

Public Agenda Item #14c

Review, Discussion and Consideration of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Required Rule Reviews and Amendments to:

Chapter 85 (Flexible Benefits)

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Chapter 85 (Flexible Benefits)

Required Rule Review



- Texas law requires review of rules every four years. Staff reviewed Chapters 85 per § 2001.039, Tex. Gov't Code.
- Notice of rule review for Chapter 85 was published in the May 8, 2015 issue of the *Texas Register*. No comments were received by ERS.
- Reasons for adopting rules in Chapters 85 continue to exist with amendments.

Chapter 85 (Flexible Benefits)

Background



- The proposed amendments will expand the voluntary benefits available to active employees under the State of Texas Employees Flexible Benefit Program (TexFlex).
 - TexFlex is a flexible spending arrangement (FSA) funded by pre-tax salary contributions that are used to reimburse participants for health and day care expenses.
 - The benefits have been expanded to include a Qualified Transportation Fringe Benefits (QTFB) plan.
 - Through a QTFB plan, employees can use pre-tax dollars to pay for qualified expenses associated with their daily commute such as mass transportation or parking fees.

Chapter 85 (Flexible Benefits)

Amendments



- § 85.1 – Clarify that the grace period still applies to an employee participating in a dependent care reimbursement account.
- § 85.1 and § 85.4 – Update the rules to offer TexFlex participants a qualified transportation benefit plan as permitted by § 132 of the Internal Revenue Code.

Chapter 85 (Flexible Benefits)

Amendments (cont'd)



- § 85.7 – Provide that carryover amounts less than \$25.00 shall be forfeited to pay the administrative costs of the plan.
- § 85.9 – Clarify that a health care reimbursement account participant who has insufficient funds to pay for the monthly election amount during the plan year will be liable to make after-tax contributions to pay the monthly election.

Chapter 85 (Flexible Benefits)

Amendments (cont'd)



§ 85.13 – Clarify that after a Qualifying Life Event, claims will be accounted for using a non-blended approach.

Chapter 85 (Flexible Benefits)

Required Rule Review and Adoption of Amendments



Staff Recommends:

- Adopt proposed amendments to Chapters 85 (Flexible Benefits) as presented.
- Re-adopt Chapters 85 as amended by the Board.

Chapter 85 (Flexible Benefits)

Future Changes



- Next Steps
 - Amend rules to include a limited-purpose flexible spending account (LP FSA)
 - HSA participants are only eligible to participate in a limited-purpose health care reimbursement account
 - Allows participants to defer additional funds to defray the costs of qualifying expenses
 - Qualifying expenses are limited to dental, vision and orthodontia expenses incurred during the benefit plan year.

Questions?