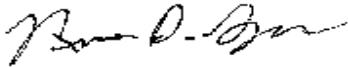


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Administrative Services Director
VIA: Richard Spitler, City Manager
DATE: May 20, 2014
SUBJECT: Consideration of a Resolution adopting International City Management Association (ICMA) Vantage Care Retiree Health Savings Plan (RHS) Trust Document and Retiree Medical and Dental Expense Reimbursement Plan

APPROVAL FOR FORWARDING:



Richard D. Spitler, City Manager

- 1
2 **ISSUE:** Consideration of a Resolution adopting ICMA Vantage Care Retiree Health
3 Savings Plan Trust Document and Retiree Medical and Dental Expense Reimbursement
4 Plan
5
6 **RECOMMENDATION:** Review and approve Resolution.
7
8 **BACKGROUND/DISCUSSION:**
9
10 ICMA offers a program called Vantage Care Retiree Health Savings Plan which is offered
11 by the International City Managers Association Retirement Corporation (ICMARC) which
12 allows employees to accumulate assets to pay for medical expenses at retirement (or
13 upon meeting other eligibility criteria) on a tax-free basis. The contributions allow an
14 employee to invest dollars on a pre-tax basis for financial needs during retirement and
15 are vested in each employee's account individually. The employee can invest and
16 manage the funds in much the same manner as a deferred compensation plan. City
17 employees currently contribute to a 457 deferred compensation plan through ICMA.
18
19 At the time of retirement, the retiree can use the funds under the RHS plan to pay for
20 health, dental, long term care, Medicare and COBRA premiums wherever they may live-
21 they do not have to be within the local area. In addition they can receive reimbursement

22 for medical expenses not covered by insurance such as nursing home care, in home
23 medical equipment, prescriptions, etc.,
24

25 The plan offers a number of benefits, including tax-deferred accumulation of earnings
26 and, because account assets are used to pay for tax qualified medical benefits for
27 participants, their spouses and/or dependents, the additional benefit of tax-free
28 withdrawals. Plan assets remaining at the time of the employee's death can continue to
29 be used for medical expenses by the employee's surviving spouse or dependents for
30 their medical expenses.
31

32 ICMA will administer the retiree health savings plan and staff in the finance department
33 will deduct the employee contributions through payroll deductions and submit funds to
34 ICMA each payroll cycle.
35

36 The employer can design the RHS Plan to best fit the needs of employee groups,
37 including collective units. At this time City staff is recommending the plan be
38 implemented for the City Manager. Staff will come at a later day for additional employee
39 groups to join the RHS plan.
40

41 The attached resolution names the City Manager as Administrator of the Vantage Care
42 Plan and authorizes him to execute the necessary documents to implement the plan.
43

44 City staff has reviewed the ICMA Vantage Care Retiree Savings Plan. The attached
45 resolution executes the necessary documents to implement this benefit for City
46 employees.
47

48 **FISCAL IMPACT:** There is no cost or annual fee to the City to offer a Vantage Care
49 program to the employees; therefore there is no unfunded liability. The employees would
50 pay a \$25 account fee at the rate of \$6.25 per quarter. All contributions in the Plan are
51 paid by the employees. The assets are invested in a different share class of the
52 Vantagepoint funds with lower overall investment expenses. The result is that the overall
53 investment fees are lower than in the 457 plan.
54

55 **ATTACHMENTS**

- 56 1. Resolution
- 57 2. Declaration of Trust
- 58 3. Administrative Services Agreement

RESOLUTION NO. 2014-XXX

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA,
COUNTY OF NAPA, STATE OF CALIFORNIA ADOPTING INTERNATIONAL
CITY MANAGEMENT ASSOCIATION (ICMA) VANTAGE CARE RETIREE
HEALTH SAVINGS PLAN (RHS) TRUST DOCUMENT AND RETIREE
MEDICAL AND DENTAL EXPENSE REIMBURSEMENT PLAN AGREEMENT**

Authorizing Agreement No. _____

1 **WHEREAS**, the City of Calistoga has employees rendering valuable
2 services; and

3
4 **WHEREAS**, the establishment of a retiree health savings plan for such
5 employees serve the interests of the Employer by enabling it to provide
6 reasonable security regarding such employees' health needs during retirement,
7 by providing increased flexibility in its personnel management system, and by
8 assisting in the attraction and retention of competent personnel; and

9
10 **WHEREAS**, the City has determined that the establishment of the retiree
11 health savings plan (the "Plan") administered by the ICMA Retirement
12 Corporation and/or its affiliates serves the above objectives; and

13
14 **WHEREAS**, the City desires that its retiree health savings plan (the
15 "Plan") be administered by the ICMA Retirement Corporation and/or its affiliates;

16
17 **NOW THEREFORE BE IT RESOLVED THAT**, the City Council of the City
18 of Calistoga that:

19 1. The City of Calistoga hereby adopts the Plan in the form of
20 the ICMA Retirement Corporation's Vantage Care Health Retiree Health
21 Savings Plan; and

22 2. The assets of the Plan shall be held in trust, with the City
23 serving as trustee, for the exclusive benefit of Plan participants and their
24 beneficiaries, and the assets of the Plan shall not be diverted to any other
25 purpose; and

26 3. The Integral Part Trust, **Exhibit A** is hereby adopted by the
27 City of Calistoga; and

28 4. The Retiree Medical and Dental Expense Reimbursement
29 Plan Agreement, Exhibit B, is hereby accepted by the City of Calistoga;
30 and

31 5. The City Manager is hereby appointed Administrator of the
32 ICMA Vantage Care Retiree Health Savings Plan and authorized to do all
33 things necessary and proper for administration of the Plan.
34
35

36 **PASSED, APPROVED AND ADOPTED** by the City Council of the City of
37 Calistoga at a regular meeting held this **6th day of May, 2014**, by the following
38 vote:

39
40 **AYES:**
41 **NOES:**
42 **ABSTAIN:**
43 **ABSENT:**

44
45
46
47
48

CHRIS CANNING, Mayor

49 **ATTEST:**

50
51
52

KATHY FLAMSON, Deputy City Clerk