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MAR 26 2015



**Chandler · Arizona**  
*Where Values Make The Difference*



**MEMORANDUM**

**DATE:** March 26, 2015

**TO:** Mayor and City Council

**THRU:** Rich Dlugas, City Manager *RD*  
Debra Stapleton, Human Resources Director *DAS*  
Rae Lynn Nielsen, Benefits and Labor Relations Administrator *RN*

**FROM:** Lynna Soller, Benefit Program Manager *LS*

**SUBJECT:** **Resolution No. 4849 – Authorizing the Adoption and Execution of Amended and Restated Plan Adoption Agreements for the Retirement Health Savings Plan Benefit for Employees (Plan 8011217) and Elected Officials (Plan 8011218) to Add a Minimum Age For Retirement Benefit Eligibility, Change the Annual Limit for Contributions of Employees' Excess Accrued Vacation Leave, and Make Minor Corrections to the Plan Documents**

**Recommendation:** Approve Resolution No. 4849 authorizing the adoption and execution of amended and restated Plan Adoption Agreements for the Retirement Health Savings Plan benefit for employees (Plan No. 8011217) and elected officials (Plan No. 8011218) to add a minimum age for benefit eligibility, change the annual limit for mandatory contributions of employees' excess accrued vacation leave, and make minor corrections to the plan documents.

**Background/Discussion:** In December 2007, the Chandler City Council approved Resolution No. 4141 which authorized the execution of three Retirement Health Savings (RHS) Plan Adoption Agreements applicable to employees, elected officials, and individuals in the former Medical Expense Reimbursement Plan (MERP), respectively. The RHS has proved to be a valuable tool in assisting employees in saving for healthcare costs in retirement.

The proposed amendment adds a minimum age of 50 for retirement benefit eligibility which will apply to those employees or elected officials who are vested in the Plan and separate from City service (without retiring) into one of the Arizona public sector retirement systems. This change is intended to clarify the status of the RHS Plan as a retirement health reimbursement arrangement (HRA) under the Internal Revenue Code and is necessary to be compatible with the Health Savings Accounts (HSA) which was introduced this year as part of the "White Plan" health insurance option.

The amendment also increases the amount of excess vacation leave that may be deposited to an employee's RHS account. As of January 1, 2015, employees who have in excess of 240 hours of vacation as of the last full pay period with a pay day in January are now eligible to deposit up to 60 hours into the Retirement Health Savings Account. The increase from 40 hours to 60 hours was agreed upon as part of last year's negotiations with the bargaining groups.

Additionally, the reference to IRS Revenue Ruling 2006-36 was removed from the Agreements because the current status of the law regarding the individuals eligible to use the funds in an HRA for eligible medical expenses is already reflected in the standard terms of the Agreements.

No changes are required to the Adoption Agreement applicable to the former members of the MERP (Plan No. 801427) because all members of that plan are retirees or the surviving spouses or surviving eligible dependents of retirees.

**Proposed Motion:** Move to approve Resolution No. 4849 authorizing the adoption and execution of Amended and Restated Plan Adoption Agreements for the Retirement Health Savings Plan benefit for employees (Plan No. 8011217) and elected officials (Plan No. 8011218) to add a minimum age for retirement benefit eligibility, change the annual limit for mandatory contributions of employees' excess accrued vacation leave, and make minor corrections to the plan documents.

