



Travis County Commissioners Court Agenda Request

Meeting Date: January 14, 2014

Prepared By/Phone Number: Shannon Steele, HRMD 854-6046

John Rabb HRMD, 854-2742

Elected/Appointed Official/Dept. Head: *JB* Leslie Browder, County Executive *gom*

Commissioners Court Sponsor: Judge Samuel T. Biscoe

AGENDA LANGUAGE:

Consider and Approve proposed restatement of the T-Flex Plan – Adjust Before Taxes.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

Please see attached documentation.

STAFF RECOMMENDATIONS:

HRMD Staff and the County Attorney's office have carefully reviewed the restatement of the T-Flex Plan documents and recommend the approval.

ISSUES AND OPPORTUNITIES:

Please see attached documentation.

FISCAL IMPACT AND SOURCE OF FUNDING:

No funding is required for the approval of this plan amendment.

REQUIRED AUTHORIZATIONS:

Human Resources Management
Human Resources Management
Human Resources Management
Planning and Budget Office

Shannon Steele, 854-6046
John Rabb, 854-2742
Debbie Maynor, 854-9170
Leslie Browder, 854-9106



HRMD

Human Resources Management

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Backup Memorandum

DATE: January 3, 2014

TO: Members of the Commissioners Court

VIA: Leslie Browder, County Executive, Planning and Budget Office *LB*

FROM: Debbie Maynor, Director, Human Resources Management Department *DM*
John Rabb, Benefits Manager
Shannon Steele, Benefits Administrator

Subject: **Restatement of Plan Document for T-Flex Plan – Adjust Before Taxes for Travis County Benefit Plans**

Proposed Motion

Consider and approve the restated Plan Document for T-Flex Plan – Adjust Before Taxes to be effective January 14, 2014:

Summary

The T-Flex Plan is the "Premium Only Plan", which is a Cafeteria plan established pursuant to the United States Internal Revenue Code, Section 125. This plan allows Travis County employees to elect benefit premiums to be deducted from their paychecks before taxes. Currently per Section 125 employees are only allowed to make election changes during the plan year due to certain life changing or qualifying events. The IRS is allowing a one-time transition relief for employees wanting to make changes to their pre-tax premium elections due to enrollment in a health plan in the new marketplace or due to the individual mandate. HRMD Benefits Staff has had a few inquiries related to making changes, and in reading the IRS notice, we need to amend our premium-only plan document to allow for changes. The existing list of qualifying events do not allow for changes for these situations.

Staff Recommendation:

HRMD Staff and the County Attorney's office have carefully reviewed the documents and recommend approval of the restated Plan Document.

Issues and Opportunities:

Budgetary and Fiscal Impact

There is no fiscal impact to Travis County.

**T-FLEX PLAN –ADJUST BEFORE TAXES
TRAVIS COUNTY, TEXAS**

- A. T-Flex Plan—Adjust Before Taxes– a “cafeteria plan” established pursuant to the United States Internal Revenue Code, Section 125.
- B. Planholder –Travis County, a political subdivision of the State of Texas.
- C. Administrator – Travis County, Texas.
- D. Plan Effective Date– January 1, 1987
- E. Plan Years – January 1, 1987 through October 31, 1987;
November 1, 1987 through October 31, 1988;
January 1, 1989 through December 31, 1989;
January 1, 1990 through December 31, 1990;
January 1, 1991 through December 31, 1991;
January 1, 1992 through September 30, 1992; and
October 1, 1992 through September 30, 1992 and
Each subsequent October through September 30 of the following year.
- F. Plan Anniversary – November 1 of 1987 and 1988;
January 1 of 1990, 1991 and 1992; and
October 1, 1992 and each October 1 thereafter
- G. Plan Suspension
 - 1. The Planholder suspended the Adjust Before Taxes Plan from November 1, 1988 through December 31, 1988 to provide more comprehensive choices for medical and dental benefits and no employer contributions were made and no reimbursements for expenses incurred during the time when the plan was suspended were made.
 - 2. The Planholder communicated to all employees that employer contributions and employee reimbursements for all benefits were being suspended from November 1, 1988 through December 31, 1988 and that employer contributions and employee reimbursements for benefits are permitted after January 1, 1989.
 - 3. No amounts from the Plan were made available to employees during the period of suspension for reasons other than the reimbursement of covered expenses incurred during the preceding Plan Year.
- H. Plan Amendment
 - 1. In 1992, the Planholder found that it is more beneficial to Planholder and employees for employee benefit contracts to be renegotiated at the same time that the budget for the Planholder’s Fiscal Year is being considered. The Planholder communicated to all employees that the next Plan Year will begin January 1, 1992 and end October

1, 1992.

