

**STAFF REPORT FOR CALENDAR ITEM NO. : 8.2
FOR THE MEETING OF: November 13, 2014**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION: Approve an amendment to TJPA’s Flexible Benefits Plan, increasing the amount that employees can contribute pre-tax from their earnings to a Health Care Flexible Spending Arrangement (“Health Care FSA”) from \$2,500 annually to \$2,550 annually beginning January 1, 2015, in accordance with the recent inflation adjustment announced by the IRS.

SUMMARY:

TJPA offers employees the opportunity to participate in a Flexible Spending Account (“FSA”) to set aside pre-tax dollars from their earnings for eligible medical and dependent care expenses. TJPA has provided this benefit since becoming its own employer of record on January 1, 2012; a similar plan was offered by former employer Local Government Services (“LGS”). TJPA contracts with Flex-Plan Services, Inc., to administer the flexible benefits plan, as did LGS.

The amount that employees could set aside for medical expenses under the Health Care FSA was \$5,000 per year through calendar year 2012. Effective January 1, 2013, the Patient Protection and Affordable Care Act limited the amount that could be set aside for medical expenses to \$2,500 per year. On October 30, 2014, the IRS announced inflation adjustments for 2015 which increased the amount that could be set aside for a Health Care FSA to \$2,550 per year. The amount that employees can set aside for dependent care under a Day Care FSA remains unchanged, at \$5,000 per year.

Year	Health Care FSA	Day Care FSA
2011	\$5,000	\$5,000
2012	\$5,000	\$5,000
2013	\$2,500	\$5,000
2014	\$2,500	\$5,000
2015	\$2,550	\$5,000

TJPA does not make contributions to employee FSAs, or match employees’ contributions. The increase in the contribution limit would have no fiscal impact on TJPA, but provides employees with an opportunity to save on eligible medical expenses by setting aside a portion of their earnings pre-tax and then paying for eligible medical expenses from the set-aside funds.

With the execution of the attached plan amendment, the maximum amount that can be contributed to a Health Care FSA will automatically increase in future years to the inflation-adjusted (“indexed”) amount as announced by IRS.

RECOMMENDATION: Approve an amendment to TJPA’s Flexible Benefits Plan, increasing the amount that employees can contribute pre-tax from their earnings to a Health Care Flexible Spending Arrangement (“Health Care FSA”) from \$2,500 annually to \$2,550 annually beginning January 1, 2015, in accordance with indexed amounts provided by the IRS.

ENCLOSURES:

1. Resolution
2. Plan Amendment

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, The Transbay Joint Powers Authority (“TJPA”) provides a flexible benefits plan (“Plan”) within the meaning of Section 125 of the Internal Revenue Code that provides TJPA employees with the ability to receive pre-tax reimbursements of certain medical and dependent care expenses through flexible spending accounts; and

WHEREAS, On October 31, 2014, the Internal Revenue Service announced inflation adjustment amounts for various tax items for 2015, including an inflation-adjusted amount for pre-tax contributions to a Section 125 Health Care Flexible Spending Account (“Health Care FSA”) from \$2,500 per year to \$2,550 per year; and

WHEREAS, Implementing the increase to the Health Care FSA annual maximum provides an additional benefit to TJPA employees with no fiscal impact to TJPA; and

WHEREAS, Implementing the increase to the Health Care FSA annual maximum requires an amendment (“Amendment”) to TJPA’s Plan as administered by Flex-Plan Services, Inc. (“Administrator”); now, therefore, be it

RESOLVED, That the Amendment to the Plan is hereby approved and adopted, and that an authorized representative of the Transbay Joint Powers Authority is hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Amendment.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of November 13, 2014.

Secretary, Transbay Joint Powers Authority

**FLEXIBLE BENEFITS PLAN
HEALTH CARE FLEXIBLE SPENDING ARRANGEMENT INDEXED MAXIMUM
AMENDMENT**

**ARTICLE I
PREAMBLE**

- 1.1 **Adoption and effective date of amendment.** The Employer adopts this Amendment to TRANSBAY JOINT POWERS AUTHORITY's Flexible Benefits Plan (the "Plan"). This Amendment shall be effective on or after the date the Employer elects in Section 2.1 below.
- 1.2 **Supersession of inconsistent provisions.** This Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.
- 1.3 **Construction.** Except as otherwise provided in this Amendment, any reference to "Section" in this Amendment refers only to sections within this Amendment, and is not a reference to the Plan. The Article and Section numbering in this Amendment is solely for purposes of this Amendment, and does not relate to any Plan article, section or other numbering designations.

**ARTICLE II
ELECTIONS**

- 2.1 **Effective Date.** The provisions of this Amendment, unless otherwise indicated are effective as of January 1, 2015 (effective date).
- 2.2 **Health Care Flexible Spending Arrangement Indexed Maximum.**

On October 30, 2014, the IRS released Revenue Procedure 2014-61, containing inflation adjusted items for 2015. For taxable years beginning in 2015, this guidance increases the amount an employee may contribute to a health flexible spending arrangement from \$2500 to \$2550.

The Employer hereby amends their plan maximum to the inflation adjusted maximum amount for health care flexible spending arrangement effective January 1, 2015.

For future plan years the health care flexible spending arrangement maximum will automatically increase to the indexed amount.

This amendment has been executed this _____ day of November, 2014.

Name of Employer: Transbay Joint Powers Authority

By: _____
Transbay Joint Powers Authority