Legislation Details (With Text)

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Title: Resolution Amending the Retiree Health Savings Plan Removing of Voluntary Contributions to the Retiree Health Savings Plan (B)

This item involves passing a Resolution amending the Retiree Health Savings Plan and authorizing the City Manager to execute the necessary document to amend the Retiree Health Savings Plan removing the irrevocable voluntary contributions to The Plan effective January 1, 2008.

Sponsors:

Indexes:

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Attachments: 1. 070761_200801141300.pdf, 2. 070761_20080114.pdf, 3. 070761a_20080114.pdf, 4. 070761b.pdf, 5. 070761_Resolution Final_20080114

Date	Ver.	Action By	Action	Result
1/14/2008	0	City Commission		

Resolution Amending the Retiree Health Savings Plan Removing of Voluntary Contributions to the Retiree Health Savings Plan (B)

This item involves passing a Resolution amending the Retiree Health Savings Plan and authorizing the City Manager to execute the necessary document to amend the Retiree Health Savings Plan removing the irrevocable voluntary contributions to The Plan effective January 1, 2008.

In January 2002, the City of Gainesville began implementation of the Retiree Health Savings Plan (RHS) administered by ICMA-RC. The addition of this plan and the original adoption agreement that included only a mandatory contribution for all eligible members was a result of the collective bargaining process with the Communications Workers of America (CWA). The CWA, ATU and Management wanted to find a method to help employees better prepare for the additional cost of health insurance upon retirement. The ICMA-RC Vantagecare Retirement Health Savings Plan was developed by ICMA-RC as a vehicle to allow employees to accumulate assets in a tax-free plan to pay for post-employment medical, dental and vision expenses, including the retiree's portion of the health insurance premium. The reimbursements (disbursements) from this plan for qualified expenses are not taxable, therefore, allowing a tax-free source of income to pay for these post employment health care expenses.

The first plan amendment was effective in January 2003 and added an additional contribution method. The change allowed employees to make an irrevocable voluntary election to contribute to their account subject to plan maximums. This amendment offered employees the ability to put aside additional funds above the mandatory contribution as a means to better prepare for retirement.

Last year, ICMA-RC sent a notification to employers with a RHS Plan regarding the voluntary elections offered in these plans. According to ICMA-RC, the Internal Revenue Service (IRS) has raised an issue with the voluntary elections and the tax preference these elections receive. Because of this, ICMA-RC recommended, and the City complied with this recommendation, to temporarily suspend these types of contributions for the Plan Year January 1, 2007 - December 31, 2007. Based on the discussions and negotiations ICMA-RC had with the IRS, it is now necessary to permanently amend the Plan to remove the irrevocable voluntary contributions. Since the City temporarily suspended these contributions for 2007, the Plan will be amended to permanently remove this contribution effective January 1, 2008.

The Plan changes are effectuated by approving the attached Resolution and Amended Plan Document. The amendments do not affect the eligible employees, mandatory contributions, or allowable expenses of the Plan.

There is no fiscal impact.

The City Commission: 1) approved the attached Resolution; 2) authorize the City Manager to execute the Amended Plan Document subject to approval by the City Attorney as to form and legality.