City of Culver City, California

Agenda Item Report

Meeting Date: 03/08/2010	Item Number: C-2
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution to Establish a Retiree Health Savings Plan	
Contact Person/Dept.: Serena Wright	Phone Number: 310-253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Dates:
Public Notification: (E-Mail) Meetings and Agendas – City Council (03/03/2010);	
Department Approval: Serena Wright (03/01/10)	City Attorney Approval: Carol Schwab (by H. Baker) (03/03/10)
Chief Financial Officer Approval: Mark Scott (by M. Noller) (03/03/10)	City Manager Approval: Mark Scott (03/03/10)

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution to establish a Retiree Health Savings Plan.

BACKGROUND:

On March 1, 2010, the City Council adopted a memorandum of understanding (MOU) with the Culver City Police Officers Association (CCPOA). The MOU provides for a two-tier retiree medical program in which new employees receive a lower retiree medical benefit from the City.

Establishment of a Retiree Health Savings Plan (Plan) will enable the City to retain the benefit levels of existing retirees and current active employees; and also allow new employees the opportunity to pre-fund their retiree medical expenses on a pre-tax basis. In addition, the Plan will enable the City to reduce its Other Post Employment Benefits (OPEB) liability under Government Accounting Standards Board Statement 45 (GASB 45) by facilitating a two-tier system.

DISCUSSION:

The VantageCare Retirement Health Savings Plan is a product offered by the International City Management Association Retirement Corporation (ICMA-RC). This employer sponsored Plan allows employees to accumulate assets to pay for qualified medical expenses (e.g. health insurance premiums, co-pays, prescriptions, etc.) at retirement or upon separation from the City. ICMA-RC administers the City's 457 deferred compensation plan and is currently the only vendor that provides reimbursement for CalPERS retirees for other member agencies.

In addition, the Plan will enable current employees to set aside dollars for future healthcare costs in an individual retirement account on a pre-tax basis. Withdrawals from the trust are also tax-free when used for the participants' and their eligible dependents qualified medical expenses. The Plan is portable should the employee separate from the City and can also be transferred to a surviving spouse and/or dependent for their own medical expenses upon the death of the participant.

As has been discussed with the City's other Bargaining Groups, it is the City's intention to negotiate Memoranda of Understanding with the other Bargaining Groups that will contain similar provisions to the CCPOA MOU that would make those employees eligible to participate in the Plan.

FISCAL ANALYSIS:

The current cost associated with the administration of the Retiree Health Savings Plan is $26 per retiree per year. Based upon the existing retiree population within the CCPOA, the cost is approximately $1,700. This is substantially less than the amount that is currently realized in staff time to administer the retiree medical program internally. This amount can be absorbed within current 09-10 budget appropriations, and will be included in the 2010-11 budget.

ATTACHMENTS:

1. Resolution

MOTION:

That the City Council:

1. Adopt the Resolution to establish a Retiree Health Savings Plan; and
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.