

Board Memo: Second-Year Renewal

Date: September 9, 2025

Item: Renewal of Section 125 Premium Only Plan (POP)

Presented by: Tom Li, Director of Human Resources

BACKGROUND

Oakland School for the Arts ("OSA") currently offers group health insurance benefits to employees. The Section 125 Premium Only Plan ("POP") allows employees to pay their share of insurance premiums on a pre-tax basis, reducing taxable income.

The POP was first adopted for the plan year beginning September 1, 2024. This item seeks Board approval to renew the plan for the 2025-2026 plan year, beginning September 1, 2025, and ending August 31, 2026.

PURPOSE OF ACTION

Renewal ensures OSA remains compliant with IRS requirements, preserves the tax-advantaged benefit for employees, and aligns the plan with payroll administration. Because payroll deductions for the new plan year may have already commenced, retroactive adoption ensures proper authorization and continuity of benefits.

BENEFITS

- **Employees:** Reduced taxable income, resulting in increased take-home pay.
- **OSA:** Reduced payroll tax liability (FICA savings). Minimal administrative costs. Enhanced overall employee benefits package.

FISCAL IMPACT

Modest payroll tax savings to OSA. Minimal administrative costs, typically included in benefits administration fees.

RECOMMENDATION

Staff recommends that the Board approve renewal of the Section 125 Premium Only Plan, retroactive to September 1, 2025, for the plan year ending August 31, 2026, by adopting the attached resolution.