



CITY of NOVI CITY COUNCIL

Agenda Item K
March 26, 2012

SUBJECT: Adoption of Resolution to Amend the VantageCare Retirement Health Savings (RHS) Program to include the POLC (Police Officers Labor Council), effective April 1, 2012 for POLC new hires, pursuant to the arbitration ruling on March 15, 2012; and to clarify eligibility for all groups.

SUBMITTING DEPARTMENT: Human Resource, Finance, City Managers

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

The City of Novi provides healthcare benefits to eligible full-time employees upon retirement. The universe of eligible retirees has shrunk with time as the City has negotiated changes to close this benefit to new hires. Such healthcare benefits are referred to as **other post-employment benefits** (OPEB) and are earned by employees during their working years, but paid to (or used by) individuals after they retire. The responsibility to recognize and begin pre-funding OPEB began in the early 1990's when the City of Novi established the "**Retiree Health Care Benefits Fund.**" As of our last audited annual financial report dated June 30, 2011, the Retiree Health Care Benefits Fund reported net assets in excess of \$15 million.

Retirees/participants are required to contribute 20% of annual premiums. For the fiscal year ended June 30, 2010, the City made payments for postemployment health benefit premiums of approximately \$63,550 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$457,560 paid out of the Retiree Health Care Benefits Fund for individuals retiring after June 30, 1994.

Many public-sector employers have been overhauling their OPEB programs by limiting contributions or eligibility, or dropping the benefit for future or even current retirees. The changes are being driven by accounting rule changes that now force public-sector employers to recognize a liability of any unfunded annual required contributions to the plan. Beginning in 2006, Novi discontinued OPEB for all eligible Administrative officer full-time employees and followed for the following groups:

- Administrative employees hired after May 1, 2006;
- Michigan Association of Public Employees (MAPE- formally Teamster) employees hired after December 1, 2006;
- Full-time fire employees hired after June 1, 2009.

The OPEB plans for these employees are **closed** and new hires are enrolled into an individual Retiree Health Care Savings Account.

As a result of the arbitration award to close the Retiree Health Care Plan for POLC members, the COAM division is the only remaining group with a Retiree Health Care Plan.

The enclosed documents will amend the City's Retirement Health Savings (RHS) Plan for the City of Novi. The following are some of the key features of the plan amendments:

- The RHS Plan is required for all POLC employees hired after April 1, 2012, pursuant to the March 15, 2012 arbitration award. The plan requires a mandatory \$50 bi-weekly contribution by the employer.
- The vesting period for employer contributions is 50% at 8 years, 75% at 15 years and 100% at 20 years.
- Benefit eligibility (when employees are able to access their accounts to pay for qualified medical expenses) for all participating groups begins upon separation of service upon meeting appropriate vesting requirements as outlined above.
- An employee's RHS account will become 100% vested upon the duty death, duty disability or attainment of twenty (20) years of service directly with the City of Novi.

The last two items are being added to clarify eligibility and to mirror Oakland County provisions, which the City of Novi used for its plan documents and implementation.

RECOMMENDED ACTION: Adoption of Resolution to Amend the VantageCare Retirement Health Savings (RHS) Program to include the POLC (Police Officers Labor Council), effective April 1, 2012 for POLC new hires, pursuant to the arbitration ruling on March 15, 2012; and to clarify eligibility for all groups.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Casey				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Wrobel				



**EMPLOYER VANTAGECARE
RETIREMENT HEALTH SAVINGS (RHS) PLAN
ADOPTION AGREEMENT**

**EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PLAN
ADOPTION AGREEMENT**

Plan Number: 8 01516 Check one: New Plan Amendment to Existing Plan

Employer Retirement Health Savings Plan Name:

I. Employer Name: City of Novi State: Michigan

II. The Employer hereby attests that it is a unit of a state or local government or an agency or instrumentality of one or more units of a state or local government.

III. Effective Date of the Plan: December 1, 2006

IV. The Employer intends to utilize the Trust to fund only welfare benefits pursuant to the following welfare benefit plan(s) established by the Employer: City of Novi Retiree Health Savings Plan

V. Eligible Groups, Participation and Participant Eligibility Requirements

A. Eligible Groups

The following group or groups of Employees are eligible to participate in the VantageCare Retirement Health Savings Plan (check all applicable boxes):

- All Employees
- All Full-Time Employees
- Non-Union Employees
- Public Safety Employees – Police
- Public Safety Employees – Firefighters
- General Employees
- Collectively-Bargained Employees (Specify unit(s)) _____
- Other (specify group(s)) All full-time General Non-Union hired after May 1, 2006; MAPE (formally Teamsters) hired after December 1, 2008; Fire Fighters hired after June 1, 2009; Dispatchers hired after September 1, 2011; Police Clerks hired after October 1, 2011 and POLC hired after April 1, 2012

The Employee group(s) specified must correspond to a group(s) of the same designation that is defined in the statutes, ordinances, rules, regulations, personnel manuals or other documents or provisions in effect in the state or locality of the Employer.

