

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

March 4, 2009

ACTION REQUIRED

AGENDA ITEM NO. VI.

- Information Only
- Motion
- Resolution
- Executive Session
- Other

TOPIC

Adoption of NRECA 125 Plan

DISCUSSION

As part of the wellness program with NRECA Chugach is broadening the scope of the current 125 Plan to include Flexible Spending Accounts. Using NRECA's 125 Plan will simplify the process for incentives and payment of medical expenses. The current plan will be closed and NRECA's plan will be used for premium pass-through and dependent care as well as FSAs.


MOTION

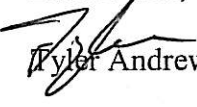
Move that the Operations Committee recommends the Board of Directors to approve the attached board resolution to adopt NRECA's 125 Plan effective April 1, 2009.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

February 25, 2009

TO: Board of Directors

THRU: Brad Eyans, Chief Executive Officer 

FROM:  Tyler Andrews, Vice President, Human Resources

SUBJECT: *Adoption of NRECA 125 Plan*

As introduced during the budget process, Chugach is pursuing the enhancement of our benefit program by broadening the scope of the current 125 Plan to include Health Care Flexible Spending Accounts (FSAs). FSAs are a great way to offer employees some tax relief by enabling them to deposit pre-tax money in their account to pay for non-covered medical expenses.

Additionally, the FSA meets the NRECA wellness program requirement to provide incentives to active employees for participating in various wellness activities. A line item was included in the 2009 budget to fund this program, with the intention of doing so through the use of FSAs.

Chugach currently has a 125 Plan for premium pass-through and dependent care through a different provider. Using NRECA's 125 Plan for FSAs will simplify the process for incentives and payment of medical expenses. It is not feasible to maintain two 125 Plans, so the current account will be closed and the 125 Plan through NRECA will be used for premium pass-through and dependent care as well.

The 125 Plan will be offered to all regular employees and will allow voluntary employee contributions through payroll deduction. Management employees will be eligible for employer contributions based on participation in the wellness program activities. A deposit of \$100.00 will be made to each Management employee's account in 2009 as long as they have completed the health survey required under the wellness program (at least 80% participation is required).

Attached for review and approval by the Board of Directors is a Board Resolution to adopt NRECA's 125 Plan effective April 1, 2009.

RESOLUTION

WHEREAS, Chugach Electric Association, Inc. (Chugach) is a member of the National Rural Electric Cooperative Association (NRECA);

WHEREAS, the 125 Plan is a cafeteria plan under Section 125 of the Internal Revenue Code of 1986, as amended (Code), that provides one or more of the following benefits at the discretion of the 125 Plan sponsor: a premium-only plan (POP) that allows employees to pay for insurance premiums on a pre-tax basis, a health care flexible spending account (Health FSA) under Section 105 of the Code, and/or a dependent care assistance account (Dependent Care Account) under Section 129 of the Code;

WHEREAS, the 125 Plan is sponsored by NRECA member employers, and administered by Cooperative Benefit Administrators, Inc. (CBA), a wholly-owned subsidiary of NRECA;

WHEREAS, IRS Notice 2005-42 permits sponsors of Code Section 125 plans to modify the “use-it-or-lose-it rule” of their plans to permit participants in the Health FSAs and the Dependent Care Accounts to continue to incur qualified expenses for a given plan year during the 2-1/2 month grace period that follows the close of such plan year (New Grace Period Rule);

WHEREAS, NRECA has determined that the 125 Plan, as administered by CBA, shall be administered, effective as of January 1, 2006, to provide for the New Grace Period Rule for Health FSAs and Dependent Care Accounts to the extent that the Plan, as sponsored by the Employer, offers Health FSA and Dependent Care Account benefits to its participants;

WHEREAS, the Employer wishes to adopt the 125 Plan for the benefit of its employees.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Employer hereby adopts the 125 Plan, effective as of the first day of April, 2009, in the form attached hereto.

BE IT FURTHER RESOLVED, that the officers of the Employer hereby are authorized and directed to take any and all actions required to implement and administer the 125 Plan, including, but not limited to, execution of a plan document in the form attached hereto, and the submission of reimbursement requests.

BE IT FURTHER RESOLVED, that the officers of the Employer hereby are authorized and directed to execute an Administrative Services Agreement, in the form attached hereto, that sets forth the responsibilities of CBA and the Employer, including the payment of administrative fees by the Employer.

I, Alex Gimarc, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska; that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 4th day of March, 2009; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 4th day of March, 2009.