose not to alter the deadline to incur eligible health care and dependent daycare expenses, known as the Grace Period, for benefit Plan Years 2020 and 2021.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended action.

DISCUSSION:

The County has offered health and dependent care flexible spending accounts to participating employees since 1988. Flexible Spending Accounts allow employees to set aside tax-free funds that can be used for healthcare and childcare expenses. Contributions reduce the base upon which an employee's Federal, State, Social Security, and Medicare taxes are calculated, thereby reducing the amount of taxes paid by the employee and reducing the Social Security and Medicare taxes paid by the County. For Plan Year 2021, there are currently 1,630 employees enrolled in a health care flexible spending account with over \$2.2 million in annual elections; there are 78 employees enrolled in a dependent daycare flexible spending account with approximately \$260,000 in annual elections.

The Plan was most recently amended by your Board on September 1, 2020 to reflect changes in Federal Regulations governing flexible spending accounts, including extending the deadline to incur eligible expenses (the "Grace Period") for the 2019 plan year to December 31, 2020.

The Consolidated Appropriations Act, 2021 (the "Act"), signed into law on December 27, 2020, allows section 125 cafeteria plans, such as the County's Plan, to extend their Grace Period for plan years 2020 and 2021 to twelve (12) months. Approval of the recommended action will extend the Plan's Grace Period, as referenced in Schedules B, C, and D of Exhibit A, to December 31 for plan years 2020 and 2021. This will

enable participants to use funds from the 2020 plan year for expenses incurred through December 31, 2021 and to use funds from the 2021 plan year for expenses incurred through December 31, 2022.

Approval of the recommended action will also help to limit the amount of funds that participants forfeit to the County pursuant to Internal Revenue Code Section 125(d)(2)(A). For reference, as of March 1, 2021, there are 543 active Health FSA participants with an unused balance, totaling \$222,926 in unspent funds. In addition, there are 30 active Dependent Daycare FSA participants with an unused balance, totaling \$34,040 in unspent funds.

REFERENCE MATERIAL:

BAI #28, September 1, 2020

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Resolution

On file with Clerk - Exhibit A

CAO ANALYST:

Yussel Zalapa