B. Participation

Mandatory Participation: All Employees in the covered group(s) are required to participate in the Plan and shall receive contributions pursuant to Section VI.

If the Employer's underlying welfare benefit plan or funding under this VantageCare Retirement Health Savings Plan is in whole or part a non-collectively bargained, self-insured plan, the nondiscrimination requirements of Internal Revenue Code (IRC) Section 105(h) will apply. These rules may impose taxation on the benefits received by highly compensated individuals if the Plan discriminates in favor of highly compensated individuals in terms of eligibility or benefits. The Employer should discuss these rules with appropriate counsel.

C. Participant Eligibility Requirements

1. Minimum service: The minimum period of service required for participation is N/A (write N/A if no minimum service is required).
2. Minimum age: The minimum age required for eligibility to participate is N/A (write N/A if no minimum age is required).

- There is no Plan-defined limit on the percentage or dollar amount of earnings that may be contributed.
- _____ % of earnings*
- *Definition of earnings: Same as Section VI.A. Other
- \$ _____ for the Plan year.

See Section V.B. for a discussion of nondiscrimination rules that may apply to non-collectively bargained self-insured Plans.

VII. Vesting for Direct Employer Contributions

A. Vesting Schedule (check one box)

- The account is 100% vested at all times.
- The following vesting schedule shall apply to Direct Employer Contributions as outlined in Section VI.B.1.:

Years of Service Completed	Vesting Percentage
8	50 %
15	75 %
20	100 %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

- B. The account will become 100% vested upon the ^{duty or duty} death, disability, retirement*, or attainment of benefit eligibility (as outlined in Section IX) by a Participant.**

*Definition of retirement (check one box):

- Retirement as defined in the primary retirement plan of the Employer
- Separation from service
- Other _____

- C. Any period of service by a Participant prior to a rehire of the Participant by the Employer shall not count toward the vesting schedule outlined in A above.**

VIII. Forfeiture Provisions

Upon separation from the service of the Employer prior to attainment of benefit eligibility (as outlined in Section IX), or upon reversion to the Trust of a Participant's account assets remaining upon the participant's death (as outlined in Section XI), a Participant's non-vested funds shall (check one box):

- Remain in the Trust to be reallocated among all remaining Employees participating in the Plan as Direct Employer Contributions for the next and succeeding contribution cycle(s):
- Remain in the Trust to be reallocated on an equal dollar basis among all Plan Participants.
- Remain in the Trust to be reallocated among all Plan Participants based upon Participant account balances.
- Revert to the Employer.

VI. Contribution Sources and Amounts

A. Definition of Earnings

The definition of Earnings will apply to all RHS Contribution Features that reference "Earnings", including Direct Employer Contributions (Section VI.B.1.) and Mandatory Employee Compensation Contributions (Section VI.B.2.).

Definition of earnings: N/A

B. Direct Employer Contributions and Mandatory Contributions

1. Direct Employer Contributions

The Employer shall contribute on behalf of each Participant

- _____ % of Earnings
 - \$ _____ each Plan Year
 - A discretionary amount to be determined each Plan Year
 - Other (describe): \$50.00 per pay period (bi-weekly)
-

2. Mandatory Employee Compensation Contributions

The Employer will make mandatory contributions of Employee compensation as follows:

- Reduction in Salary - _____ % of Earnings or \$ _____ will be contributed for the Plan Year.
- Decreased Merit or Pay Plan Adjustment - All or a portion of the Employees' annual merit or pay plan adjustment will be contributed as follows:

An Employee shall not have the right to discontinue or vary the rate of Mandatory Contributions of Employee Compensation.

3. Mandatory Employee Leave Contributions

The Employer will make mandatory contributions of accrued leave as follows (provide formula for determining Mandatory Employee Leave contributions):

- Accrued Sick Leave _____
 - Accrued Vacation Leave _____
 - Other (specify type of leave) Accrued _____ Leave
-

An Employee shall not have the right to discontinue or vary the rate of mandatory leave contributions.

C. Limits on Total Contributions (check one box)

The total contribution by the Employer on behalf of each Participant (including Direct Employer and Mandatory Employee Contributions) for each Plan Year shall not exceed the following limit(s) below. Limits on individual contribution types are defined within the appropriate section above.

IX. Eligibility Requirements to Receive Medical Benefit Payments from the VantageCare Retirement Health Savings Plan

A. A Participant is eligible to receive benefits:

At retirement only (also complete Section B.)

Definition of retirement:

Same as Section VII.B.

