



Item #12-11-3

Government Relations & Public Affairs Committee

Action

November 13, 2012

**Limiting Health FSA Salary Reductions to \$2,500**

**Issue:** A Plan amendment is necessary to limit the Health Flexible Spending Account (FSA) salary reductions from \$3,500 to \$2,500 per year.

**Recommendation:** The Government Relations & Public Affairs Committee recommends that the SACOG Board of Directors adopt the attached resolution to amend the SACOG Health FSA as required by the Internal Revenue Code to reduce the annual reductions from \$3,500 to \$2,500.

**Discussion:** Section 9005 of the Patient Protection and Affordable Care Act (“PPACA”) amends Internal Revenue Code section 125 to cap Health FSA salary reduction elections *for the taxable year beginning January 1, 2013*, at \$2,500. The IRS subsequently issued Notice 2012-40, which provides clarification and guidance regarding Section 9005 of PPACA.

Currently the Plan limits the Health Flexible Spending Account to \$3,500. An amendment is necessary to comply with the Internal Revenue Code limits.

Approved by:

Mike McKeever  
Chief Executive Officer

KT:rt

Attachments

Key Staff: Kirk Trost, Chief Operating Officer/General Counsel, (916) 340-6210  
Rochelle Tilton, Clerk of the Board/HR Specialist, (916) 340-6208



**SACRAMENTO AREA COUNCIL OF GOVERNMENTS**

**RESOLUTION NO. XX – 2012**

**AMENDMENT TO HEALTH FLEXIBLE SPENDING ACCOUNT**

**ACTIONS TAKEN AND RESOLUTIONS ADOPTED BY CONSENT  
OF THE BOARD OF DIRECTORS OF  
SACRAMENTO AREA COUNCIL OF GOVERNMENTS**

The Board of Directors of Sacramento Area Council of Governments ("SACOG") hereby adopts the following Resolution.

**WHEREAS**, SACOG previously adopted an Internal Revenue Code ("Code") Section 125 cafeteria plan (the "Plan") and a Code Section 105 Health Flexible Spending Account ("Health FSA"); and

**WHEREAS**, effective January 1, 2013, SACOG desires to amend the Plan and the Health FSA as set forth in the attached Summary of Material of Modifications.

**NOW, THEREFORE, BE IT RESOLVED** that the SACOG Board of Directors has hereby reviewed the attached Summary of Material Modifications and does hereby approve the changes set forth therein;

**PASSED AND ADOPTED** this 6th day of December, 2012, by the following vote of the Board of Directors:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

---

Peter Hill  
Chair

---

Mike McKeever  
Chief Executive Officer

**SUMMARY OF MATERIAL MODIFICATIONS TO THE SUMMARY PLAN  
DESCRIPTION  
For The  
Cafeteria Plan  
Health Flexible Spending Account**

**Collectively referred to as the “Plan”**

*This document summarizes important changes to your Flexible Benefits Plan Summary Plan Description. If you have any questions regarding the changes summarized in this Summary of Material Modifications (“SMM”), you should contact Rochelle Tilton.*

*You should keep a copy of this SMM with your Summary Plan Description for future reference.*

The Plan Information Summary for the Plan is hereby revised as follows:

The maximum annual Health FSA reimbursement shall not exceed the Pre-tax Contribution amount you may elect with respect to the Health FSA, or if greater, the sum of the Pre-tax Contribution amount you elect plus any additional non-elective Employer contributions that the Employer has agreed to make (as described in the enrollment materials). The maximum salary reduction amount you may elect is the lesser of \$2,500 or the amount set forth in the enrollment materials. In no event may salary reductions made with respect to the Health FSA (and all Health FSAs) maintained by the Employer (and any employer within the same controlled group, as defined by the Code) for a Plan Year exceed \$2,500.

No other provisions of the Plan are affected by this amendment, including but not limited to the minimum reimbursement amount that you may elect, as previously described in the Plan Information Summary.