



LF111302-10

Mr. Jim Preston
Finance Officer
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

Re: Section 125 Cafeteria Plan Administrative Services

Dear Jim:

As you know First Administrator processes the City's Section 125 Cafeteria Plan reimbursements for the Healthcare and Dependent Care program.

We have recently done an internal review of our costs associated with our administrative services and have determined that our average cost per participant per month is approximately \$5.00.

Presently we charge the City \$3.25 per participant per month. As you can tell we need to modify the charge and move it more inline with our actual costs. We have not determined the actual costs for the City's plan by itself; if we did it would be dramatically higher than the \$5.00 because of the special handling we do to accommodate the TLC deductible credit in the medial plan which influences nearly every Cafeteria Plan claim that we process.


What I would like to do is adjust the Cafeteria plan fee for 2003 from \$3.25 to \$4.25 and then for 2004 adjust it to \$5.00.

Please consider this our request for an administrative fee change effective January 1, 2003 as outlined above.

I am available to answer any questions you may have and to meet with you if needed.

Thank you for your consideration.

Sincerely,


Joe Dobbs
President

cc Ms. Coleen Schmidt
City Finance Office
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

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