

Request for Committee Action

To: Committee of the Whole
Date: 8/19/2015
From: Human Resources
Prepared by: Joyce Traver
Presented by: Joyce Traver
File type: Action
Subcategory: Contracts & Agreements

Subject:

Flexible Spending Account (FSA) amendment to the City's Minneflex plan

Description:

Authorizing execution of an amendment to the City of Minneapolis Minneflex Plan effective Jan. 1, 2016, that will provide for a carryover of amounts greater than \$25 but less than or equal to \$500 that are remaining in an employee's health care flexible spending account (FSA) as of the end of the plan year.

Previous Actions:

Adoption of the City of Minneapolis Minneflex Plan, as Amended and Restated Effective Jan. 1, 2007. Adoption of First Amendment effective Jan. 1, 2008, adoption of Second Amendment effective Jan. 1, 2009, adoption of Third Amendment effective Jan. 1, 2010, adoption of Fourth Amendment effective Jan. 1, 2011, adoption of Fifth Amendment effective Jan. 1, 2013, and adoption of Sixth Amendment effective Jan. 1, 2015.

Ward/Neighborhood/Address:

Not Applicable

Background/Analysis:

In October 2013, the U.S. Treasury Department and the IRS issued Notice 2013-71, which gave employers who offer health care flexible spending accounts (FSA) the option of allowing employees to carryover up to \$500 of unused FSA funds to the next plan year. Prior to this rule change, all unused funds in a health care FSA were forfeited at year end. Since the annual contribution limit was lowered to \$2,500 in 2013, annual health care FSA forfeitures have averaged \$29,000 or 1.4% of contributions. The proposed amendment may increase health care FSA participation (currently at 36%) as this change will make FSA participation less risky for employees. Higher participation rates and increased contribution amounts may also allow employees to save HRA/VEBA funds for future health care expenses. Unused health care FSA amounts less than \$25 would be forfeited.

Financial Review:

No financial impact.

Attachments:

1. Health care FSA carryover explanation