**RESOLUTION NO. 4849**

**A RESOLUTION OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING THE ADOPTION AND EXECUTION OF AMENDED AND RESTATED PLAN ADOPTION AGREEMENTS FOR THE RETIREMENT HEALTH SAVINGS PLAN BENEFIT APPLICABLE TO CURRENT EMPLOYEES (PLAN NO. 8011217) AND ELECTED OFFICIALS (PLAN NO. 8011218) TO ADD A MINIMUM AGE FOR BENEFIT ELIGIBILITY, CHANGE THE ANNUAL LIMIT FOR CONTRIBUTIONS OF EMPLOYEES' ACCRUED VACATION LEAVE, AND MAKE MINOR CORRECTIONS TO THE PLAN DOCUMENTS**

WHEREAS, on December 15, 2005, the City of Chandler phased out the Medical Expense Reimbursement Plan (MERP) and implemented a Retirement Health Savings Account for employees; and

WHEREAS, on February 23, 2006, the City Council authorized the Mayor to execute three Administrative Services Agreements between the City of Chandler and ICMA Retirement Corporation ("ICMA") to provide administrative and investment services for the City's Retirement Health Savings Plans for current employees (Plan No. 801217), City Council Members (Plan No. 801218), and a group of individuals in the former Medical Expense Reimbursement Plan ("MERP") (Plan No. 801427); and

WHEREAS, on December 13, 2007, the City Council authorized execution of three VantageCare Retirement Health Savings Plan Adoption Agreements applicable to each of the three Administrative Services Agreements; and

WHEREAS, the VantageCare Retirement Health Savings Plan Adoption Agreements were subsequently amended and restated on May 14, 2009, and October 22, 2009; and

WHEREAS, additional changes are required to Plan No. 801217 (current employees), and Plan No. 801218 (elected officials) to make the Retirement Health Savings Plan benefit provided thereunder compatible with Health Savings Accounts (HSAs) under the federal tax laws, change the annual limit on contributions of employees' excess accrued vacation leave, and make minor corrections to the Adoption Agreements.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chandler as follows:

SECTION 1: The Mayor and City Council hereby approve and adopt the amended and restated City of Chandler Employee Retirement Health Savings Plan Adoption Agreement, Plan No. 801217, effective April 1, 2015 (Exhibit A, attached hereto); and the City of Chandler City Council Retirement Health Savings Plan Adoption Agreement, Plan No. 801218, effective April 1, 2015 (Exhibit B, attached hereto).

SECTION 2: The Mayor is hereby authorized to execute on behalf of the City all of the documents set forth in Section 1.

SECTION 3: The City's officers and employees are hereby authorized and directed to perform all acts necessary to give effect to this Resolution and implement the Plans.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona this \_\_\_ day of \_\_\_\_\_, 2015.

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
MAYOR

**C E R T I F I C A T I O N**

I HEREBY CERTIFY that the above and foregoing Resolution No. 4849 was duly passed and approved by the City Council of the City of Chandler, Arizona, at a regular meeting held on the \_\_\_ day of \_\_\_\_\_, 2015, and that a quorum was present thereat.

\_\_\_\_\_  
CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY ATTORNEY *raf*



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

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

Plan Number: 8 01217

Select as applicable:  Standalone RHS  Integrated RHS  Amendment to Existing Plan  New Plan (see NOTE below)

NOTE: (For existing employers only): **Check here**  if you want ICMA-RC to use existing plan contact information for this new plan setup. Otherwise, if contact information has changed, please complete and return the Implementation Data Form found on pg. II:31 along with the adoption materials.

Employer Retirement Health Savings Plan Name:

I. **Employer Name:** City of Chandler State: Arizona

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 Plan:** March 1, 2006; Amendment: April 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:** Retiree Welfare Benefit Plan

## 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)) All full-time employees and regular benefit eligible part-time employees

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.

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

### C. Participant Eligibility Requirements

1. Minimum service: The minimum period of service required for participation is see Attachment A (write N/A if no minimum service is required).
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: gross wages

**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): See Attachment A

2. Mandatory Employee Compensation Contributions

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

- Reduction in Salary - \_\_\_\_\_ % 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 Excess vacation leave over 240 hours with a maximum of 60 hours.
- 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. Limits on individual contribution types are defined within the appropriate section above.