2. In 2001, the Planholder has found that it is desirable to incorporate the expanded description of Qualifying Events allowed by revisions of regulations related to section 125 of the Internal Revenue Code into its Plan.
3. In 2014, the Planholder has found it desirable to amend the plan to allow employees to change Elections for accident and health plan coverage during the portion of the Plan Year after January 14, 2014 to provide a similar tax advantage to those who must obtain accident and health plan coverage mid-year to comply with the requirement in the Affordable Care Act for all individuals to have accident and health plan coverage.

I. Plan Termination

The Planholder may terminate the Plan by giving written notice to the Participating Employees at least 30 days before the proposed termination date.

J. Eligibility

1. Eligible Employee means any non-temporary employee regularly scheduled to work 20 hours or more per week are eligible to participate.
2. Dependants means any person who is a dependant of an Eligible Employee for federal income tax purposes unless the person is in the Armed Forces of any country; or is covered under this Plan as a Participating Employee. Dependant does not include Domestic Partners or their dependents.

K. Participating Employee means any Eligible Employee who elects to participate in T-Flex Plan – Adjust Before Taxes for a Plan Year, or the portion of the Plan Year remaining after becoming eligible.

L. Effective Date for Participation

1. In the first Plan Year the effective date for participation is:
 - a) The Plan Effective Date for Participating Employees who are eligible on that date and their dependents; or
 - b) The first day of the calendar month after the date of eligibility for Participating Employees who become eligible after the Plan Effective Date and their dependents; or
2. In subsequent Plan Years:
 - a) The first day of the Plan Year for Participating Employees who are eligible at the beginning of the Plan Year, or

- b) The first day of the calendar month next following the date of eligibility for Participating Employees who become eligible after the first day of the Plan Year, or
- c) The date the Participating Employee or one of his dependents has a Qualifying Event if the event occurs after the effective date of the T-Flex Plan for the Participating Employee.

M. Effective Date of Termination from Plan by Participating Employee

- 1. A Participating Employee and his or her dependents are terminated from the Plan effective on the date when earliest of the following events occurs:
 - a) The Participating Employee terminates employment; or
 - b) The Participating Employee no longer meets the eligibility criteria; or
 - c) The Participating Employee is placed on lay-off; or
 - d) The Participating Employee retires; or
 - e) The Plan Year ends unless the employee elects to participate in the following Plan Year.
- 2. A Participating Employee may terminate from the Plan effective on the date when the Participating Employee provides notice of revocation of election if the Participating Employee has a Qualifying Event and gives the written notice to HRMD within 31 days after the date the event occurs and if the revocation is on account of and consistent with a Qualifying Event as described in O.5:

N. Minimum and Maximum Employer Contributions

The minimum contribution and the maximum contribution are both an amount equal to all premiums payable by the Participating Employee for Employer sponsored health and dental insurance coverage.

O. Participation Elections.

- 1. A Participating Employee may make a salary reduction agreement with the Planholder to fund employer contributions for the employee portion of premiums for the following insurance coverages by making an Election to reduce his or her salary by the amount of the all premiums payable by the employee:
 - a) For these Employer Sponsored health insurance and self funded health insurance coverage, and

