

**TOWN COUNCIL OF CENTREVILLE  
RESOLUTION 03-2024**

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**A RESOLUTION OF THE TOWN COUNCIL OF CENTREVILLE TO AMEND THE  
FLEXIBLE SPENDING AGREEMENT PLAN**

WHEREAS, on April 1, 2012, the Town adopted a Flexible Spending Agreement Plan (FSA) to provide benefits for qualified employees and their dependents and beneficiaries. The plan allows employees to elect between cash compensation or certain nontaxable benefit options as they desire.

WHEREAS, the Town Council of Centreville wishes to amend the current Flexible Spending Agreement Plan by increasing the maximum annual election for Health Care FSA to \$3,200 and by increasing the allowable carryover of unused contributions for Health Care FSA to \$640.

NOW THEREFORE BE IT RESOLVED by the Town Council of Centreville, acting pursuant to the authorities noted above:

**Section 1.** The recitals set forth above are incorporated herein by reference and made a part of this Resolution;

**Section 2.** The amended Town of Centreville FSA Plan Document and Summary Plan Description attached to this Resolution as Exhibit "A" is hereby approved;

**Section 3.** The Town Manager is hereby authorized to execute and deliver to the Administrator of the Plan one or more counterparts of the Plan and to take whatever additional actions are reasonably necessary to effectuate the terms of this Resolution;

**Section 4.** The Administrator of the Plan is hereby instructed to take such actions as the Administrator deems necessary to implement the Flexible Spending Agreement Plan including setting up adequate accounting and administrative procedures for the provision of benefits under the Plan;

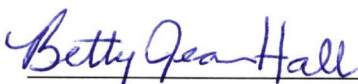
**Section 5.** The Town Manager shall cause the Summary of Plan Description which is attached hereto and approved to be delivered to each employee of the Town; and

**Section 6.** The Flexible Spending Agreement Plan shall be effective July 1, 2024.

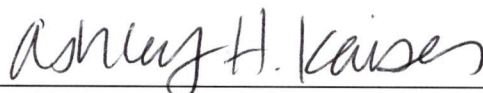
BY ORDER: We hereby certify that Resolution Number 03-2024 is true and correct and duly adopted by the Town Council of Centreville, Maryland.

**ATTEST:**

**THE TOWN COUNCIL OF CENTREVILLE**



Betty Jean Hall  
Acting Town Clerk



Ashley H. Kaiser, Esq., President



Eric B. Johnson, Jr., Vice President



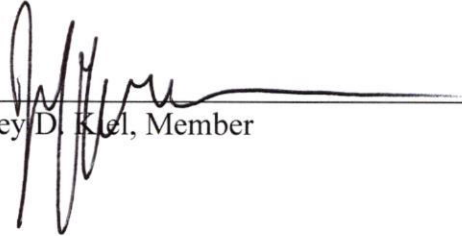
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Daniel B. Worth, Member



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Jim A. Beauchamp, Member



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Jeffrey D. Kiel, Member



Town of Centreville

Town of Centreville  
101 Lawyers Row  
Centreville, MD 21617

Town of Centreville FSA Plan

Plan Document

Amended and Restated July 01, 2022

Draft Amendment  
Resolution 03-2024

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## VI. ARTICLE - HEALTH FLEXIBLE SPENDING ACCOUNT

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### 01. ESTABLISHMENT OF BENEFIT

This Health Flexible Spending Account is intended to qualify as a medical reimbursement plan under Code Section 105 and shall be interpreted in a manner consistent with such Code Section and the Treasury regulations thereunder. Participants who elect to participate in this Health Flexible Spending Account may submit claims for the reimbursement of allowable Medical Expenses. All amounts reimbursed shall be periodically paid from amounts allocated to the Participant's Health Flexible Spending Account. Periodic payments reimbursing Participants from the Health Flexible Spending Account shall in no event occur less frequently than monthly.

### 02. DEFINITIONS

For the purposes of this Article and the Plan, the terms below have the following meanings:

- a. **"Health Flexible Spending Account"** means the account established for a Participant pursuant to this Plan to which part of his or her Cafeteria Plan Benefit Dollars may be allocated and from which all allowable Medical Expenses incurred by the Participant, his or her Spouse and his or her Dependents may be reimbursed.
- b. **"Highly Compensated Participant"** means, for the purposes of this Article and determining discrimination under Code Section 105(h), a participant who is:
  1. one of the 5 highest paid officers;
  2. a shareholder who owns (or is considered to own, applying the rules of Code Section 318) more than 10 percent in value of the stock of the Employer; or
  3. among the highest paid 25 percent of all Employees (other than exclusions permitted by Code Section 105(h)(3)(B) for those individuals who are not Participants).
- c. **"Medical Expenses"** means any expense for medical care within the meaning of the term "medical care" as defined in Code Section 213(d) and the rulings and Treasury regulations thereunder, and not otherwise used by the Participant as a deduction in determining his or her tax liability under the Code. "Medical Expenses" can be incurred by the Participant, his or her Spouse and his or her Dependents. "Incurred" means, with regard to Medical Expenses, when the Participant is provided with the medical care that gives rise to the Medical Expense and not when the Participant is formally billed or charged for, or pays for, the medical care.

A Participant may not be reimbursed for the cost of other health coverage such as premiums paid under plans maintained by the employer of the Participant's Spouse or individual policies maintained by the Participant or his or her Spouse or Dependent.
- d. A Participant may not be reimbursed for "qualified long-term care services" as defined in Code Section 7702B(c).
- e. The definitions of the Article titled: "Plan Definitions" are hereby incorporated by reference to the extent necessary to interpret and apply the provisions of this Health Flexible Spending Account.

