

AGENDA: October 5, 2006

TO: Regional Transportation Commission
FROM: Tegan Speiser, Senior Transportation Planner
REGARDING: RTC Autonomy – Section 125 Plan Document

RECOMMENDATIONS

Staff recommends that the Santa Cruz County Regional Transportation Commission:

Approve a resolution (Attachment 1) adopting a Plan Document (Exhibit A) to govern the RTC's Section 125 Plans allowing employees to pay for medical and dependent care expenses with pre-tax dollars.

BACKGROUND

The Commission approved establishing the RTC as an autonomous governmental entity in June 2005 and authorized the Budget and Administration/Personnel Committee to direct staff and consultants in the implementation of autonomy tasks. One of the tasks outlined in the work plan is to establish IRS Code Section 125 pre-tax benefit plans for employees similar to the plans they enjoyed while employed by the County of Santa Cruz.

At your September 21st TPW meeting, the Commission approved contracting with American Family Life Assurance Company of Columbus (Aflac) to establish, maintain and administer IRS Code Section 125 plans that allow RTC employees to pay for health insurance premiums, un-reimbursed medical expenses and dependent day care with pre-tax dollars. Your actions also established the limits to be placed on the amount of pre-tax earnings that employees could set aside for un-reimbursed medical expenses and dependent care costs and approved expenditures to cover the administrative costs of contracting with Aflac.

DISCUSSION

Today's report provides the Commission with a resolution (Attachment 1) and a Plan Document (Exhibit A) establishing the provisions of the RTC's Section 125 pre-tax plans. The Plan Document before you today (Exhibit A) was prepared for the Commission by Aflac and complies with current IRS rules regarding Section 125 plans. As part of their services, Aflac agrees to keep the RTC apprised of changes in the law affecting Section 125 plans ensuring that the RTC's plan stays up to date and in compliance with federal IRS codes. (At the time of the agenda packet preparation, the Plan Document was not yet complete. It will be sent to Commissioners under separate cover and posted on the RTC website as soon as it is available.)

This Section 125 Plan Document covers three key areas: medical insurance premiums (the portion paid by employees); un-reimbursed medical expenses; and dependent care costs. Criteria for eligibility, allowable changes, qualified expenses, etc... are all outlined in the Plan Document (Exhibit A).

The Premium Only Plan allows the portion of premiums paid by the employee for medical, vision and dental insurance to be paid with pre-tax dollars. This also applies to voluntary supplemental insurance policies that an employee might purchase through Aflac, such as supplemental Accident or Hospital coverage, with the exception of disability insurance. (It should be noted that the County's premium only plan – called H-Care – is currently limited to paying only health insurance premiums with pre-tax dollars.)

SUMMARY

Staff has provided the Committee with a resolution and a draft Section 125 Plan Document for the RTC to consider adopting at today's meeting.

Attachment 1. Resolution Regarding Adoption of a Section 125 Plan Document
Exhibit A. Draft Section 125 Plan Document (To follow under separate cover)

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