

RESOLUTION NO. 503

A RESOLUTION OF THE CITY OF STAYTON ADOPTING A PREMIUM CONVERSION CAFETERIA BENEFIT PLAN FOR THE EMPLOYEES OF THE CITY.

WHEREAS, the governing body of the City of Stayton finds and determines that it is in the interest of the public, the city, and the city's employees that the city offer an Internal Revenue Code Section 125 Premium Conversion cafeteria benefit plan to its employees; and

WHEREAS, the benefit plan set forth as Exhibit A (hereafter "the Plan") provides sufficient flexibility to permit employees of the city to select benefits that most suit their needs by providing a choice between cash wages and the option to convert wages to premiums in order to cover their insurance contributions; and

WHEREAS, the Plan as set forth will allow the employees and the city to establish a partnership to educate employees and their families about appropriate health care utilization, to share responsibility for health care costs, and to pursue future means of moderating insurance premium increases;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STAYTON that the city should, and does hereby, adopt an employee premium conversion cafeteria benefit plan, attached hereto as Exhibit A and fully incorporated by reference.

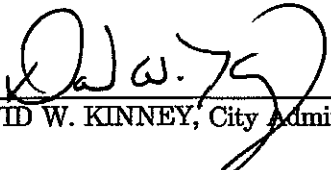
ADOPTED BY THE STAYTON CITY COUNCIL this 21st day of December, 1992.

Date: 12-22-92

By: 
WILLMER VAN VLEET, Mayor

ATTEST

Date: 12-22-92

By: 
DAVID W. KINNEY, City Administrator

ef:b

EXHIBIT A
Stayton Resolution No. 503

CITY OF STAYTON PREMIUM CONVERSION PLAN

EFFECTIVE 1 January 1993

PREMIUM CONVERSION PLAN
PLAN DOCUMENT

CAFETERIA PLAN
MODEL "PREMIUM CONVERSION" PLAN DOCUMENT

ARTICLE 1

Introduction

The Employer has adopted this Plan in order to allow its Eligible Employees to choose, based on their own particular goals, desires and needs, between cash and a premium conversion option to pay for Employer sponsored group Health Plan coverage.

It is the intention of the Employer that the Plan qualify as a "cafeteria/premium conversion plan" within the meaning of section 125 of the Internal Revenue Code of 1986 as amended.

The effective date of this Plan is January 1, 1993.

ARTICLE 2

Definitions

Each word and phrase defined in this Article 2 shall have the following meaning whenever such word or phrase is capitalized and used herein unless a different meaning is clearly required by the context of the Plan.

Section 2.01 Administrator The Administrator shall be the Employer.

Section 2.02 Account The Member's account established under Section 8.01 for reimbursement of group insurance premiums.

Section 2.03 Claimant A Participant or the Participant's eligible dependent who has submitted a claim under the Plan.

Section 2.04 Code The Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

Section 2.05 Compensation A Member's wages or salary, including overtime, as determined by the Employer, for personal services rendered in the course of employment with the Employer plus contributions under Article 4 paid on a Member's behalf.

Section 2.06 Dependent A Member's spouse or dependent as defined in the Employer sponsored Health Plan that describes the employer-sponsored health coverage.

Section 2.07 Elective Contributions An amount the Member has elected to have withheld from his or her salary to be contributed to the Premium Conversion Plan Account as described in Article 4.

Section 2.08 Eligible Employee Any Employee who is insured under his or her Employer-sponsored Health Plan.

Section 2.09 Employee Any person employed by the Employer who is eligible for benefits under the Employer sponsored Health Plan but excluding any person covered by a collective bargaining agreement between the Employer and a bargaining unit of employees, unless coverage under this Plan is provided for under the collective bargaining agreement.

Section 2.10 Employer Employer means the City of Stayton.

Section 2.11 Governing Body Governing Body is the elected or appointed board that governs the City of Stayton.

