



Memorandum

Date: 5/4/2021
Meeting of: City Council

File No. AM No. 21-068
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Human Resources	Cathryn Laird	425-556-2125
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DEPARTMENT STAFF:

Human Resources	Nicole Bruce	Sr. Human Resources Analyst/Benefits Plan Administrator
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TITLE:

Approval of the Flexible Spending Account (FSA) Plan Change Recommendation in Response to the American Rescue Plan Act Signed into Law on March 10, 2021

OVERVIEW STATEMENT:

Human Resources is recommending an increase to the maximum amount employees can contribute to their Dependent Care FSA from \$5,000 to \$10,500 for the 2021 plan year.

Human Resources is also recommending that moving forward our FSA Plan Design mirrors the maximum benefits allowable under current law(s)/regulation(s) and any subsequent changes and that Council authorize and direct the Mayor to implement any changes, including the execution of any contracts and agreements to do so.

☐ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☐ **Provide Direction** ☒ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
The FSA Plan Document will need to be amended.
- **Required:**
The City of Redmond Personnel Manual, Section 1.40, requires Council approval of changes that increase benefits to employees.
- **Council Request:**
N/A
- **Other Key Facts:**

N/A

OUTCOMES:

The Flexible Spending Account (FSA) is an IRS-regulated reimbursement account, also called Section 125 Flexible Spending Accounts (FSAs), that allow employees to save by setting pre-tax money aside for use in paying approved expenses. The City makes two kinds of plans available to employees; 1) a Health Care FSA that reimburses out-of-pocket health care expenses for employees and their dependents and 2) a Day Care FSA that reimburses day care expenses incurred for their dependent child or elder care expenses.

The President signed the American Rescue Plan Act (ARPA) on March 10, 2021, which contains several benefits-related relief provisions for participants. The provision that affects the FSA Plan will increase the amount employees can contribute to their Dependent Care FSA from \$5000 to \$10,500 annually. While this relief provision is optional for employers, we are recommending the adoption of this provision to provide the maximum relief to FSA plan participants. This would be consistent with the changes that were implemented in response to the Consolidated Appropriations Act (CAA) in January 2021.

We also recommend that Council authorize the Mayor to ensure the FSA Plan mirrors the maximum benefits allowable under the federal, state, or local law(s)/regulation(s). This would include: the IRS allowable maximums for contributions, the maximum rollover amounts, qualifying events to change coverage, dates to submit claims to the Plan, etc. Doing this would allow for more efficient and timelier implementation and communication of these benefit changes to our employees. Because FSA funds are contributed by employees, there is no fiscal and policy impact to the City to offer the maximum benefits under the law. When any changes occur that will be added to the FSA Plan, Human Resources will provide an informational update to the Council through the Finance, Administration, and Communication Committee of the Whole.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
The Employee Benefits Advisory Committee (EBAC) was informed of this change on March 24, 2021 and feedback was requested.
- **Outreach Methods and Results:**
EBAC meetings are typically held monthly and used as our communication method for benefit changes.
- **Feedback Summary:**
EBAC would like to see this change implemented for employees.

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: ☐ Yes ☐ No ☒ N/A

Budget Offer Number:
N/A

Budget Priority:

Responsible Government

Other budget impacts or additional costs: ☐ Yes ☐ No ☒ N/A

If yes, explain:

The plan changes are anticipated to be cost-neutral as they are employee-only contributions.

Funding source(s):

N/A

Budget/Funding Constraints:

N/A

☐ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
4/27/2021	Committee of the Whole - Finance, Administration, and Communications	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

This increase is only allowable under the law for the 2021 plan year so we would like to implement as soon as possible so that employees can increase their amounts for the remainder of the plan year which ends December 31, 2021.

ANTICIPATED RESULT IF NOT APPROVED:

We would not be able to provide FSA-related relief for employees as allowable under the American Rescue Plan Act (ARPA).

ATTACHMENTS:

N/A