



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 11/22/04
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Communication No.:

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Thomas G. Turner, Human Resources Director

SUBJECT—

VantageCare Retirement Health Savings Plan.

SYNOPSIS—

Adoption of ICMA-RC VantageCare Retirement Health Savings Plan for the purpose of allowing employees to accumulate tax preferred funds for post-employment medical expenses, such as health insurance premiums and uninsured medical expenses.

FISCAL IMPACT—

None

RECOMMENDATION—

Approval

BACKGROUND—

In July 2000, the City adopted a post employment health plan (PEHP), which provides funds for post employment medical costs. The PEHP plan, administered by Nationwide Retirement Solutions, uses an IRS platform called a VEBA (voluntary employee benefit agreement) that allows for tax-free contributions for post-employment medical expenses. Due to strict IRS

guidelines, the VEBA requires that all participants contribute at equal rates. Thus, the Nationwide program consists of employer contributions only. Until recently, the Nationwide PEHP program was the only viable benefit option to help City employees offset post-employment medical costs.

ICMA-RC, the City's largest 457 deferred compensation provider and sole 401(A) provider, now offers a post-employment health plan that allows for individual election. Each employee can choose his or her contribution rate, if any. The RHS plan will allow employees to defer all or a portion of their eligible accrued sick and vacation leave into their RHS plan at separation of service. This option can shelter earnings from taxes and further help defray the cost of post-employment health care. A similar ICMA-RC plan has received IRS approval via a private letter ruling.

The ICMA-RC plan includes an \$18.00 per year administrative charge for participants with less than a \$25,000 balance with ICMA-RC and no charge for employees having an ICMA-RC balance of more than \$25,000.

Initially, only SPM employees will be eligible to participate in the RHS program. This benefit will be offered to the various union groups who reach a voluntary agreement with the City through the normal bargaining process. The RHS plan will not replace the Nationwide PEHP program.

No additional funds are expended by creating this plan.