- b) For Employer-sponsored dental care insurance coverage.
2. In all Plan Years, except the Plan Year beginning October 1, 2013, if an employee wants to participate in the T-Flex Plan Adjust Before Taxes, the employee must make an Election to participate in the Plan, in writing, before the beginning of each Plan Year, or, in the case of employees who become eligible during the Plan Year, before the effective date indicated in L. 2. b). In the Plan Year beginning October 1, 2013, an employee who failed to make an Election for accident and health plan coverage may make a prospective Election, in writing, for Employer Sponsored health insurance and self-funded health insurance coverage on or after January 14, 2014.
 3. Elections must be made during the Open Enrollment Period before the beginning of the following Plan Year or between the date of eligibility and the effective date for those employees who become eligible after the beginning of the Plan Year. In all Plan Years, except the Plan Year beginning October 1, 2013, the Election must remain in effect until changed in accordance with O.6. In the Plan Year beginning October 1, 2013, the Election must remain in effect until changed in accordance with either O.6 or O.12.
 4. The elections are effective until the date of the Participating Employee's termination from the T-Flex Plan as defined in M. 1. unless the Participating Employee changes or revokes the election in compliance with O. 5 and O. 6.
 5. Employer may reduce the amount of an Election made by a Participating Employee to limit the Participating Employee's contributions in accordance with N and to modify the amount of any benefit elections of the officials, and other highly compensated employees by the amount necessary to allow the Plan to satisfy these nondiscrimination requirements. Otherwise, Elections, once made, may not be changed or revoked during the Plan Year, unless the revocation or new election is made as described in O. 6 and is as a result of and consistent with one of the following Qualifying Events:
 - a) There is a change in status as described in O. 7.
 - b) There are special events as described in O. 8
 - c) There is an increase or decrease in cost as described in O. 9.
 - d) There is an increase or decrease in coverage as described in O. 10.
 6. Procedure for Mid Plan Year Revocations and New Elections
 - a) If the Participating Employee has a Qualifying Event as defined in O. 5, the Participating Employee may revoke or modify their benefit election in a manner that is consistent with the Qualifying Event as defined in O. 5, by providing written notice to the Human Resources Management Department

within 31 days after the Qualifying Event. An authorized change in the Participating Employee's benefit election due to a Qualifying Event shall be effective the date the Qualifying Event occurs.

- b) An election change is consistent with the Qualifying Event only if the election change is on account of and corresponds with a Qualifying Event that affects eligibility for coverage under an employer's plan.
 - c) The consistency rule of O. 6 shall be interpreted in accordance with the Special Consistency rules of applicable law.
7. A Change in Status is an event that falls into one of the following categories:
- a) Legal Marital Status changes: including marriage, death of spouse, divorce, legal separation and annulment.
 - b) Changes in Number of Dependents: including birth, death, adoption and placement for adoption.
 - c) Employment Status changes of the Participant or the Participant's spouse or dependents: termination or commencement of employment, strike or lockout, commencement or return from unpaid leave of absence, change of work-site or change in employment status.
 - d) Dependent Satisfies or Ceases to Satisfy the Requirements for Unmarried Dependents: change in student status or dependent no longer qualifies because of age.
 - e) Change in Residence: change in place of residence of the Participating Employee, spouse or dependent.
8. A Special Event is an event that falls in any of the following categories
- a) A Qualified Medical Child Support Order (QMCSO) or other Judgements or Orders under 29 USC Section 1169(a);
 - b) The special enrollment rights of the Health Insurance Portability and Accountability Act of 1996 (HIPAA);
 - c) A Participating Employee, spouse or dependent who becomes entitled to coverage under Part A or Part B of Medicare or Medicaid or
 - d) A COBRA Qualifying Event.
9. A Cost Change includes cost changes initiated by the Eligible Employee or the Employer and result in a Qualifying Event in the following manner:

- a) If the cost of coverage of an Employer-sponsored Plan significantly increases or significantly decreases, a Participating Employee who is covered under that Employer-sponsored Plan may choose to pay the increased or decreased premium or revoke coverage under the plan for which the premiums are being increased and elect coverage under a plan providing similar coverage, if available.
 - b) If the cost of coverage of an Employer-sponsored Plan significantly decreases, an Eligible Employee who is not a Participating Employee may choose to commence participation in the plan with the decrease in cost.
 - c) With respect to a Dependent Care Flexible Spending Account, a Participating Employee may modify a benefit election if the cost for service provided by a dependent care provider, who is not a relative of the Participating Employee, increases or decreases.
10. Coverage Changes result in a Qualifying Event in the following manner:
- a) If coverage provided is significantly curtailed but does not result in a loss of coverage, a Participating Employee who is covered under that plan may change his or her benefit election by revoking coverage under the plan being curtailed but must elect coverage under a plan providing similar coverage, if available.
 - b) If coverage provided is significantly curtailed and results in a loss of coverage, a Participating Employee who is covered under that plan may change his or her benefit election by revoking coverage under the plan being curtailed and elect coverage under a plan providing similar coverage, if available.
 - c) If during a period of coverage, a new benefit plan is added or an existing benefit option is significantly improved, an Eligible Employee may elect the new benefit plan or improved benefit plan and make a corresponding election change with respect to other plans providing similar coverage.
 - d) A Participating Employee may make a change in his or her benefit election if the change is on account of and corresponds with a change made under another employer plan if (a) the change is permitted under the other employer's cafeteria plan (or qualified benefit plan) and Code requirements applicable to that change; or (b) this Plan permits Participating Employees to make an election for a period of coverage which is different from the period of coverage under the other cafeteria plan (or qualified benefit plan).
11. Despite O. 10. d), no change shall be permitted unless both the old and the new benefit plans permit the change.
12. In Plan Year beginning October 1, 2013, if Participating Employee who has made

