



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** June 23, 2015

From: Nikki Salas, Director of Human Resources/Risk Management
Human Resources Department **Item No:** 5

Subject: ADOPT RESOLUTION NO. 2015-22, A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, AMENDING THE EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

That the Town Council adopt the attached Resolution No. 2015-22, a Resolution of the Town Council of The Town of Apple Valley amending the current Employer VantageCare Retirement Health Savings Plan for the Town of Apple Valley.

SUMMARY:

With the approval the Town of Apple Valleys' FY 15/16 budget on June 9, 2015 (Resolution No. 2015- 12), the Human Resources Department updated the current agreement with ICMA-RC to reflect the revised provisions of the VantageCare Retirement Health Savings Plan.

BACKGROUND:

On May 28, 2015, the Town Council for the Town of Apple Valley held a budget workshop for the upcoming 2015-2016 fiscal year budget. During the budget workshop, Marc Puckett, Assistant Town Manager highlighted the changes to the Retiree Health Savings Plan for staff. The Town Council approved the Fiscal Year 15/16 budget at the June 9, 2015 Town Council Meeting. Effective July 1, 2015, the amended agreement requires all new and existing full time employees to make a mandatory contribution of

.5% into the retiree health care savings plan with the Town of Apple Valley making a .5% matching contribution.

FISCAL IMPACT:

The Finance Department budgeted for the costs in the Fiscal Year 2015/2016 adopted budget.

RESOLUTION NO. 2015-22

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, AMENDING THE EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN FOR THE TOWN OF APPLE VALLEY

WHEREAS, the Town Council of the Town of Apple Valley has employees rendering valuable services; and

WHEREAS, the amendment of its existing retiree health savings plan for such employees serves the interests of the Town of Apple Valley and its employees;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. That the Town of Apple Valley hereby amends the plan in the form of the ICMA Retirement Corporation's VantageCare Retirement Health Savings program.
2. Said changes shall become effective on July 1, 2015.
3. All resolutions, parts of resolutions in conflict herewith are hereby amended to be consistent herewith.

Unless otherwise noted, the effective date of this Resolution shall be July 1, 2015.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley this 23rd day of June, 2015.

Larry Cusack, Mayor

ATTEST:

La Vonda M-Pearson, Town Clerk



EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PLAN ADOPTION AGREEMENT

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

Amendment to Existing Plan Number: 800866

Employer Retirement Health Savings Plan Name:

I. **Employer Name:** Town of Apple Valley State: California

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 Amendment:** July 1, 2015

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:**

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))

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.

C. Participant Eligibility Requirements

1. Minimum service: The minimum period of service required for participation is N/A (write N/A if an Employee is eligible to participate immediately upon employment).
2. Minimum age: The 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. 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: Base pay

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):

2. Mandatory Employee Compensation Contributions

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

- Reduction in Salary - .5% _____ % 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.

- 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.A.1.:

Years of Service Completed	Vesting Percentage
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

B. The account will become 100% vested upon the 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.

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 _____

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

- as defined by the Social Security Administration
- as defined by the Employer's primary retirement plan
- other Immediately upon separation of service.

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 (i) direct long-term care expenses, and (ii) expenses for medicines or drugs which are not prescribed drugs (other than insulin).
- The following Medical Expenses (eligible under IRC Section 213* other than (i) direct long-term care expenses, and (ii) expenses for medicines or drugs which are not prescribed drugs (other than insulin). 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)*

* Nondiscrimination rules 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 Dreyfus Cash Management fund* (or another fund selected by the Employer). The account balance may be reallocated by the surviving spouse or dependents.

¹ *An investment in the Dreyfus Cash Management money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. Investors should consider the investment objectives, risks, charges, and expenses of the fund carefully before investing. You may visit us at www.icmarc.org or call 800-669-7400 to obtain a prospectus that contains this and other information about the fund. Read the prospectus carefully before investing.*

² *ICMA-RC and its affiliate, ICMA-RC Services, Inc. ("RC Services"), receive payments from the Dreyfus Cash Management fund or its service providers in the form of 12b-1 fees, service fees, compensation for sub-accounting, and other services provided by ICMA-RC or RC Services.*

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 (a) the Participant's lawful spouse, (b) the Participant's child under the age of 27, as defined by IRC Section 152(f)(1) and Internal Revenue Service Notice 2010-38, or (c) 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: Town Manager

Accepted: VANTAGEPOINT TRANSFER AGENTS, LLC

By: *Angela C. Montz* Date: _____
Assistant Secretary