



City Council Agenda Item Report

FROM: Nicole Bredeweg

MEETING DATE: August 11, 2025

SUBJECT: Resolution No. 250811-A Section 125 Premium Only Plan (PoP) Authorization)

DESCRIPTION:

The City of Saugatuck is implementing a new high-deductible health plan (HDHP) effective August 1, 2025, with the option for employees to contribute to a Health Savings Account (HSA). To ensure employee HSA contributions can be deducted on a pre-tax basis, the City must adopt a Section 125 Premium Only Plan (PoP), in compliance with IRS regulations.

The Premium Only Plan will allow eligible employees to make payroll deductions for their HSA contributions on a pre-tax basis, reducing their taxable income. The plan will be administered by a qualified third party, and no additional cost is anticipated for the City beyond the basic plan setup and annual compliance maintenance (an initial startup fee of \$185 and an annual fee of \$99 each year).

The resolution authorizes the establishment of the PoP effective retroactively to August 1, 2025, aligning with the start of the new benefit plan year. Council approval is requested to authorize implementation and designate the City Manager and Treasurer to execute the necessary documents.

BUDGET ACTION REQUIRED:

No budget action is required at this time. Any associated administrative fees are minimal and should fall within budgeted benefit plan costs.

COMMITTEE/COMMISSION REVIEW:

None.

LEGAL REVIEW:

The attorney's have been contacted but say that it is currently outside of their offered services

SAMPLE MOTION:

Motion to adopt Resolution No. 250811-A, approving the implementation of a Section 125 Premium Only Plan (PoP) for employee pre-tax health savings account contributions, and authorizing the City Manager and Treasurer to execute all related documents.

**CITY OF SAUGATUCK
COUNTY OF ALLEGAN
STATE OF MICHIGAN**

RESOLUTION NO. 250811-A

**A RESOLUTION AUTHORIZING THE IMPLEMENTATION OF A SECTION 125
PREMIUM ONLY PLAN WITH HEALTH SAVINGS ACCOUNT (HSA) FEATURE**

Council Member _____, offered the following resolution and moved for its adoption, seconded by Council Member _____:

RECITALS

WHEREAS, the City of Saugatuck has elected to offer a high-deductible health plan (HDHP) with an associated Health Savings Account (HSA) option for eligible employees beginning August 1, 2025; and

WHEREAS, in order to permit employees to make HSA contributions via pre-tax payroll deductions, the City must establish a Section 125 Premium Only Plan (POP) that specifically includes HSA contributions as an allowable pre-tax benefit, in compliance with Internal Revenue Code §125 and other applicable IRS regulations;; and

WHEREAS, the City desires to allow employees the ability to reduce their taxable income through participation in the POP, while maintaining compliance with applicable tax law;

NOW, THEREFORE, BE IT RESOLVED that:

1. The Saugatuck City Council hereby approves the establishment of a Section 125 Premium Only Plan with an HSA feature, effective retroactively to August 1, 2025.
2. The City Manager and Treasurer are authorized to execute all necessary agreements and compliance documents required to implement and maintain the Section 125 POP, including provisions that allow for employee pre-tax contributions to Health Savings Accounts.

YEAS: Council Members: _____

NAYS: Council Members: _____

ABSTAIN: Council Members: _____

ABSENT: Council Members: _____

ADOPTED this _____.

CITY OF SAUGATUCK

BY: _____
Holly Anderson, Mayor

BY: _____
Jamie Wolters, City Clerk

CERTIFICATION

I, Jamie Wolters, the duly appointed clerk of the City of Saugatuck do hereby certify the foregoing is a true and complete copy of a resolution adopted by the City Council at a regular meeting held _____, 2025.

Signed: _____

Jamie Wolters, City Clerk