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# CITY of NOVI CITY COUNCIL

## Agenda Item R September 12, 2011

**SUBJECT:** Adoption of Resolution to Amend the VantageCare Retirement Health Savings (RHS) Program to include the Dispatchers (effective for Dispatcher new-hires after September 1, 2011).

**SUBMITTING DEPARTMENT:** Finance

**CITY MANAGER APPROVAL:**

**BACKGROUND INFORMATION:**

On August 23, 2011 the arbitration award was rendered for the Dispatch group. The decision included the following key RHS plan provisions:

- The RHS Plan is required for all Dispatchers hired after September 1, 2011. 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.

The enclosed documents amend the City's current RHS plan to include the Dispatch group.

**RECOMMENDED ACTION:**

Adoption of Resolution to Amend the VantageCare Retirement Health Savings (RHS) Program to include the Dispatchers (effective for Dispatcher new-hires after September 1, 2011).

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Gatt				
Council Member Fischer				
Council Member Margolis				

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

EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PLAN ADOPTION AGREEMENT

Plan Number: 8 01516

Employer Retirement Health Savings Plan Name: CITY OF NOVI, MICHIGAN

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. The 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 and Participant Eligibility Requirements

A. The following group or groups of Employees are eligible to participate in the VantageCare Retirement Health Savings Plan:

- All Employees
- All Full-Time Employees *(as noted below)*
- Non-Union Employees
- Public Safety Employees -- Police
- Public Safety Employees -- Firefighters
- General Employees
- Collectively-Bargained Employees (Specify unit)
- Other (specify below)
  - General non-union hired after May 1, 2006
  - Teamsters hired after December 1, 2006
  - FIRE FIGHTERS hired after JUNE 1, 2009

Dispatchers hired after September 1, 2011.

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

If this box is checked, in lieu of mandatory participation, the Employer provides for a one-time irrevocable election by eligible Employees to participate in RHS. Until such time as the election is made, the Employee shall not participate in the Plan or receive contributions pursuant to Section VI.

Newly eligible Employees shall be provided an election window of \_\_\_\_\_ days (no more than 60 calendar days) from the date of initial eligibility during which they may make the election to participate. Participation may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to participate may be made in a later year. An annual election window of 30 days (no more than 60 calendar days) shall be provided during which the election may be made. The election window shall run from Nov 1 to Nov 30 (insert your annual time frame for the election window, e.g. October 1 to November 29). Participation may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked while the participant is a member of the group covered by the RHS plan.

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 Employees if the Plan discriminates in favor of highly compensated Employees in terms of eligibility or benefits. The Employer should discuss these rules with appropriate counsel.

**B. Participant Eligibility**

1. Minimum period of service required for participation is N/A (write N/A if an Employee is eligible to participate or to elect to participate immediately upon employment).
2. Minimum age required for eligibility to participate is N/A (write N/A if no minimum age is required).

**VI. Contribution Sources and Amounts**

**A. Mandatory Contributions**

1. Direct Employer Contributions

The Employer shall contribute on behalf of each Participant \$50 per pay period (biweekly)

Definition of earnings:

As defined by the MERAS plan document, as amended from time-to-time.

2. Mandatory Leave Contributions

The Employer will make mandatory contributions of leave as follows:

Accrued Sick Leave\*  Yes  No

Accrued Vacation\*  Yes  No

Other\* (describe) \_\_\_\_\_  Yes  No

\* Please provide the formula for determining the Accrued Leave contribution:

\_\_\_\_\_

\_\_\_\_\_

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

3. Mandatory Employee Compensation Contributions

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

Reduction in Salary - \_\_\_\_\_% of earnings (as defined in VI.A.1.) 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.

**B. Elective Contributions**

**1. Elective Pre-Tax Contributions**

The Employer will permit each Employee to make the following elections to make pre-tax contributions to the Plan:

- a. Irrevocable Election for Pre-Tax Contributions from Compensation: A one-time, irrevocable election of the amount of Employer contributions of compensation made on his or her behalf.

The Employer limits the amount elected to either a fixed percentage or a range of percentages of an Employee's earnings

5 % of earnings (as defined in VI.A.1.) or up to \_\_\_\_\_ % of earnings (as defined in VI.A.1) for the Plan Year.