Section 2.12 Highly Compensated Member An employee defined by Code Section 105(h)(5) or Code Section 414(q) as is appropriate.

Section 2.13 Health Plan Any plan of the Employer other than this Plan which provides medical care benefits (including dental care benefits) for employees generally.

Section 2.14 Member Any Employee who has become eligible to participate in the Plan in accordance with Section 3.01 and who has not ceased to be an Employee.

Section 2.15 Non-elective Contributions The contributions made pursuant to Section 4.05.

Section 2.16 Participant Participant is any Member who has elected to participate in this Plan and any Member's spouse or dependent(s) insured under the Member's Employer-provided Health Plan.

Section 2.17 Period of Coverage The Plan Year, except that it may be a fraction of a Plan Year as provided in Section 5.05.

Section 2.18 Plan The Employer's Premium Conversion Plan set forth herein.

Section 2.19 Plan Year The first Plan Year shall be January 1, 1993 through December 31, 1993, thereafter each successive calendar year shall be the Plan Year.

Section 2.20 Reimbursement Benefits The Premium Conversion Benefits described in Section 6.02.

ARTICLE 3

Eligibility Requirements

Section 3.01 Eligibility An Employee shall become eligible to participate in this plan as of the later of:

- a. The date the Employee becomes eligible for coverage under the Employer sponsored Health Plan; or
- b. The date of the Employee's coverage under this Plan through the adoption of this Plan by the Employee's employing entity;

Section 3.02 Notice and Enrollment Prior to the date an Employee first becomes eligible to participate in this Plan, the Employer shall notify in writing each Employee who becomes eligible and shall explain the rights, privileges and duties of a Member of the Plan. Each Member may elect to participate as of the date on which he or she becomes eligible in accordance with Section 3.01 by completing and delivering to the Employer a salary reduction agreement and an election of benefits form on forms provided by the Employer.

Section 3.03 Termination of Eligibility A Member becomes ineligible to participate in the Plan if the Member transfers to an ineligible class of employees or terminates employment with the Employer. Upon the termination of eligibility, the Member's right to participate in the Plan terminates as of the date of such transfer or employment termination, except as specifically stated in the Plan or pursuant to the provisions of the consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended.

ARTICLE 4

Contributions

Section 4.01 Insurance Premium Conversion For any Plan Year, each Member may elect to have contributed to his or her Account an amount of his or her Compensation for such Plan Year to pay for insurance premiums for Health Plans sponsored by the Member's Employer.

Section 4.02 Pay Reduction and Payroll Withholding A Member's Compensation for a Plan Year shall be reduced by the amount of the contributions which he or she elects for such Plan Year under Sections 4.01. Contributions shall be made only by way of Payroll Withholding which shall be made during a Member's applicable Period of Coverage.

Section 4.03 Non-Elective Contributions For any Plan Year, the Employer may make further contributions to the Plan on behalf of Members. In the case of a Member who becomes eligible to participate in the middle of a Period of Coverage, as provided for in Section 5.05, the Employer's Non-Elective Contribution will be a pro-rata amount based on the number of months left in the applicable Period of Coverage. Any such contributions shall be made only on a non-discriminatory basis.

ARTICLE 5

Elections

Section 5.01 In General Elections of contributions and benefits shall be made at the time, in the manner and subject to the conditions specified by the Employer which shall prescribe uniform and nondiscriminatory rules for such elections.

Section 5.02 Election to Participate An eligible Employee commences participation by filing an executed election form with his or her Employer. The Employee's signed election form shall designate the Plan Year (or the remaining portion of the Plan Year), as the time period for which participation will be effective.

Section 5.03 Contributions Members must elect the amount of contributions to a Premium Conversion Plan for an elected Period of Coverage. Contributions allocated to a Premium Conversion Plan may never be used for any other benefit.

Section 5.04 Period of Coverage Except as provided in Sections 5.05 and 5.06, any Member electing contributions and benefits must make an irrevocable election for a Period of Coverage of an entire Plan Year.

