

# COUNCIL COMMUNICATION

**From:** The City Manager

**Subject:** Internal Revenue Code Section 125 Cafeteria Plan Adoption Agreement

**Manager's Recommendation:**

I recommend approval for the establishment of a Qualified Cafeteria Plan (Plan) as set forth pursuant to Section 125 of the Internal Revenue Code. Furthermore, I recommend approval of the Adoption Agreement of said plan for the City of Saginaw (City). I have approved the Agreement as to substance and the City Attorney has approved as to form. It is also recommended that City Council authorize me or my designee to sign all documents. In addition, City Council must approve a Uniform Resolution, which is contained within another section of the agenda.

**Justification:**

On February 5, 2009, City Council approved new negotiated contract benefits between the City and the Police Officers Association of Michigan (POAM) bargaining unit. The Agreement contained language that required new employees hired into the bargaining unit after March 1, 2009, to make bi-weekly pretax contributions of \$46.15 that will be applied to their health care benefit as an active employee. Furthermore, other bargaining units have also agreed to have members make weekly/bi-weekly contributions to the health care plan beginning on July 1, 2011. The approval of the Section 125 Plan allows employees to contribute a premium before Federal and State taxes are calculated. Section 7.4 of the Cafeteria Plan states that the Plan Administrator can only incur liability for willful misconduct or willful breach of the Plan. Furthermore, Section 7.9 of the Cafeteria Plan states that the City must indemnify the Plan Administrator.

**Council Action:**

Council \_\_\_\_\_ moved that the recommendation of the City Manager be approved.