

ITEM 10.H.

MOORPARK CITY COUNCIL AGENDA REPORT

TO: Honorable City Council

FROM: Deborah S. Traffenstedt, Administrative Services Director
Prepared by: Teri Davis, Senior Management Analyst

DATE: June 23, 2009 (CC Meeting of 7/1/09)

SUBJECT: Consider Amending Resolution No. 2004-2249 Concerning the Vantagecare Retirement Health Savings Program

BACKGROUND AND DISCUSSION

In October 2004, the City Council of the City of Moorpark (City) adopted Resolution 2004-2449 to establish a Vantagecare Retirement Health Savings (RHS) Program. The RHS was an excellent resource for the City to, as a conscientious employer, provide employees with a vehicle by which a percentage of their paychecks could be placed in accounts on a non-taxable basis. The monies saved in these RHS accounts could only be used for eligible medical expenses upon retirement. The intent was to assist employees as they cope with the high cost of health care facing retirees.

Internal Revenue Service (IRS) Publication 969 allows employers to provide Health Reimbursement Arrangements (HRA) under which the RHS is established. After the City adopted the RHS, new IRS restrictions were placed on HRAs. An example of one of the new restrictions is that HRAs now require all employees to participate if a RHS is offered (previously, the RHS was voluntary). City employees found this and other restrictions to be undesirable and ultimately, employees requested that the City discontinue the RHS and delete the RHS from future Memoranda of Understanding as well as future Management Benefit Resolutions.

Staff researched the necessary procedures to rescind the RHS benefit and found that when an employer rescinds this benefit, all monies must be returned to employees who participated. The monies returned would be considered taxable. Staff found that the City has the option of suspending the RHS so that it is no longer offered to employees but allows current participants to maintain their accounts to be utilized in retirement, as intended and the City will have the option to terminate the RHS once all of the account balances are zero. There are five (5) retired employees, one (1) former employee (who is working elsewhere), and two (2) employees presently participating in the RHS.

The RHS benefit does not appear in the current Memorandum of Understanding or the current Management Benefit Resolution (2008-2735). Employees may not currently apply for or enroll in the RHS Program. City employees who participated in the RHS prior to the new IRS restrictions wish to maintain their accounts, with the understanding that no additional deposits will be made. Therefore, the City wishes to amend Resolution 2004-2449 to suspend the RHS plan, allow current participants to maintain their accounts, and refrain from offering the benefit to other employees.

STAFF RECOMMENDATION

Adopt Resolution No. 2009-____ consistent with the agenda report.

Attachment: Draft Resolution

RESOLUTION NO. 2009-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AMENDING RESOLUTION NO. 2004-2249 SUSPENDING THE VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PROGRAM WITH THE ICMA RETIREMENT CORPORATION

WHEREAS, the Internal Revenue Service (IRS) Publication 969 grants authority for employers to establish Health Reimbursement Arrangements (HRA); and

WHEREAS, the RHS is a HRA developed for public agencies; and

WHEREAS, Resolution No. 2004-2249 adopted on October 6, 2004, previously established a RHS; and

WHEREAS, since the adoption of Resolution No. 2004-2249, the IRS has placed new requirements on HRAs; and

WHEREAS, City employees consider the new HRA requirements to be restrictive to such an extent that City employees requested the RHS plan be suspended and removed from any future Memorandum of Understanding between the City and employees and any Management Benefit Resolution; and

WHEREAS, the City no longer offers the RHS plan to any City employees; and

WHEREAS, the City is required to return all monies to participants, should the City rescind the RHS plan; and

WHEREAS, City employees who participated in the RHS plan are desirous of maintaining their benefits, or keeping the monies already in the account, even though no additional funds are deposited to the account to allow the funds to be distributed to them in their retirement, as intended.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Resolution 2004-2249 is hereby amended to suspend the RHS Program to prohibit new enrollments and all new deposits; however, those City employees who have already deposited funds into the Vantagecare RHS Plan may retain their funds already on deposit with ICMA Retirement Corporation.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

Resolution No. 2009-_____

PASSED AND ADOPTED this 1st day of July, 2009.

Janice Parvin, Mayor

ATTEST:

Deborah S. Traffenstedt, City Clerk