

Resolution #04 of 2014

**AMENDMENT TO THE CITY OF MARGATE CAFETERIA PLAN DOCUMENT AND
SUMMARY PLAN DESCRIPTION**

WHEREAS, the Internal Revenue Service (IRS) rules governing §125 cafeteria plans prohibit participants in such plans from using their contributions in one plan year to purchase a benefit that will be provided in a subsequent plan year; and

WHEREAS, this rule, commonly called the “use or lose” rule, requires that unused benefits or contributions remaining as of the end of a plan year (that is, amounts credited to a health Flexible Spending Account (FSA) participant’s account that remain unused) be forfeited; and

WHEREAS, in a 2005 ruling, the Treasury Department and the IRS modified the “use or lose” rule to allow up to two months and 15 days after the end of a plan year (a “grace period”) during which a participant can use unused amounts remaining from that year; and

WHEREAS, Section 125(i) provides that, starting in 2013, a health FSA plan must limit a plan participant’s salary reduction contributions to no more than \$2,500 per taxable year (as indexed for cost-of-living adjustments); and

WHEREAS, in view of this new limitation and due to other reasons, the Treasury Department and IRS have determined that it is appropriate to modify the “use or lose” rule to permit the use of up to \$500 of unused amounts in a health FSA plan in the immediately following plan year; and

WHEREAS, the Employer named below wishes to adopt this “rollover option” in its health FSA plan for the benefit of plan participants;

NOW, THEREFORE, effective January 1, 2014, the City of Margate Cafeteria Plan Document and Summary Plan Description are amended as follows:

1. Starting with the plan year commencing January 1, 2014, and until further notice otherwise, plan participants shall be allowed to carry over health FSA amounts unused as of the end of a current plan year to the succeeding plan year, so that these unused amounts can be applied to reimburse qualified medical expenses incurred during that succeeding plan year.
2. An unused amount carried over for a plan participant pursuant to 1, above, shall not exceed \$500.

3. Since this new IRS modification described above cannot apply if a health FSA plan already includes the grace period option allowed by the IRS in an earlier ruling, and since this plan includes this option, the grace period option allowed under this plan shall cease to apply as of the last day of the plan year that commenced on January 1, 2013.

IT IS HEREBY AGREED, that this Amendment shall form part of the City of Margate cafeteria plan document and summary plan description as of the effective date indicated above, and that except as otherwise provided above, all other provisions of those documents shall remain in full force and effect.

Executed this 2nd day of January, 2014 by:

Richard Deaney, Business Administrator
City of Margate

Taxpayer ID# 21-6000828

Witness: _____