

**MONTEREY COUNTY BOARD OF SUPERVISORS**

<b>MEETING:</b> December 6, 2011 - Consent	<b>AGENDA NO.:</b> Revised 42
<b>SUBJECT:</b>	a. Approve the termination of the Premium Contribution Plan for (Voluntary) Optional Benefits, effective January 1, 2012; and b. Amend original Section 125 Plan to remove all references to Optional Benefits effective January 1, 2012.
<b>DEPARTMENT:</b> County Administrative Office	

**RECOMMENDATION:**

It is recommended that the Board of Supervisors:

- a. Approve the termination of the Premium Contribution Plan for (Voluntary) Optional Benefits, effective January 1, 2012; and
- b. Amend original Section 125 Plan to move all references to Optional Benefits effective January 1, 2012.

**SUMMARY/DISCUSSION:**

The amendment of the original Section 125 Plan to remove all optional benefits and the termination of the Premium Contribution Plan for (Voluntary) Optional Benefits removes employee (Voluntary) Optional Benefits such as cancer, heart/stroke, short term disability, long term care, accidental death and dismemberment and additional life insurance from the Section 125 Plan (core benefits such as health, dental, vision, etc.) and from the regulations imposed by the Internal Revenue Service (IRS) for pre-tax benefits. This action allows (Voluntary) Optional Benefits to be transitioned to post-tax payroll deductions thus allowing employees greater financial flexibility. Additional, moving all (Voluntary) Optional Benefits to a post-tax basis will reduce staff time spent auditing individual transactions to ensure compliance with IRS regulations, reduce payroll adjustments and protect the integrity of the Section 125 Flexible Benefit Plan for core benefits.

The economy has caused many employees to need to consider benefit changes that may not coincide with a valid qualifying event (as defined by the Internal Revenue Service). Under the existing Premium Contribution Plan for (Voluntary) Optional Benefits, employees are not permitted to make changes to their optional benefit selections outside of the Annual Open Enrollment period or unless there has been a valid, qualifying event. Such changes could provide significant financial relief for some employees. Furthermore, such changes could reduce stressors that impact employee productivity through absenteeism and presenteeism (employees who are physically present but not fully focused) and can result in increased Workers' Compensation claims. The termination of the Premium Contribution Plan for (Voluntary) Optional Benefits will provide employees with options for greater financial flexibility and will reduce staff time spent auditing such transactions.

**OTHER AGENCY INVOLVEMENT:**

The Auditor's Office has been consulted.

**FINANCING:**

There are no new costs associated with this action.

Prepared by:

Approved by:

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Terri Cook  
Management Analyst III  
796-3529

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Lew C. Bauman  
County Administrative Officer

Date: November 30, 2011

Cc: Mike Miller, Auditor-Controller