

**SUMMARY OF MATERIAL MODIFICATIONS TO THE
SECTION 125 PLAN**

This document summarizes important changes to your Section 125 Plan (the "Plan"). If you have any questions regarding the changes outlined in this Summary of Material Modifications ("SMM"), you should contact [insert appropriate contact]. Keep a copy of this SMM with your Summary Plan Description for future reference.

**Changes to "Use-or-Lose" Rule for Health Flexible Spending Arrangements
("FSAs")**

Effective immediately, and for all future tax years after 01/01/2013, employees will be allowed to carry over up to \$500 of unused FSA amounts for qualified medical expenses incurred during the following year.

In order to take advantage of the carry over, the Plan is required to eliminate the Grace Period provision that allowed employees to use remaining FSA amounts to pay for expenses incurred during the two and half months after the end of the plan year.

**AMENDMENT TO THE
CITY OF CROSSVILLE
CAFETERIA PLAN**

THIS AMENDMENT TO THE **CITY OF CROSSVILLE CAFETERIA PLAN** (the "Plan") is adopted by CITY OF CROSSVILLE, effective as of the dates set forth herein.

NOW, THEREFORE, effective as set forth below, the Plan is amended as follows:

- A.** Effective 01/01/2013, pursuant to Internal Revenue Service Notice 2013-71, Article IV A is hereby amended to remove the Grace Period option as outlined in Sections 4.01A and 4.02A and allow Participants to carry over up to **Five Hundred Dollars (\$500.00)** of unused **Health FSA** amounts at the end of the Plan Year to their Health FSA balance for the subsequent Plan Year. For avoidance of doubt, **the carryover of up to \$500.00 does not impact the subsequent maximum Health FSA Participant Salary Reduction amount set by the IRS.**

CITY OF CROSSVILLE

By: 

Title: City Manager

**ACTION TAKEN AND RESOLUTION ADOPTED BY CONSENT
OF THE BOARD OF DIRECTORS OF
CITY OF CROSSVILLE**

The undersigned, being all of the members of the Board of Directors of **CITY OF CROSSVILLE** (the "Employer"), hereby adopt the following Resolution by unanimous consent and direct that this Consent Resolution be entered in the minute books of the Employer.

WHEREAS, the Employer previously adopted a Code Section 125 plan, also known as the Cafeteria Plan, (the "Plan");

WHEREAS, effective immediately, Internal Revenue Service Notice 2013-71 (the "Notice") modified the "use-or-lose" rule for health flexible spending arrangements (FSAs) to allow, at the plan sponsor's option, employees participating in health FSAs to carry over up to five hundred dollars (\$500.00) of unused amounts remaining at year-end; and

WHEREAS, effective 01/01/2013 the Employer desires to amend the Plan as set forth in the attached Amendment and Summary of Material Modifications to make changes to allow employees a carryover of up to **\$500.00** to the flexible spending account, consistent with the requirements set forth in the Notice.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors has hereby reviewed the attached Amendment and Summary of Material Modifications and does hereby approve the adoption of the Amendment as set forth therein;

BE IT FURTHER RESOLVED that the officers of the Employer are authorized and directed to take any and all action as may be necessary to effectuate this Resolution.

By _____ Date _____

By _____ Date _____

By _____ Date _____