- 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.B.1.:

Years of Service Completed	Vesting Percentage
5	100 %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**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 includes a separation from service component and is further defined by (check one):

- The primary retirement plan of the Employer
- Separation from service
- Other Immediate retirement from City of Chandler into ASRS or PSPRS

**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 Attainment of age 50 for employees who are vested.

**B. Termination prior to general benefit eligibility:** In case where the general benefit eligibility as outlined in Section IX.A includes a retirement component, a Participant who separates from service of the Employer prior to retirement will be eligible to receive benefits:

Immediately upon separation from service

Other See Attachment A

**C. A Participant that becomes totally and permanently disabled**

as defined by the Social Security Administration

as defined by the Employer's primary retirement plan

other See Attachment A

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

**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)\*

\* See Section V.A. for a discussion of nondiscrimination rules which 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.

*\*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](http://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.*

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 an 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: \_\_\_\_\_

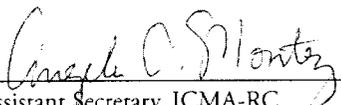
Title: Mayor

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

Date: \_\_\_\_\_

Title: City Clerk

Accepted: VANTAGEPOINT TRANSFER AGENTS, LLC

  
 \_\_\_\_\_  
 Assistant Secretary, ICMA-RC

**APPROVED AS TO FORM**

\_\_\_\_\_  
 CITY ATTORNEY *ref*

## ATTACHMENT A

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

#### Plan No. 801217: City of Chandler Employee Retirement Health Savings Plan

**V.C.1. Minimum Service:** First day of the month following one full calendar month of employment.

#### **VI.B.1. Direct Employer Contributions**

**50% of Value of Employee's Accumulated Sick Leave** will vest upon either: (a) application and approval for long-term disability pursuant to Title 38 of Arizona Revised Statutes, or (b) application for retirement from the City of Chandler with immediate retirement into either the Arizona State Retirement System or the Public Safety Personnel Retirement System.

**Employer contribution of \$800** per 12-month year of City of Chandler service pro-rated for any partial year will vest upon five (5) years of service with the City of Chandler and either: (a) application and approval for long-term disability pursuant to Title 38 of Arizona Revised Statutes, or (b) application for retirement from the City of Chandler with immediate retirement into either the Arizona State Retirement System or the Public Safety Personnel Retirement System.

**Employer contribution of \$15.00 per pay period** will vest upon the death of the employee while actively employed by the City of Chandler for any amount of time or upon termination of employment for any other reason after five years of service with the City of Chandler.

Between March 1, 2006 and December 31, 2007 certain employees were authorized to and did voluntarily contribute \$15.00 per pay period to the Retirement Health Savings Plan. All such contributions and earnings are 100% vested at all times.

#### **IX.B. Termination prior to general benefit eligibility:**

A Participant who separates from service of the Employer prior to retirement will be eligible to receive benefits: Upon attainment of age 50 as limited by Section VI.B.

**IX.C.** For purposes of this section, "totally and permanently disabled" means: After completion of five (5) years of service as an employee of the City of Chandler, if prior to separation or within 180 days of separation from the City of Chandler the employee is: (1) approved for long-term disability benefits through the Arizona State Retirement System pursuant to Title 38 of Arizona Revised Statutes; (2) approved for a disability retirement through the Public Safety Personnel Retirement System; or (3) qualifies for benefits under any Long Term Disability policy to which the City of Chandler contributes.

**ATTACHMENT A**

**Plan No. 801217: City of Chandler Employee Retirement Health Savings Plan**

**Page 2**

**Note Regarding Section XI.** A Participant's account assets which revert to the Employer in accordance with Section VIII following the Participant's death and the death of the Participant's surviving spouse and all eligible dependents, if any, will be redirected by the City to the Trust to be reallocated on an equal dollar basis among all Plan Participants.



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

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

Plan Number: 8 01218

Select as applicable:  Standalone RHS  Integrated RHS  Amendment to Existing Plan  New Plan (see NOTE below)

NOTE: (For existing employers only): **Check here**  if you want ICMA-RC to use existing plan contact information for this new plan setup. Otherwise, if contact information has changed, please complete and return the Implementation Data Form found on pg. II:31 along with the adoption materials.