Section 5.05 Fractional Periods Members who become eligible to participate in the middle of a Plan Year may elect to participate from the first day of the next month, which shall be deemed to be their period of coverage. Such Members must elect to participate no later than thirty (30) days after becoming eligible to do so or within such other time limit as the Employer may prescribe.

Section 5.06 Timing of Elections Elections of contributions for a Period of Coverage shall be made prior to such Period of Coverage, provided that when a Member commences or recommences participation in the middle of a Period of Coverage, he or she shall make elections prior to commencement of participation.

Section 5.07 Changes of Elections Elections of contributions and/or benefits may not be changed in the middle of a Period of Coverage unless the Trust's administrative policies permit a change and, if applicable, the change is permitted by the Medical Plan covering the Member and:

- a. The cost of a Health Plan provided by an independent, third-party provider increases or decreases and the Participant is required to make a corresponding change in premium payments, or, if coverage of the Health Plan significantly curtails or ceases thereby requiring the Plan to obtain another Health Plan with similar coverage, or

- b. Such change is on account of and consistent, necessary and appropriate with a change in family status or such other changes which are compliance with Code section 125 and the regulations thereunder, (ie: marriage or divorce of an employee, death of a spouse or dependent, the birth or adoption of a child of the employee, or the employee switching from full-time to part-time employment or vice-versa.)

For purposes of this Section, a Member must make an annual election form. A change from or to a zero amount of contributions shall be considered a change of an election. Changes in elections shall only be effective as to contributions following the effective date of such changes.

Section 5.08 Health Plans Elections of contributions under Section 4.01 shall be subject to the rules governing elections of benefits under a Member's Medical Plan.

ARTICLE 6

Benefits

Section 6.01 Benefits Available Subject to Article 4, Members may elect one or more of the following benefits:

- a. Group Insurance Premium Conversion
- b. Cash

Section 6.02 Group Insurance Premiums Contributions under Section 4.01 may be used to purchase benefits under an Employer-sponsored Health Plan for the Member and his or her spouse and dependents, subject to the limitations on coverage and benefits provided by the terms of such Health Plan.

Section 6.03 Cash Benefits Members may also receive cash benefits in lieu of salary reduction to fund the benefits described in Sections 6.01 a..

ARTICLE 7

Limitations on Benefits

Section 7.01 Coverage Amounts for the Premium Conversion Plan may only be paid for coverage provided during the Period of Coverage elected for such benefit. Insured benefits shall be considered incurred during the period of insurance coverage, and not when the Member is formally billed, charged for or pays for the coverage.

Section 7.02 Amount of Benefits The maximum amount of Premium Conversion Benefits payable for a Plan Year shall be the contribution amount the Member allocates to the Premium Conversion Plan.

Section 7.03 Forfeitures Amounts remaining in the Premium Conversion Account shall be forfeited after payment of all timely submitted claims for the benefit for expenses incurred during the applicable Period of Coverage. All claims must be submitted within ninety (90) days after the applicable Period of Coverage to be considered as "timely submitted".

ARTICLE 8

PREMIUM CONVERSION PLAN

Section 8.01 In General Members covered by this Plan will have their Employer-sponsored group Health Plan premiums paid from contributions allocated to the Member's Account.

Section 8.02 Separate Plan This Article is intended to qualify as a separate written accident and health plan within the meaning of Code Section 106. It is intended that reimbursements under this program be eligible for exclusion from gross income of Participants under Code Section 105(b). Accordingly, this program shall be interpreted and construed in accordance with Code Sections 105(e) and 106 and any regulations or other interpretations thereunder.

Section 8.03 Definitions For purposes of this Article, the following special definitions shall apply:

- a. "Benefits" means premiums paid for employer-sponsored group health and accident plans purchased to pay medical expenses of a Member, a Member's spouse or a Member's dependents.
- b. "Dependent" means a spouse or dependent as defined in the Employer sponsored Health Plan.
- c. "Highly Compensated Member" means a Member who is defined as a Highly Compensated Employee by Code Section 105(h)(5) or Code Section 414(q) as is appropriate.

