



September 18, 2012

TO: Robert Molinaro,
Union President Rocklin Firefighter's Union Local 3847

Adrian Passadore,
Union President, Rocklin Police Officers Association

FROM: Michael Green,
Human Resources Division Manager

RE: IRS SECTION 125 FLEXIBLE SPENDING PLAN CAP

As you are aware, there is contract language regarding the ability for your employees to enroll in a flexible spending plan. The maximum contribution allowed towards health insurance and health costs not covered under the benefits plan was \$3,000 for calendar year 2012. Effective January 1, 2013 the IRS is capping the amount allowed under Section 125 for medical expenses at \$2,500. Based on this new cap set by the IRS we need to change the contract language to reflect the new amount of \$2,500. Employees will still have the ability to contribute up to \$5,000 towards child care and adult dependent care. I'm recommending that we change the contract language to state the following:

- I. The City will continue to make available to employees a Flexible Spending Plan established pursuant to IRS Section 125. The plan allows eligible employees to set aside up to the maximum amount allowed under IRS Section 125 (\$2,500 for the calendar year starting January 1, 2013) per year pre-tax income to pay for costs associated with health insurance premiums and health costs not covered under the benefits plan. If the maximum amount changes under IRS Section 125 then the City will abide by that new amount. The plan also allows the employees to set aside pre-tax income to pay for costs of child care and adult dependent care. The maximum amount allowed for child care and adult dependent care is \$5,000 a calendar year. If this maximum amount changes then the City will abide by that new amount. Employees may choose to enroll in this plan each December for the coming calendar year. Participants in the plan must pay the monthly administrative cost by authorizing biweekly payroll deductions.
- II. The City reserves the right to change carriers at any time, provided that plan benefits to unit members are substantially the same or better.

Please let me know if you have any questions or would like to discuss the proposed changes. My phone number is (916) 625-5055.