MEMORANDUM OF UNDERSTANDING

BETWEEN

KING CONSERVATION DISTRICT (DISTRICT)

AND

THE WASHINGTON FEDERATION OF STATE EMPLOYEES

**MOU: KSD Health Care Coverage and Wellness**

The way in which KCD manages healthcare coverage and wellness including medical, FSA and dental has changed slightly with updated IRS rules and implications. During the recent open enrollment for 2022, KCD learned that there was a $500 IRS limit on the employer’s contribution into an employee’s Flexible Spending Account. KCD makes a $200 seed money contribution into the FSA for all employees, on top of the allowance for medical insurance. The IRS limit includes this amount. Currently the CBA reads under article 25“any portion of the monthly allowance leftover will be deposited by the district into the employee’s FSA within IRS limits, with a minimum District monthly deposit of $16. Due to the IRS limit, and the seed money, there is a maximum of $300 per year remaining that the employer can contribute to an employee’s FSA. Some employees have a “leftover” that exceeds $300.

As a result of the above noted situation and consistent with IRS rules and regulations and Navia Compliance, some verbiage in the CBA needs to be updated to meet requirements by law.

In recognition of the above, the parties agree to the following:

All workers should take the necessary steps to understand how this update applies to them and their specific situation. The parties agree to the temporary understanding (below) and will engage in future good faith bargaining during contract bargaining regarding bargaining regarding future years.

1. Overview KCD Subsidy Process:
	1. Up to the maximum $500 IRS limit will be loaded onto employees FSA card. $200 of this amount is seed money that will be loaded according to KCD contract with Navia. If any employee’s subsidy leftover is under $300 per year, they will receive the actual amount of the leftover added to their FSA account.
	2. The District agrees to interpret the terms of the CBA its offer for 2022 to allow “Cashable Flex Credits” so that it can offer employees more than $500 per year for FSA contributions. The District will comply with all applicable IRS limits related to this modification. “Cashable Flex Credits” means that employees must will be given the choice to either 1) contribute these employer contributions tax-free into a health FSA (up to $2,850), or 2) take the employer contributions in taxable wages
	3. If the employee’s choice would result in exceeding the $2,850 IRS cap for tax-free contributions to the health FSA, the residual would be paid as taxable wages.
2. Additional Provisions:
	1. The District will calculate a Cashable Flex Credit amount retroactive to January 1, 2022. All employee who chooses this option will receive retroactive payments to January 1, 2022.
	2. Retroactive payments will be calculated by the person processing payroll and approved by the Executive Director. Employees will receive the pay on the soonest practical regularly schedule pay day. Disputes as to payment amounts are subject to the grievance procedure if not informally resolved to the mutual satisfaction of the parties.
3. Moving Forward in 2022:

If an employee chooses taxable wages, those wages will be paid on each pay day. If an employee leaves the District, the payments will end effective the date of separation. It is understood that employees are not entitled to an annual amount, but only a pro-rated monthly amount during the term of their employment. No agreements made within this Memorandum of Understanding are meant to alter any other term or condition included in the Collective Bargaining Agreement beyond any specific agreement entered into here. This is a non-precedent setting agreement. Nothing in this agreement prevents the parties from entering into interim negotiations regarding additional and unforeseen impacts that may come up in the future.

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Rosa Méndez-Perez James Dannen

Executive Director Labor Advocate

King Conservation District AFSCME Council 28