Employer Retirement Health Savings Plan Name:

I. **Employer Name:** City of Chandler State: Arizona

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 Plan:** March 1, 2006; Amendment: April 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:** Retiree Welfare Benefit Plan

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)) All City Council Members of the City of Chandler, AZ

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.

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

C. **Participant Eligibility Requirements**

1. Minimum service: The minimum period of service required for participation is See Attachment A (write N/A if no minimum service is required).
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: gross wages

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**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): See Attachment A
- 

2. Mandatory Employee Compensation Contributions

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

- Reduction in Salary - \_\_\_\_\_ % 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. Limits on individual contribution types are defined within the appropriate section above.

- 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.B.1.:

Years of Service Completed	Vesting Percentage
5	100 %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**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 includes a separation from service component and is further defined by (check one):

- The primary retirement plan of the Employer
- Separation from service
- Other Immediate retirement from City of Chandler into ASRS or PSPRS/EORP

**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 Attainment of age 50 for those who are vested.

**B. Termination prior to general benefit eligibility:** In case where the general benefit eligibility as outlined in Section IX.A includes a retirement component, a Participant who separates from service of the Employer prior to retirement will be eligible to receive benefits:

- Immediately upon separation from service

- Other See Attachment A

**C. A Participant that becomes totally and permanently disabled**

- as defined by the Social Security Administration

- as defined by the Employer's primary retirement plan

- other See Attachment A

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

**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)\*

\* See Section V.A. for a discussion of nondiscrimination rules which 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.

*\*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](http://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.*

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.

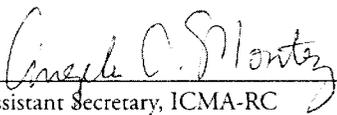
**XIII. Employer Acknowledgements**

- 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: Mayor \_\_\_\_\_  
 Attest: \_\_\_\_\_ Date: \_\_\_\_\_  
 Title: City Clerk \_\_\_\_\_

Accepted: VANTAGEPOINT TRANSFER AGENTS, LLC

  
 Assistant Secretary, ICMA-RC

**APPROVED AS TO FORM**

\_\_\_\_\_  
 CITY ATTORNEY *pat*

## ATTACHMENT A

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

#### Plan 801218: City of Chandler City Council Retirement Health Savings Plan

**V.C.1. Minimum Service:** First day of the month following one full calendar month of employment.

#### **VI.B.1. Direct Employer Contributions**

Employer contribution of \$800 per 12-month year of City Council service pro-rated for any partial year will vest upon five (5) years of service with the City Council and either: (a) immediate retirement from the City Council into the Elected Officials Retirement Plan (EORP) or (b) approval for disability retirement from the EORP.

For City Council members whose death occurs before completion of five years of service on the City Council, such Council member's surviving spouse and eligible dependents, if any, shall be entitled to \$800 per 12-month year of decedent's Chandler City Council service pro-rated for any partial year.

Between March 1, 2006, and December 31, 2007, certain employees were authorized to and did voluntarily contribute \$15.00 per pay period to the Retirement Health Savings Plan. All contributions and earnings are 100% vested at all times.

#### **IX.B. Termination prior to general benefit eligibility:**

A Participant who separates from service of the Employer prior to retirement will be eligible to receive benefits: Upon attainment of age 50 as limited by Section VI.B.

**IX.C.** For purposes of this section, "totally and permanently disabled" means: While serving on the City Council, Council member, after completing five years of serving on the City Council, becomes disabled and is entitled to a disability retirement pension under the Elected Officials Retirement Plan (EORP).

**Note Regarding Section XI.** A Participant's account assets which revert to the Employer in accordance with Section VIII following the Participant's death and the death of the Participant's eligible spouse and all eligible dependents, if any, will be redirected by the City to the Trust to be reallocated on an equal dollar basis among all Plan Participants.