Newly eligible Employees shall be provided an election window of \_\_\_\_\_ days (no more than 60) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 30 days (no more than 60) shall be provided during which the election may be made. The election window shall run from Nov 1 to Nov 30 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

- b. Irrevocable Election for Pre-Tax Contributions of Accrued Leave: A one-time, irrevocable election of the amount of employer contributions of Employee accrued

sick       vacation       other \_\_\_\_\_ (describe) leave made on his or her behalf.  
 Yes       No

The Employer limits the amount elected as shown below;  
Contributions will be limited to sick and vacation payoffs due to separation from service.

Newly eligible Employees shall be provided an election window of 60 days (no more than 60 calendar days) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 30 days (no more than 60 calendar days) shall be provided during which the election may be made. The election window shall run from Nov 1 to Nov 30 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

- c. Annual Prospective Election for Pre-Tax Contributions of Leave: An annual, irrevocable election to have his or her  sick  vacation  other \_\_\_\_\_ (describe) leave to be accrued in the next calendar year contributed to the Plan on his or her behalf .

The Employer limits the amount elected as shown below:

Contributions of future leave accruals will be remitted to the Plan

as earned     at the end of the calendar year.

The election to contribute must be made in the calendar year before the year in which contributions are to begin. Once made, the election shall apply to succeeding calendar years unless otherwise revised or revoked by the Employee on an annual basis.

An annual election window of \_\_\_\_\_ days (no more than 60 calendar days) is provided during which eligible Employees may make the election to contribute. The election window shall run from \_\_\_\_\_ to \_\_\_\_\_. (Insert your annual time frame for the election window.)

In adopting section a, b, and/or c, the Employer acknowledges that the Internal Revenue Service has not ruled on irrevocable election contributions in an integral part trust. ICMA-RO has obtained the advice of counsel that such contributions are allowable under the conditions outlined in this Adoption Agreement. The Employer should discuss this issue with appropriate counsel.

#### B. Voluntary After-Tax Contributions

Each Employee may contribute up to \_\_\_\_\_ % of earnings (as defined in VI.A.1.) or \$\_\_\_\_\_ for the Plan Year on a voluntary after-tax basis. In no event may aggregate Employee voluntary after-tax contributions exceed 25% of total contributions in any Plan Year.

An Employee shall have the right to discontinue or vary the rate of elective after-tax contributions of Employee earnings.

By adopting this section, the Employer acknowledges that the Internal Revenue Service has declined to rule on Employee after tax contributions in an integral part trust. ICMA-RO has obtained the advice of counsel that such contributions are allowable in an insubstantial amount (i.e. no more than 25% of total contributions in any Plan Year). The Employer should discuss this issue with appropriate counsel.

#### C. Limits on Total Contributions

The total contribution on behalf of each Participant (including both Mandatory and Elective Contributions) for each Plan Year shall not exceed the following limit(s):

- \_\_\_\_\_ % of earnings (as defined in VI.A.1.).
- \$\_\_\_\_\_.
- There is no Plan-defined limit on the percentage or dollar amount of earnings that may be contributed.

Limits on individual contribution types are defined within the appropriate section above.

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

**VII. Vesting Schedule**

- A. The account is 100% vested at all times, unless specified otherwise in B. below.
- B. The following vesting schedule applies to Direct Employer Contributions outlined in VI.A.1:

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

- C. The account will become 100% vested upon the death, disability, retirement, or attainment of benefit eligibility by a Participant.

Definition of retirement: AS DEFINED BY THE MERS PLAN DOCUMENT PROVISIONS, AS AMENDED FROM TIME TO TIME.

- D. 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 B. above.

**VIII. Forfeiture Provisions**

Upon separation from the service of the Employer 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:

- Remain in the Trust to be reallocated among all Plan Participant's 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.

