



# Memorandum

**Meeting Details:** July 24, 2024

**Prepared For:** Hon. Mayor Brooks & Board of Commissioners

**Staff Contact:** Andrew Laflin, Finance Director

**Subject:** Formal Adoption of Section 125 Plan

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## **Background**

A Section 125 Plan, also known as a Cafeteria Plan is a cost-effective way for the City of Madeira Beach (City) to sponsor its benefits package by offering tax advantages for both the City and its employees. Contributions to the Section 125 Plan (Plan) are withheld on a pretax basis, thereby lowering taxable income, including both federal income tax for employees and FICA taxes for the City and employees. The City offers medical, dental, vision, and other supplemental coverages under the Plan.

A Section 125 Plan should include a Plan document that outlines the benefits offered, eligibility and enrollment, and other information required by the IRS. Exhibit A herein contains the formal Section 125 Plan document, including a Summary Plan Description. The City has had a Section 125 Plan in place to provide pretax benefits to employees and eligible dependents, but Exhibit A formalizes such plan to maintain full compliance with Section 125 of the Internal Revenue Code.

## **Fiscal Impact**

Adoption of the Section 125 Plan does not result in any additional personnel benefits costs to be incurred by the City. Approval of the Plan is intended for compliance purposes in accordance with IRC Section 125.

## **Recommendation(s)**

Staff recommends approval of the City of Madeira Beach Section 125 Plan.

## **Attachments**

- Exhibit A – City of Madeira Beach Section 125 Plan