Other _____

At separation from service with the following restrictions

No restrictions

Other must meet vesting requirements

At age _____ only

At retirement and age _____ (also complete section B)

Definition of retirement:

Same as Section VII.B.

Other _____

At retirement or age _____

Definition of retirement:

Same as Section VII.B.

Other _____

Other, specified as follows (also complete Section B if applicable): _____

B. Termination prior to general benefit eligibility: In the case where the general benefit eligibility as outlined in Section IX.A includes a retirement component, a Participant who separates from the service of the Employer prior to retirement will be eligible to receive benefits:

Immediately upon separation from service.

At age _____

C. A Participant that becomes totally and permanently disabled

as defined by the Social Security Administration

as defined by the Employer's primary retirement plan

other _____

will become immediately eligible to receive medical benefit payments from his/her VantageCare Retirement Health Savings Plan account.

D. Upon the death of the Participant, benefits shall become payable as outlined in Section XI.

X. Permissible Medical Benefit Payments

Benefits eligible for reimbursement consist of:

- All Medical Expenses eligible under IRC Section 213* other than direct long-term care expenses, and including non-prescription medications allowed under IRS guidance.
- The following Medical Expenses (select only the expenses you wish to cover under the VantageCare Retirement Health Savings Plan):
 - Medical Insurance Premiums
 - Medical Out-of-Pocket Expenses*
 - Medicare Part B Insurance Premiums
 - Medicare Part D Insurance Premiums
 - Medicare Supplemental Insurance Premiums
 - Prescription Drug Insurance Premiums
 - COBRA Insurance Premiums
 - Dental Insurance Premiums
 - Dental Out-of-Pocket Expenses*
 - Vision Insurance Premiums
 - Vision Out-of-Pocket Expenses*
 - Qualified Long-Term Care Insurance Premiums
 - Non-Prescription medications allowed under IRS guidance*
 - Other qualifying medical expenses (describe)*

** See Section V.A. for a discussion of nondiscrimination rules which may apply to non-collectively bargained, self-insured Plans.*

XI. Benefits After the Death of the Participant

In the event of a Participant's death, the following shall apply:

A. Surviving Spouse and/or Surviving Dependents

The surviving spouse and/or surviving eligible dependents (as defined in Section XII.D.) of the deceased Participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits specified in Section X above.

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund* (or another fund selected by the Employer). The account balance may be reallocated by the surviving spouse or dependents.

** Please read the current Vantagepoint Mutual Funds prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a wholly-owned broker-dealer affiliate of ICMA Retirement Corporation. Member FINRA/SIPC.*

If a Participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits of eligible dependents. Upon the death of all eligible dependents, the account will revert to the Plan to be applied as specified in Section VIII.

B. No Surviving Spouse or Surviving Dependents

If there are no living spouse or dependents at the time of death of the Participant, the account will revert to the Plan to be applied as specified in Section VIII.

XII. The Plan will operate according to the following provisions:

A. Employer Responsibilities

1. The Employer will submit all VantageCare Retirement Health Savings Plan contribution data via electronic submission.
 2. The Employer will submit all VantageCare Retirement Health Savings Plan Participant status updates or personal information updates via electronic submission. This includes but is not limited to termination notification and benefit eligibility notification.
- B. Participant account administration and asset-based fees will be paid through the redemption of Participant account shares, unless agreed upon otherwise in the Administrative Services Agreement.
- C. Assignment of benefits is not permitted. Benefits will be paid only to the Participant, his/her Survivors, the Employer, or an insurance provider (as allowed by the claims administrator). Payments to a third-party payee (e.g., medical service provider) are not permitted with the exception of reimbursement to the Employer or insurance provider (as allowed by the claims administrator).
- D. An eligible dependent is the Participant's lawful spouse and any other individual who is a person described in IRC Section 152(a), as clarified by Internal Revenue Service Notice 2004-79.
- E. The Employer will be responsible for withholding, reporting and remitting any applicable taxes for payments which are deemed to be discriminatory under IRC Section 105(h), as outlined in the VantageCare Retirement Health Savings Plan Employer Manual.

XIII. Employer Acknowledgements

- A. The Employer hereby acknowledges it understands that failure to properly fill out this Employer VantageCare Retirement Health Savings Plan Adoption Agreement may result in the loss of tax exemption of the Trust and/or loss of tax-deferred status for Employer contributions.
- B. Check this box if you are including supporting documents that include plan provisions.

EMPLOYER SIGNATURE

By: _____

Date: _____

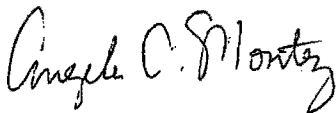
Title: Robert J. Gatt, Mayor

Attest: _____

Date: _____

Title: _____

Accepted: VANTAGEPOINT TRANSFER AGENTS, LLC



Assistant Secretary, ICMA-RC