

COUNCIL COMMUNICATION

From: The City Manager

Subject: Benefit Administrative Services International Corporation Benefit Administration Agreement and Business Associate Agreement

Manager's Recommendation:

I recommend approval of the Benefit Administration Agreement and Business Associate Agreement between the City of Saginaw and Benefit Administrative Services International Corporation ("BASIC") to provide the administration and record keeping function for a Health Care and Dependent Care Reimbursement plan. The Agreements are subject to my approval as to substance and the City Attorney as to form. It is also recommended that City Council authorize the City Manager or his designee to sign all documents.

Justification:

Through the collective bargaining process, the City of Saginaw negotiated new contracts for all the bargaining units that changed health care benefits to include out of pocket cost for plan participants. Several collective bargaining units requested that the City establish a Health Care Reimbursement plan, also known as a flexible spending account (FSA) and a Dependent Care Reimbursement plan during the bargaining process to assist in offsetting their increased out of pocket expenses. One of the bargaining units, International Association of Firefighters, successfully negotiated this benefit.

The FSA plan allows employees to pay for health care expenses that are not covered elsewhere with pre-tax contributions. The Dependent Care Reimbursement plan allows employees to pay for dependent care expenses with pre-tax money. The

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establishment of the plan creates a benefit to both the City and the employee who elects to participate by reducing FICA taxes through pre-tax employee contributions. Furthermore, the employee who participates will also have federal, state and local taxes reduced through the pre-tax contributions. Administrative fees will be borne by the employee electing to participate. There is a one time set up fee of \$200.00 for the City of Saginaw.

Council Action:

Council _____ moved that the recommendation of the City Manager be approved.