



**Sub. H.B. 379**

123rd General Assembly

(As Reported by H. Local Gov't & Townships)

**Reps. Peterson, Allen, Barrett, Britton, Distel, Flannery, Jacobson, Netzley, Schuler, Terwilleger, Trakas, Willamowski, O'Brien, Carey, Hoops, Verich, Young, Evans**

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**BILL SUMMARY**

- Permits townships to offer their officers and employees benefits through an "IRS cafeteria plan," including cash payments at no more than 25% of the cost of the premiums or payments for otherwise offered health or life insurance benefits.

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**CONTENT AND OPERATION**

**Existing law**

Under current law, a board of township trustees may procure and pay all or any part of the cost of *health insurance policies* that provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance, for township officers and employees. If the board procures any of these policies, the board must provide *uniform* coverage for township officers and full-time township employees and their immediate dependents; the township also may provide coverage for part-time employees and their immediate dependents. Any township officer or employee can refuse to accept the insurance coverage without affecting the availability of the coverage to other township officers and employees. (Sec. 505.60(A) and (B).)

Current law permits a board of township trustees to *alternatively* contract for *group health care services* with health insuring corporations for township officers and employees. These contracts also must provide uniform coverage for township officers and full-time employees and their immediate dependents and may provide coverage for part-time employees and their immediate dependents. (Sec. 505.60(B).)

Townships may reimburse a township officer or employee who is *denied coverage* under a township health care plan or who *elects not to participate* in the township's plan for out-of-pocket premiums for insurance policies with the previously described types of benefits that the officer or employee otherwise obtains. The reimbursement cannot exceed an amount equal to the average premium paid by the township for its officers and employees under policies it procures. "Premium" does not include any deductible or health care costs paid directly by a township officer or employee. (Sec. 505.60(C) and (F)(2).)

In addition, a township that *does not procure health care benefits* for its officers and employees may reimburse any officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies with the specified types of benefits, if all of the following conditions are met: (1) the board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies they otherwise obtain, (2) the resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee beyond which the township will not reimburse the officer or employee, and (3) the resolution states the specific benefits (limited to the previously described types of benefits) for which the township will reimburse all officers and employees of the township (sec. 505.601).

Finally, the board of township trustees may procure and pay all or any part of the cost of *group life insurance* to insure the lives of township officers and full-time employees, but the amount of coverage provided by the board cannot exceed \$50,000 per "officer" (sec. 505.602).

### **Changes proposed by the bill**

The bill authorizes a board of township trustees to offer benefits to township officers and employees through a "cafeteria plan" that meets the requirements of section 125 of the Internal Revenue Code. That section generally defines a "cafeteria plan" as a plan under which (1) all participants are employees and (2) the participants choose among two or more benefits consisting of cash or qualified benefits.<sup>1</sup>

Before offering benefits through a cafeteria plan, the board of trustees must adopt a *policy* authorizing a township officer or employee to receive a cash payment in lieu of a benefit otherwise offered to township officers or employees under existing law, as described above. Then, as part of that plan, a board must

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<sup>1</sup> 26 U.S.C.A. 125(d).

offer an officer or employee the option of receiving a cash payment in lieu of a health or life insurance benefit otherwise offered, but this cash payment *cannot exceed 25%* of the cost of premiums or payments that otherwise would be paid by the board for benefits for the officer or employee under an offered policy, contract, or plan. The officer or employee must provide a statement affirming coverage under another health insurance or health care policy, contract, or plan, or a life insurance policy, whichever is applicable, in order to receive a cash payment in lieu of a benefit. The statement also must include the name of the employer (if any) that sponsors that coverage, the name of the carrier that provides the coverage, and the applicable policy's, contract's, or plan's identifying number. (Sec. 505.603.)

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## HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	06-08-99	p. 785
Reported, H. Local Gov't & Townships	01-18-00	p. 1518

H0379-RH.123/rss

