



CITY COUNCIL AGENDA REPORT

MEETING DATE: December 6, 2004

ITEM NUMBER:

**SUBJECT: AMENDMENT OF VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN
ADOPTION AGREEMENT**

DATE: November 23, 2004

FROM: Administrative Services Department

PRESENTATION BY: Jim Thyden, Risk Management Analyst

FOR FURTHER INFORMATION CONTACT: Jim Thyden, Risk Management Analyst 714-754-5228

RECOMMENDED ACTION:

Adopt Resolution _____ amending the Retirement Corporation VantageCare Retirement Health Savings Plan Adoption Agreement effective retroactively to January 1, 2004 and authorize the Mayor and Director of Finance (as Plan Trustee) to execute all documents necessary to adopt this Amendment.

BACKGROUND:

On January 5, 2004, City Council approved adoption of the Retirement Corporation VantageCare Retirement Health Savings Plan Adoption Agreement. This action established a defined contribution plan to augment the retiree medical benefits to be provided to current and future employees of the City. Under this plan the employee and the City each make a 1% of base salary contribution to the plan on a cost-sharing basis.

ANALYSIS:

After submitting the Plan Adoption Agreement to the International City Management Association (ICMA) and implementing the plan, three issues have arisen that are necessitating this Amendment. When the Plan was negotiated and agreed to, there were several options that did not take effect as intended:

- 1) Vesting. It was intended that employees would have 0% vesting in the 1% contributed by the City until they had been employed with the City for ten (10) years, at which time they would become 100% vested. As it stands, employees become 100% vested immediately upon separation from the City. The Amendment will correct this and establish no vesting in the employer contribution until attaining ten (10) years of service with the City.
- 2) De Minimis Payouts. It was intended that employees with account balances of \$5,000 or less would have their contributions cashed out upon separation from employment. Currently, that is not an option and employees are required to utilize

the funds pursuant to the Plan Document by submitting eligible medical costs for reimbursement. The Amendment will establish De Minimis payouts.

- 3) Final Accrued Leave Option. It was intended that employees would be permitted to convert their final balance of all accrued leaves (sick, vacation and holiday) to the extent that they are now entitled to receive such banks and contribute the value of such accrued leave to the Plan at separation on a tax-deferred basis. The Amendment will correct the Plan to allow this option.
- 4) The description of unused sick leave which may be contributed annually by employees requires clarification to ensure that the portion of the sick leave available to be contributed to the plan is defined as the secondary sick leave spillover not credited to the secondary sick leave bank. The Amendment will clarify the definition of the sick leave available for contribution to the plan.

The City is permitted to amend the plan retroactively to conform to the original intent of the Council. We recommend retroactive amendment as permitted by the Plan documents in order to ensure that all employees receive the anticipated benefits.

FISCAL REVIEW:

The Amendment does not change the original intended cost of this plan.

LEGAL REVIEW:

The attached document has been reviewed by the City Attorney and is approved as to form.

CONCLUSION:

The adoption and execution of the attached Amended Plan Adoption Agreement will implement the defined contribution plan as originally intended and negotiated. It is therefore recommended that the City Council adopt the Resolution amending the Retirement Corporation VantageCare Retirement Health Savings Plan Adoption Agreement effective retroactively to January 1, 2004 and authorize the Mayor and Director of Finance (as Plan Trustee) to execute all documents necessary to adopt this Amendment.

JIM THYDEN
Risk Management Analyst

HOWARD PERKINS
Acting Administrative Services Director

MARC R. PUCKETT
Director of Finance

KIMBERLY HALL BARLOW
City Attorney

DISTRIBUTION: City Manager
City Attorney
Deputy City Clerk
Department Directors

- ATTACHMENTS: 1 [Amended Employer VantageCare Retirement Health Savings \(RHS\) Plan Adoption Agreement](#)
2 [Resolution adopting the Amended Employer VantageCare Retirement Health Savings \(RHS\) Plan Adoption Agreement](#)

File Name

Date

Time