an Election to reduce his or her salary by the amount of the all premiums payable by the employee for Employer Sponsored health insurance and self-funded health insurance coverage, the Participating Employee may prospectively revoke or change his or her Election related to Employer Sponsored health insurance and self-funded health insurance coverage ONCE during that Plan Year, by providing written notice to the Human Resources Management Department and the revocation or change shall become effective on the first of the month following 15 days after the notice.

13. A Participating Employee may revoke the benefit elections on account of an unpaid FMLA Leave. When the Participating Employee returns from unpaid FMLA Leave after having revoked the benefit elections on account of taking FMLA Leave, the employee may have the benefit elections reinstated on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. A reinstated employee shall not have a greater right to benefits for the remainder of the Plan Year than a Participating Employee who is continuously working during the Plan Year. A Participating Employee who does not revoke his or her election shall make appropriate arrangements for payments with the Human Resources Department.
14. A Participating Employee who separates from the service of the Employer during a period of coverage may revoke existing benefit elections and terminate the receipt of benefits for the remaining portion of the period of coverage. If the Employee returns to service for the Employer within 30 days during the same plan year, the Employee shall reenroll with the same benefit elections prior to termination for the remaining portion of the period of coverage. If the Employee should return to service of the Employer after 30 days, but during the same plan year, the Employee may make a new election for the remaining portion of the period of coverage.

P. Premium Payment Conditions

1. The Employer may automatically modify a Participating Employee's contribution if the cost of qualified benefits plan increases or decreases during a Plan Year, employees are required to make a corresponding change in their payments for the benefits, and the change is made prospectively on a reasonable and consistent basis for all employees.
2. A Participating Employee may elect to reduce his or her salary by the amount of the all premiums payable by the employee for employer sponsored health and dental care insurance covering the employee and dependents and the premiums payable for group term life insurance coverage up to \$25,000 for the employee only. Planholder then contributes this amount directly to the payment of these premiums.

Q. Use of Employer Contributions

1. Employer contributions may be used only as allocated by a Participating Employee in that employee's election to participate in the T-Flex Plan.

R. Planholder Responsibilities

1. Reduce Participating Employees salaries in compliance with their election and pay an amount equal to the salary reduction for premiums payable by the employee for employer sponsored health and dental care insurance covering the employee and dependents or for premium equivalents payable by the employee for self funded employer sponsored health and dental care plans covering the employee and dependents or for premiums payable by the employee for group term life insurance coverage up to \$25,000 for the employee only.
2. Establish and maintain all records necessary to facilitate the Plan.

**RESOLUTION OF
COMMISSIONERS COURT OF
TRAVIS COUNTY, TEXAS**

RECITALS

Travis County has previously established a cafeteria plan within the meaning of Section 125 of the Internal Revenue Code, as amended from time to time, to provide certain benefits to the Employees of Travis County.

Travis County has determined that it is desirable to amend the cafeteria plan.

ORDER

The Commissioners Court resolves that the Plan is amended effective as of January 14, 2014 as provided in the restatement of the Travis County T-Flex Plan— Adjust Before Taxes, a Flexible Benefit Plan attached to this resolution and the County Judge is authorized and directed to perform any acts and execute any documents necessary or appropriate to effectuate this resolution.

Date of Order: _____

TRAVIS COUNTY COMMISSIONERS COURT

Samuel T. Biscoe, County Judge

Ron Davis
Commissioner, Precinct 1

Bruce Todd
Commissioner, Precinct 2

Gerald Daugherty
Commissioner, Precinct 3

Margaret Gómez
Commissioner, Precinct 4