



Legislation Text

File #: 130553., **Version:** 1

Resolution amending City of Gainesville's Retiree Health Savings Plan(s) to Comply with Certain Provisions of the Patient Protection and Affordable Care Act by Removing In-service Distributions (B)

Recently, the City received guidance from the vendor who administers the City's Retiree Health Savings Plan related to certain provisions of The Patient Protection and Affordable Care Act (ACA) and the City's various Retiree Health Savings Plan(s). The City provides Retiree Health Savings Plans to employees represented by four collective bargaining units and those employees not represented by a collective bargaining unit. These plans allow an employee to put aside funds through a mandatory contributions ranging from .5% to 5% (varies based on the respective collective bargain agreement) to help with the cost of post-employment medical, dental and vision expenses including the retiree's contribution towards health insurance.

The Department of Health and Human Services, Department of Labor and Internal Revenue Service recently released guidance on how certain provisions of the Patient Protection and Affordable Care Act ("ACA") apply to Health Reimbursement Accounts ("HRA") such as your VantageCare Retirement Health Savings ("RHS") Plan. Included in the guidance is a provision referred to as the Prohibition on Annual and Lifetime Limits, which restricts group health plans from placing limits on the dollar value of essential health benefits.

RHS plans, by design, restrict health benefits to the balances available in the participant's account, and therefore by their very nature are inconsistent with the prohibition on annual and lifetime limits. The provision does not apply to all types of RHS plans. For instance, retiree-only plans, where reimbursements for medical expenses are restricted to terminated employees, are exempt from this provision. Also, an in-service plan, where reimbursements are available to both active and terminated employees, but will not have any further contributions to the plan after December 2013, can continue to operate without violating the provisions. The City's plans offer in-service distribution after age 55 and therefore will need to be amended or no future contributions can be made to those accounts.

Therefore in order to be in compliance with the ACA, the City Of Gainesville's RHS plans will be amended to no longer allow active employees to take distributions from their accounts. Beginning January 1, 2014, distributions will only be allowed upon exit of employment with the City. Any active employee who previously was made eligible for distributions from their RHS account, will beginning on January 1, 2014 have their status in the plan changed to reflect inaccessibility to funds until such time as they have exited employment. Once an employee exits employment, either through retirement, resignation or termination, ICMA-RC will be notified and access to the balance of an individual's account funds will be available.

The City has notified each collective bargaining representative and provided the ICMA-Rc guidance for their review. The amount of the contribution is contained in each collective bargaining agreement and we cannot stop the contribution without bargaining those changes. It is management belief that complying with the Federal agencies guidance and removing the in-service distribution component of the various RHS plans is the best method to comply with both the Federal law and the respective collective bargaining agreements.

The City has requested the plan amendment documents from ICMA-Rc that need to be executed by the City. The will be

added to the backup if received in time for the City Commission meeting. The only amendment for each plan will be the removal of the in-service distribution.

There is no fiscal impact if plan is amended as required. Without the amendment, the plan(s) could be determined to be in non-compliance and the contributions subject to federal income, social security and medicare taxes.

The City Commission: 1) approve the resolution amending the City's Retiree Health Savings Plans by removing the in-service distribution option. 2) authorize the Mayor or City Manager where appropriate, to execute the plan amendments upon receipt, subject to the approval of the City Attorney as to form and legality.