Section 8.04 Eligibility, Enrollment and Termination Enrollment and termination of Participants in the Employer sponsored Health Plan shall constitute enrollment and termination of participation under this Plan.

Section 8.05 Covered Expenses The Premium Conversion Plan shall only cover Employer-sponsored group health and accident premiums incurred during the Period of Coverage the Member has elected benefits.

Section 8.06 Reduction of Benefits The Employer may reduce the amount of Benefits payable to a Member to the extent the Employer deems necessary to assure that the Plan does not discriminate in favor of Highly Compensated Members in violation of Code section 105(h) or any other applicable provision of law. Any such reduction of Benefits shall be made by the Employer on a reasonable and nondiscriminatory basis. Contributions which may not be paid out because of benefit reductions imposed by this Section 8.06 shall be forfeited.

Section 8.07 Other Provisions Other matters concerning contributions, elections, benefits, claims, and the like shall be governed by the general provisions of the Plan.

ARTICLE 9

Claims Appeal

Section 9.01 Claim Consideration Period Except as otherwise provided by this Article, the Administrator shall accept or deny a claim within ninety (90) days after the Member has submitted a claim. This ninety (90) day period shall be the "claim consideration period."

Section 9.02 Extension Periods The Administrator may, at its discretion, reasonably extend the time beyond the claim consideration period in which to accept or deny a claim. The extension or extensions shall be in increments of thirty (30) days and shall be given by written notice of the extension to the Member during the claim consideration period or any extension period.

Section 9.03 Claims Denial A claim shall be considered denied as follows:

- a. If a written denial, including the reasons for denial, is given to the Member; or
- b. If no written acceptance or denial of the claim has been given to the Member by the last day of the claim consideration period and all extension periods.

Section 9.04 Claims Appeal The Member may appeal the denial of a claim as specified in this Section.

- a. Any Member who believes the Member is entitled to a Premium Conversion benefit under the Plan, other than a Health Plan benefit amount or eligibility for Health Plan benefits, may file a written claim with the Administrator on a Request for Review in a form designated by the Administrator.
- b. The Member shall file the Request for Review not later than sixty (60) days following the date of notice of denial of the claim or, where no notice is given, the date the denial is deemed to have occurred. The claim shall remain denied if the Member fails to file the Request for Review within the time specified by this section.
- c. Except as otherwise provided by this section, the Administrator shall accept or deny the claim and notify the Member of its decision within sixty (60) days after its receipt of the Request for Review. If special circumstances exist (such as the need for additional investigation or a hearing), the Administrator may extend the deadline for its decision to 120 days from the date after its receipt of the Request for Review.

- d. The Administrator's decision on the appeal shall include the reasons for the decision with reference to the provisions in the Plan document which govern the decision.

ARTICLE 10

Continuation Coverage

Section 10.01 Health Plans

- a. If an event which would otherwise cause a Participant to lose eligibility to participate in the Employer sponsored Health Plan is a qualified event, the Participant may be entitled to elect to pay premiums and continue participation as required by federal law.
- b. Upon the occurrence of an event which terminates a Member's eligibility to participate in a Health Plan, the Employer shall inform the Member of continuation rights and the procedure for electing continued coverage.
- c. Upon the occurrence of an event which terminates a Member's spouse or dependent's eligibility to participate in the Employer sponsored Health Plan, the member, spouse or dependent shall inform the Employer and the Employer shall provide information regarding continuation rights and the procedure for electing continued coverage.
- d. The participation of a Participant who is not eligible for continued coverage or does not elect to continue will terminate on the last day of the month in which the event of ineligibility occurs.
- e. A Participant who is eligible and elects to continue participation in a Health Plan may pay the premiums from pre-tax compensation, including severance pay, or from other after-tax funds.

