



**CITY OF PACIFICA  
COUNCIL AGENDA SUMMARY REPORT**

**4/10/2017**

**SUBJECT:**

Amending the ICMA-RC VantageCare Retirement Health Savings (RHS) Plan #801061, and Adopting a New RHS Plan # 803695 for Unrepresented Directors and the City Manager

**STAFF CONTACT:**

Lorenzo Hines Jr., Assistant City Manager

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**RECOMMENDED ACTION:**

Move to adopt a resolution approving the attached amendment to the ICMA-RC VantageCare Retirement Health Savings Plan #801061 and Adopting a new Retirement Health Savings Plan #803695 for the City Manager and Unrepresented Directors, and authorizing the City Manager to execute the necessary documents.

**BACKGROUND/DISCUSSION:**

The City contracts with ICMA-RC for the VantageCare Retirement Health Savings (RHS) Plan.

This plan is designed to help employees pay for future health-care costs through a tax-advantaged saving and investing vehicle. In 2005, per Resolution No. 8A-2005, the City plan, #801061, was established as a voluntary plan with voluntary contributions.

In 2007, the IRS issued a mandate that required plans to be mandatory with mandatory contributions. In 2007, City staff started to amend the program to adhere to IRS rules but it was never completed. Currently, we are out of compliance with the IRS regulations which puts the plan at risk of IRS taxation and/or dissolution.

To comply with current regulations the City must:

1) Amend the current RHS plan #801061 to make enrollment mandatory with mandatory contributions for those bargaining units which elected to participate.

Participating bargaining units are the Teamsters Local 350 - Department Directors, Pacifica Police Management Association, Pacifica Police Supervisors Association, and Fire Battalion Chiefs. The attached amendment packet incorporates the agreed upon City and Employee contributions to the plan.

2) Adopt a new plan agreement #803695 for the City Manager and the Unrepresented Directors.

Due to Nondiscrimination Rules for Highly Compensated Individuals the City must adopt a new

plan for the City Manager and Unrepresented Department Directors. This plan will limit the reimbursements to insurance premiums only. The current plan allows individuals to be reimbursed for insurance premiums and other health care costs. If we do not establish a new plan for these employees, then the requirements for the plan will not be met. Therefore the reimbursements would be considered “excess benefits” and would be taxable as W-2 income to the participant. The attached adoption packet incorporates the agreed upon City and Employee contributions to the plan.

Effective date for both plans will be April 1, 2017.

**FISCAL IMPACT:**

Additional costs associated with this amendment and adoption are minimal.

**COUNCIL ACTION REQUESTED:**

Move to adopt a resolution approving the attached amendment to the ICMA-RC VantageCare Retirement Health Savings Plan #801061 and Adopting a new Retirement Health Savings Plan #803695 for the City Manager and Unrepresented Directors, and authorizing the City Manager to execute the necessary documents.

**ORIGINATED BY:**

Human Resources

**ATTACHMENT LIST:**

- RHS Plan Adoption Agreement - 801061 (PDF)
- RHS Plan Adoption Agreement - 803695 (PDF)
- Pacifica Service Plan Agreement - 803695 (PDF)



**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA APPROVING THE AMENDMENT TO THE ICMA-RC VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN #801061 AND ADOPTING A NEW RETIREMENT HEALTH SAVINGS PLAN #803695 FOR THE CITY MANAGER AND UNREPRESENTED DIRECTORS, AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE NECESSARY DOCUMENTS**

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**WHEREAS**, the Employer has employees rendering valuable services; and

**WHEREAS**, the amendment of its existing retiree health savings plan #801061 for such employees serves the interests of the Employer and Employees; and

**WHEREAS**, the establishment of a retiree health savings program for the City Manager and Unrepresented Directors serves the interests of the Employer by enabling it to provide reasonable security regarding such employees' health needs during retirement, by providing increased flexibility in its personnel management system, and by assisting in the attraction and retention of competent personnel; and

**WHEREAS**, the Employer has determined that the establishment of the retiree health savings program (the "Program") serves the above objectives;

**NOW, THEREFORE**, be it resolved by the City Council of the City of Pacifica that the Employer hereby amends the Plan #801061 in the form of the ICMA Retirement Corporations VantageCare Retirement Health Savings program.

**BE IT FURTHER RESOLVED** by the City Council of the City of Pacifica that the Employer hereby adopts the ICMA Retirement Corporation's VantageCare Retirement Health Savings Program ("Program") through the Employer's integral part trust ("Trust") and the Employer's welfare benefits plan ("Plan") for plan #803695.

**BE IT FURTHER RESOLVED** that the assets of the Plan shall be held in trust, with the following entity or individual serving as trustee: the employer, for the exclusive benefit of Plan participants and their survivors, and the assets of the Plan shall not be diverted to any other purpose prior to the satisfaction of all liabilities of the Plan. The Employer has executed the Declaration of Trust of the City of Pacifica Integral Part Trust in the form of the sample trust made available by the ICMA Retirement Corporation.

**BE IT FURTHER RESOLVED**, that the Human Resources Department shall be the coordinator and contact for the Program and shall receive necessary reports, notices, etc.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Pacifica, California, held on April 10, 2017 by the following vote:

AYES,            Councilmembers:

NOES, Councilmembers:  
ABSENT, Councilmembers:  
ABSTAIN, Councilmembers:

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Mike O'Neil, Mayor

ATTEST:

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Kathy O'Connell, City Clerk

APPROVED AS TO FORM:

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Michelle Kenyon, City Attorney