CITY OF LINCOLNTON
ADMINISTRATIVE POLICY

Subject: **Employee Benefits and Stipend Program**	**Manual:** **Administrative**
	Effective Date: **October 2, 2025**
Policy Number: 27	**Revision:**
Issued By: **Human Resources Department**	**City Manager Approval:** **Ritchie Haynes**

Purpose and Intent

The City of Lincolnton recognizes that its employees have diverse and varying family and personal needs. The purpose of this policy is to provide eligible employees with a flexible, pre-determined stipend that can assist with the costs of elective benefits, empowering them to choose the coverage that best suits their individual and family circumstances. The stipend is intended to be a competitive component of the city's total compensation package, aiding in the recruitment and retention of a highly qualified workforce.

Administration

The administration and implementation of the Plan will be assigned to Human Resources with an annual review completed and recommendations made to the City Manager.
Human Resources will:

- Determine the types of eligible expenses that the stipend can be used to offset, which may include health, dental, vision, life, disability insurance premiums, and other types of voluntary benefits offered.
- Create the procedures for the annual open enrollment.
- Modify eligibility requirements, or administrative procedures as necessary.
- Amend the policy to maintain compliance with all federal, state, and local laws, including but not limited to the Internal Revenue Service (IRS) regulations, and the Affordable Care Act (ACA).
- Present information to the City Manager applicable to plan changes which will have a budget impact and modify benefit, and stipend amounts as directed by the City Manager as necessary to meet the City's financial capabilities and strategic goals.

Eligibility

There are two groups of benefit eligible employees that can participate in the Employee Benefits and Stipend Program.

1. Benefit eligible employees hired July 1, 2012 or after.
2. Benefit eligible employees hired prior to July 1, 2012, This group of employees remain grandfathered for a health insurance premium portion for child(ren) to be

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paid at the City's expense, and the dental insurance premiums for all tiers to be paid by the City.

Both groups are subject to revisions and changes to the Employee Benefits and Stipend Program as recommended and approved.

Stipend distribution and use

- **Distribution:** The annual stipend amount shall be distributed in equal increments as part of the employee's regular payroll, unless otherwise determined by the Finance Director and City Manager.
- **Tax implications:** The stipend shall be treated as taxable income to the employee and is subject to all applicable federal and state payroll taxes. It is the employee's responsibility to understand and comply with all tax obligations related to the stipend.
- **Proof of coverage:** The stipend is a supplement to compensation, not a reimbursement for specific expenses. For legal and compliance purposes, employees are not required to provide proof that the stipend was used to purchase insurance or cover medical expenses.

Administrative procedures

- **Communication:** Human Resources will be responsible for clearly communicating the terms of the stipend program to all employees, including the amount, purpose, and tax implications.
- **Enrollment:** The stipend will be part of the city's annual benefits open enrollment process.
- **Record-keeping:** Accurate records of all stipend payments shall be maintained by the City's Finance and Human Resources departments.

Policy review

This policy shall be reviewed periodically by the Human Resources Department to ensure it continues to serve the best interests of the city and its employees, remains legally compliant, and is fiscally sound.

Attachments

None

A copy of this policy must be maintained in the City of Lincolnton's Administrative Manual for each City department and division.

The City of Lincolnton Council reserves the right to review all city benefits as necessary, and may delete, modify, enhance or otherwise make changes to this administrative policy as in accordance with local, state and federal law.