ARTICLE 14

Nondiscrimination

Section 11.01 Reduction of Contributions and Benefits The Administrator may reject any election and reduce the amount of contributions or nontaxable benefits to the extent the Administrator deems necessary to assure that the Plan does not discriminate in favor of Highly Compensated Members in violation of Code section 125 or any other applicable provision of law or to prevent taxation of these employees under the provisions of Code section 125(b)(2). Any rejection of elections or any reduction of contributions or benefits shall be made by the Employer on a reasonable and nondiscriminatory basis. Contributions which may not be paid out because of benefit reductions imposed by this Section 14.01 shall be forfeited.

Section 11.02 Prohibition of Discrimination Any discretionary acts to be taken under the terms and provisions of this Plan by the Administrator or by the Governing Body shall be uniform in their nature and application to all those similarly situated, and no discretionary acts shall be taken that would be discriminatory under the provisions of the Code relating to Cafeteria plans, as such provisions now exist or may from time to time be amended.

ARTICLE 12

Accounts

Section 12.01 Accounts A separate Account shall be maintained for each Member to reflect the amount of contributions on his or her behalf under Article 4 and the cost of all benefits paid to the Member or on the Member's behalf under the Plan.

Section 12.02 Contributions Made Contributions on behalf of a Member shall be credited to the Account.

Section 12.03 Benefits Provided The cost of benefits provided to a Member shall be charged to the Account of such Member.

Section 12.04 Assignment of Benefits Any interest in a Member's Account may not be assigned, transferred or alienated in any manner whatsoever and shall not be subject to claims, liens, garnishment or levies from any third parties.

ARTICLE 13

Administration of the Plan

Section 13.01 Administrator The administration of the Plan, as provided herein, including the payment of all converted premiums on behalf of Members or their beneficiaries, shall be the responsibility of the Employer which shall be the Administrator of the Plan. In addition, the Employer shall be named the fiduciary of the Plan.

Section 13.02 Employer Administrative Powers and Duties The Employer shall have the power to take all actions required to carry out the provisions of the Plan and shall further have the following powers and duties, which shall be exercised in a manner consistent with the provisions of the Plan:

- a. To construe and interpret the provisions of the Plan, and make rules and regulations under the Plan to the extent deemed advisable;
- b. To decide all questions as to eligibility to become a Member in the Plan and as to the rights of Members under the Plan;
- c. To file or cause to be filed all such annual reports, returns, schedules, descriptions, financial statements and other statements as may be required by any federal or state statute, agency, or authority;
- d. To determine the amount, manner, and time of payment of benefits hereunder;
- e. To contract with the Trust, an insurer or other contract suppliers as may be necessary to provide for benefits;
- f. To communicate to the Trust, an insurer or other contract suppliers of benefits under this Plan in writing all information required to carry out the provisions of the Plan;
- g. To notify the Members of the Plan in writing of any amendment or termination of the Plan, or of a change in any benefit available under the Plan;
- h. To prescribe such forms as may be required for Employees to make elections under this Plan; and
- i. To do such other acts as it deems reasonably required to administer the Plan in accordance with its provisions, or as may provided for or required by law.

Section 13.03 Fiduciary Duties The Employer shall discharge its duties in the interest of Members and their beneficiaries.

Section 13.04 Administrative Contractors Perform only administrative services in executing the terms of this Plan and shall have no other responsibility. The determination and maintenance of legal and tax issues and status of the Plan shall be the exclusive duty of the Employer. The duties of such contractors shall not be discretionary.

Section 13.05 Claims Procedure Any Health Plan shall be administered by the administrators of such plans and all claims for benefits under such plans shall be governed by the terms of such plans.

ARTICLE 14

Amendment and Termination

Section 14.01 Amendment of Plan The Governing Body may amend any or all provisions of this Plan at any time by written instrument identified as an amendment of the Plan effective as of a specified date.