### 03. FORFEITURES

\$640

A Participant in the Health Care Flexible Spending Account may roll over up to ~~\$550.00~~ of unused funds at the end of one Plan Year to the next Plan Year. The maximum limit may increase from year-to-year as provided under IRS Notice 2020-33 and Section 125(i) of the Internal Revenue Code. These funds can be used during the following Plan Year for expenses incurred in that Plan Year. Amounts carried over do not affect the maximum amount of salary redirections otherwise permitted for said next Plan Year. Unused amounts are those remaining after all eligible expenses for the Plan Year have been reimbursed. These amounts may not be cashed out or converted to any other taxable or nontaxable benefit. Unused amounts in excess of maximum limit will be forfeited.

### 04. LIMITATION ON ALLOCATIONS

\$3,200.00

Notwithstanding any provision contained in this Health Flexible Spending Account to the contrary, the maximum amount of salary redirections that may be allocated to the Health Flexible Spending Account by a Participant in any Plan Year is ~~\$2,850.00~~. The maximum limit may increase from year-to-year pursuant to Section 125(i)(2) of the Internal Revenue Code. The minimum amount that may be allocated to the Health Flexible Spending Account by a Participant in or on account of any Plan Year is \$130.00.

**Carryover:** A Participant in the Health Care Flexible Spending Account may roll over up to

\$640

~~\$550.00~~ of unused funds at the end of one Plan Year to the next Plan Year. The maximum limit may increase from year-to-year as provided under IRS Notice 2020-33 and Section 125(i) of the Internal Revenue Code. These funds can be used during the following Plan Year for expenses incurred in that Plan Year. Amounts carried over do not affect the maximum amount of salary redirections otherwise permitted for said next Plan Year. Unused amounts are those remaining after all eligible expenses for the Plan Year have been reimbursed. These amounts may not be cashed out or converted to any other taxable or nontaxable benefit. Unused amounts in excess of maximum limit will be forfeited.

05. **NONDISCRIMINATION REQUIREMENTS**

- a. **Intent to be nondiscriminatory.** It is the intent of this Health Flexible Spending Account not to discriminate in violation of the Code and the Treasury regulations thereunder.
- b. **Adjustment to avoid test failure.** If the Administrator deems it necessary to avoid discrimination under this Health Flexible Spending Account, it may, but shall not be required to, reject any elections or reduce contributions or Benefits in order to assure compliance with this Section. Any act taken by the Administrator under this Section shall be carried out in a uniform and nondiscriminatory manner. If the Administrator decides to reject any elections or reduce contributions or Benefits, it shall be done in the following manner. First, the Benefits designated for the Health Flexible Spending Account by the member of the group in whose favor discrimination may not occur pursuant to Code Section 105 that elected to contribute the highest amount to the fund for the Plan Year shall be reduced until the nondiscrimination tests set forth in this Section and/or the Code are satisfied, or until the amount designated for the fund equals the amount designated for the fund by the member of the group in whose favor discrimination may not occur pursuant to Code Section 105 who has elected the second highest contribution to the Health Flexible Spending Account for the Plan Year. This process shall continue until the nondiscrimination tests set forth in this Section or the Code are satisfied. Contributions which are not utilized to provide Benefits to any Participant by virtue of any administrative act under this paragraph shall be forfeited and credited to the benefit plan surplus.

06. **COORDINATION WITH CAFETERIA PLAN**

All Participants under the Plan are eligible to receive Benefits under this Health Flexible Spending Account. Enrollment under the Cafeteria Plan shall constitute enrollment under this Health Flexible Spending Account. In addition, other matters concerning contributions, elections and the like shall be governed by the general provisions of the Cafeteria Plan.

07. **HEALTH FLEXIBLE SPENDING ACCOUNT CLAIMS**

- a. **Expenses must be incurred during Plan Year.** All eligible Medical Expenses incurred by a Participant, his or her Spouse and his or her Dependents during the Plan Year shall be reimbursed, subject to the Section titled: "Termination of Employment", even though the submission of such a claim occurs after his or her participation hereunder ceases; but provided that the Medical Expenses were incurred during the applicable Plan Year. Medical Expenses are treated as having been incurred when the Participant is provided with the medical care that gives rise to the medical expenses, not when the Participant is formally billed or charged for, or pays for the medical care.
- b. **Reimbursement available throughout Plan Year.** The Administrator shall direct the reimbursement to each eligible Participant for all allowable Medical Expenses, up to a maximum of the amount designated by the Participant for the Health Flexible Spending Account for the Plan Year. Reimbursements shall be made available to the Participant throughout the year without regard to the level of Cafeteria Plan Benefit Dollars which have been allocated to the fund at any given point in time. Furthermore, a Participant shall be entitled to reimbursements only for amounts in excess of any payments or other reimbursements under any health care plan covering the Participant and/or his or her Spouse or Dependents.
- c. **Payments.** Reimbursement payments under this Plan shall be made directly to the Participant. However, in the Administrator's discretion, payments may be made directly to the service provider. The application for payment or reimbursement shall be made to the Administrator on an acceptable form within a reasonable time after incurring the debt or paying for the service. The application shall include a written statement from an independent third party stating that the Medical Expense has been incurred and the amount of such expense. Furthermore, the Participant shall provide a written statement that the Medical Expense has not been reimbursed or is not reimbursable under any other health plan coverage and, if reimbursed from the Health Flexible Spending Account, such amount will not be claimed as a tax deduction. The Administrator shall retain a file of all such applications.
- d. **Claims for reimbursement.** Claims for the reimbursement of Medical Expenses incurred in any Plan Year shall be paid as soon after a claim has been filed as is administratively practicable; provided however, that if a Participant fails to submit a claim within 60 days after