

**SUMMARY OF MATERIAL MODIFICATIONS
for the**

CITY OF OAKLAND
Flexible Benefits Plan

I INTRODUCTION

This is a Summary of Material Modifications regarding the City of Oakland Flexible Benefits Plan (the "Plan"). This is merely a summary of the most important changes to the Plan and information contained in the Summary Plan Description ("SPD") previously provided to you. It supplements and amends that SPD so you should retain a copy of this document with your copy of the SPD. If you have any questions, contact the Administrator. If there is any discrepancy between the terms of the Plan, as modified, and this Summary of Material Modifications, the provisions of the Plan will control.

**II
SUMMARY OF CHANGES**

H.R. 133 Consolidated Appropriations Act Amendment(s). The Employer hereby amends the Plan as follows:

Post-Termination Reimbursements from Health FSAs

On December 27, 2020, H.R. 133 Consolidated Appropriations Act was signed into law, impacting section 125 cafeteria plans. This guidance is designed to provide temporary flexibility for employers and employees and assist with the National response to the 2019 Novel Coronavirus outbreak (COVID-19).

Effective as of the effective date, the Employer amends their plan to allow for terminated participants to continue to receive reimbursements from their Health FSA unused funds thru the end of the plan year their participation ceased. This guidance only applies to the 2020 and 2021 plan year.

A plan that includes a health flexible spending arrangement shall not fail to be treated as a cafeteria plan under the Internal Revenue Code of 1986 merely because such plan or arrangement allows (under rules similar to the rules applicable to dependent care flexible spending arrangements) an employee who ceases participation in the plan during calendar year 2020 or 2021 to continue to receive reimbursements from unused benefits or contributions through the end of the plan year in which such participation ceased (including any grace period).

The extension of the period for incurring claims under this guidance is an extension of coverage that is not HSA compatible, consequently any terminated employee with unused amounts remaining after termination, (including any grace period) will not be eligible to contribute to an HSA during the post-termination coverage period.

Section 125 Change in Status under the Health or Dependent Care FSA

Effective as of the effective date, the Employer amends their plan to allow for the below change in status flexibility. This is a temporary change effective only for the plan year ending in 2021.

On December 27, 2020, H.R. 133 Consolidated Appropriations Act was signed into law, impacting section 125 cafeteria plans. This guidance is designed to provide temporary flexibility for employers and employees and assist with the National response to the 2019 Novel Coronavirus outbreak (COVID-19). These changes permit, under certain circumstances, prospective changes to health and dependent care FSA elections as follows:

- a) employees may revoke a health FSA election, make a new election, or decrease or increase an existing election on a prospective basis; and
- b) employees may revoke a dependent care FSA election, make a new election, or decrease or increase an existing election on a prospective basis.

Employers are not required to allow unlimited election changes but may determine the extent to which such changes are permitted and applied. Any change allowed shall not permit a revocation or decrease in election below the amount already disbursed.

Extension of Grace Periods for Plan Years ending in 2020 and 2021

Effective as of the effective date, the Employer amends their plan to allow for the extension of the Grace Period for plan year ending in 2020 and 2021 to 12 months after the end of such plan year.

In general a plan that includes a health flexible spending arrangement or dependent care flexible spending arrangement shall not fail to be treated as a cafeteria plan under the Internal Revenue Code of 1986 merely because such plan or arrangement extends the grace period for a plan year ending in 2020 or 2021 to 12 months after the end of such plan year, with respect to unused benefits or contributions remaining in a health flexible spending arrangement or a dependent care flexible spending arrangement.

The extension of the period for incurring claims under this guidance is an extension of coverage that is not HSA compatible, consequently any employee with unused amounts remaining at the end of a plan year or grace period ending in 2020 or 2021 will not be eligible to contribute to an HSA during the extend period (unless the FSA is a limited FSA).