Section 14.02 Termination of Plan This Plan may be terminated in whole or part at any time by the Governing Body.

Section 14.03 Preservation of Rights Termination or amendment of the Plan shall not affect the rights of any Member in his or her Account or the right to claim reimbursement for expenses incurred prior to such termination, amendment as the case may be, to the extent such amount, is, payable under the terms of the Plan prior to the effective date of such termination or amendment.

Section 14.04 No amendment by the Governing Body may unilaterally modify any obligation or duty of carrier or other contract supplier with whom the Plan has contracted.

ARTICLE 15

Adoption of Plan

Section 15.01 In General . The Plan may be adopted by the Governing Body by passing a resolution which shall specify which of its Employees are covered by the Plan and the effective date or dates of the adoption.

ARTICLE 16

Miscellaneous

Section 16.01 Facility of Payment If the Employer deems any person entitled to receive any amount under the provisions of this Plan incapable of receiving or disbursing the same by reason of minority, illness or infirmity, mental incompetency, or incapacity of any kind, the Employer may, in its discretion, take any one or more of the following actions:

- a. Reimburse any person for such support previously supplied to the person entitled to receive any such payment;
- b. Pay such amount to a legal representative or guardian or any other person selected by the Employer to disburse it for such comfort, support and maintenance, including without limitation, any relative who had undertaken, wholly or partly, the expense of such person's comfort, care and maintenance, or any institution in whose care or custody the person entitled to the amount may be. The Employer may, in its discretion, deposit any amount due to a minor to his or her credit in any savings or commercial bank of the Employer's choice.

Section 16.02 Lost Payee In the event that a Premium Conversion benefit is undeliverable, or the Member or the Members's spouse and dependents cannot be located following a reasonable search, the amount of that check or benefit shall be forfeited and paid to the Plan as a contribution. Any forfeited amount may be reinstated by the Employer's special contribution to the Plan and shall become payable if the Member or the Member's spouse or dependents resubmits the claim during the Plan Year or the runout period. If the claim is not resubmitted before the last day of the Plan Year or runout period, the forfeited amount shall remain forfeited. The Employer shall prescribe uniform and nondiscriminatory rules for carrying out this provision.

Section 16.03 Indemnification To the extent permitted by law, the Employer shall indemnify and hold harmless any Members, any Employee, and any other person or persons to whom the Employer or the Governing Body have delegated fiduciary or other duties under the Plan, against any and all claims, losses, damages, expenses, and liabilities arising from any act or failure to act that constitutes or is alleged to constitute breach of such person's responsibilities in connection with the Plan, unless the same is determined to be due to gross negligence, wilful misconduct, or wilful failure to act.

Section 16.04 Titles and Headings The titles and headings of the Articles and Sections of this instrument are placed herein for convenience of reference only, and in the case of any conflicts, the text of this instrument, rather than the titles or headings, shall control.

Section 16.05 Number Wherever used herein, the singular shall include the plural and the plural shall include the singular, except where the context requires otherwise.

Section 16.06 Applicable Law The provisions of this Plan shall be construed according to the laws of the State of Oregon, except as superseded by federal law, and in accordance with the Code. The Plan is intended to be a cafeteria plan under section 125(d) of the Code, and shall be construed accordingly.

Section 16.07 Right to Discharge Employees No provision of this Plan, whether express or implied gives an Employee the right to remain in the employ of the Employer. All Employees shall remain subject to discharge from employment as if this Plan had never been adopted. Nothing in the establishment or modification of this Plan or payment of any benefit shall be construed as giving any Participant or any other person any legal or equitable rights against the Employer except as specifically provided by this Plan.

Section 16.08 Legally Enforceable The Employer intends that the Plan Terms, including those relating to coverage and benefits, are legally enforceable.

IN WITNESS WHEREOF the City of Stayton by action of the City Council has caused this instrument to be executed by the City Administrator this 21st day of December, 1992 to be effective on January 1, 1993.

ATTEST: _____
City Administrator