In the case of separation from service, the Participant's non-vested funds shall be applied as shown above. In the case of reversion due to the Participant's death under Section XI, the remaining account assets shall be applied as shown 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 (as defined in Section VII.C.)
- At separation from service with the following restrictions  
must meet minimum retirement (as defined in Section VII.C.) and vesting requirements.
- \_\_\_\_\_ At age \_\_\_\_\_ only
- \_\_\_\_\_ At retirement and age \_\_\_\_\_
- \_\_\_\_\_ At retirement or age \_\_\_\_\_

**B. Termination prior to general benefit eligibility:** A Participant who separates from the service of the Employer prior to attaining benefit eligibility as outlined in Section IX.A. or C. will be eligible to receive benefits:

- Immediately upon separation from service.
- At age \_\_\_\_\_.

**C.** A Participant who dies or becomes totally and permanently disabled (as defined by the Social Security Administration) will become immediately eligible to receive medical benefit payments from his/her VantageCare Retirement Health Savings Plan account.

**X. Permissible Medical Benefit Payments**

Benefits eligible for payment consist of:

- A.  All Medical Expenses eligible under IRC Section 213\* other than direct long-term care expenses, **OR**
- B. 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 Supplement Insurance Premiums
- \_\_\_\_\_ COBRA Premiums
- \_\_\_\_\_ Dental Insurance Premiums
- \_\_\_\_\_ Dental Out-of-Pocket Expenses\*
- \_\_\_\_\_ Long Term Care Insurance Premiums
- \_\_\_\_\_ Other (Must be eligible under IRC Section 213)\*

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

**XI. Death Benefit**

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

**Account Transfer:** The surviving spouse and/or surviving eligible dependents (as defined in Section XIII.F.) 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\*. The account balance may be reallocated by the surviving spouse or dependents.

*\* Please read the current 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 controlled affiliate of ICMA Retirement Corporation. Member NASD/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 balance will be available for medical benefits for the designated beneficiary of the last dependent or spouse to die. Assets remaining upon the death of a designated beneficiary shall be available for medical benefits of the beneficiary's designated beneficiary. If there is no living beneficiary(ies), the account will revert to the Plan to be applied as specified in Section VIII.

There will be no elective withholding of federal, state, or local taxes for medical benefit payments to the Participant's spouse's or dependant's designated beneficiary(ies).

If there are no living spouse or dependents at the time of death of the Participant, the account will be available for medical benefits for the designated beneficiary(ies) of the Participant. Assets remaining upon the death of all designated beneficiaries shall be available for medical benefits of the beneficiary's beneficiary. If there is no living beneficiary(ies), the account will revert to the Plan to be applied as specified in Section VIII.

There will be no elective withholding of federal, state, or local taxes for medical benefit payments to the Participant's beneficiary(ies) or any beneficiary's beneficiary.

**XII. De Minimis Accounts** *(no longer available after January 1, 2006)*

Upon separation from the service of the Employer prior to a Participant becoming eligible for medical benefits from a VantageCare Retirement Health Savings Plan account, Participant accounts that are considered de minimis as specified below will be paid to the Participant.

- The de minimis account value shall be \$5,000 or less.
- The de minimis account value shall be \$\_\_\_\_\_ (insert dollar amount between \$0 and \$5,000) or less.
- The Plan shall not allow de minimis account distributions.

**XIII. 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. Participant status updates and/or changes or personal information updates and/or changes (Participants' termination dates, Participants' benefit eligibility dates, etc.) will be provided via electronic submission.

**B.** Participant account administration fees will be paid through the redemption of Participant account shares, unless agreed upon otherwise in the Administrative Services Agreement.

**C.** Employer plan fees will be paid by the Employer as outlined in the Administrative Services Agreement.

**D.** Assignment of benefits is not permitted.

**E.** Payments to an alternate payee (payee other than a Participant) are not permitted with the exception of reimbursement of health insurance premiums to the Employer.

**F.** An eligible dependent is the Participant's lawful spouse and any other individual who is a person described in IRC Section 152(a).

**G.** The Employer will be responsible for withholding, reporting and remitting any applicable taxes, as outlined in the VantageCare Retirement Health Savings Plan Employer Manual.

**XIV.** 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.



EMPLOYER

By: \_\_\_\_\_

Title: DAVID B LANDRY, MAYOR

Attest: \_\_\_\_\_

*MARYANNE CORNELIUS, CITY CLERK*

Accepted: Vantagepoint Transfer Agents, LLC

*Pace a Brunel*

\_\_\_\_\_  
Corporate Treasurer