

#61

OCT 22 2009



Chandler + Arizona
Where Values Make The Difference

MEMORANDUM

DATE: October 19, 2009

TO: Mayor and Council

THRU: W. Mark Pentz, City Manager
Rich Dlugas, Assistant City Manager RD
Debra Stapleton, Human Resources Director JAS

FROM: Valerie Hernandez, Benefit Programs Supervisor M

SUBJECT: Approval of Resolution No. 4347 authorizing Adoption, Approval and Restatement of Restated Health Savings Plan Agreement for the City's Retirement Health Savings Plan for Current Employees (Plan No. 8011217) to amend Plan as to Excess Vacation Leave Contributions and Vesting of Contributions and Authorizing Execution of Restated Plan

RECOMMENDATION: Adoption of Resolution 4347 authorizing adoption, approval, and execution of Restatement of the City's Retirement Health Savings Plan for Current Employees (Plan No. 8011217).

BACKGROUND: On December 13, 2007, the City of Chandler City Council approved the adoption of Resolution No. 4141 which authorized the execution of three restated employer health savings plan adoption agreements. The Plan covering full-time employees requires an Amendment to clarify certain provisions relating to contributions and vesting requirements.

DISCUSSION: The restated Adoption Plan Agreement for Plan No. 801217, the Plan covering all full-time employees and eligible part-time employees, will clarify contribution requirements for excess vacation for certain Fire Department employees, will clarify vesting requirements relating to employees who obtain approval for long-term disability pursuant to Title 38 of Arizona Revised Statutes, and will clarify a vesting requirement required by the Internal Revenue Service.

FINANCIAL IMPLICATIONS: There are no additional costs to the City.

PROPOSED MOTION: Move to Adoption of Resolution 4347 authorizing adoption, approval, and execution of Restatement of Restated Health Savings Plan Agreement for the City's Retirement Health Savings Plan for Current Employees (Plan No. 8011217).

RESOLUTION NO. 4347

A RESOLUTION OF THE CITY OF CHANDLER, ARIZONA APPROVING, ADOPTING AND AUTHORIZING THE MAYOR TO EXECUTE A RESTATED EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN ADOPTION AGREEMENT FOR THE CITY'S RETIREMENT HEALTH SAVINGS PLAN FOR CURRENT EMPLOYEES (PLAN NO. 801217) BY AMENDING ATTACHMENT A THERETO RELATING TO EXCESS VACATION LEAVE CONTRIBUTIONS AND VESTING OF CONTRIBUTIONS

WHEREAS, on December 15, 2005, the City of Chandler authorized phasing out the Medical Expense Reimbursement Plan (MERP) and authorized implementing 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 formerly named Medical Expense Reimbursement Plan ("MERP") (Plan No. 801427); and

WHEREAS, on December 13, 2007, pursuant to Resolution Number 4141, the City Council for the City of Chandler authorized execution of three VantageCare Retirement Health Savings Plan Adoption Agreements applicable to each of the three Administrative Services Agreements; and

WHEREAS, on May 14, 2009, pursuant to Resolution Number 4293, the City Council for the City of Chandler approved, adopted and authorized the Mayor to execute three restated Employer VantageCare Retirement Health Savings Plan Adoption Agreements,

WHEREAS, the City Council for the City of Chandler has determined that it is in the best interests of the City of Chandler to approve, adopt and authorize the Mayor to execute a restated Employer VantageCare Retirement Health Savings Plan Adoption Agreement for the City's Retirement Health Savings Plan for current employees (Plan No. 801217) by amending Exhibit A thereto relating to excess vacation leave contributions and vesting of contributions.

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

SECTION 1: That the City Council of the City of Chandler approves, restates and adopts, the City of Chandler Employee Retirement Health Savings Adoption Agreement Plan No. 801217 (Exhibit A, attached hereto) and pursuant to this approval, restatement and adoption amend Exhibit A thereto relating to excess vacation leave contributions and vesting of contributions.

SECTION 2: That the City Council of the City of Chandler hereby authorizes the Mayor to execute all of the documents set forth in Section 1.

SECTION 3: That the various City officers and employees be and they are hereby are authorized and directed to perform all acts necessary to give effect to this Resolution.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona this ____ day of _____, 2009.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4347 was duly passed and approved by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of _____, 2009, and that a quorum was present thereat.

CITY CLERK

PUBLISHED:

APPROVED AS TO FORM:

CITY ATTORNEY



EXHIBIT A

EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PLAN
ADOPTION AGREEMENT

Plan Number: 8 01217 Check one: New Plan Amendment to Existing Plan

Employer Retirement Health Savings Plan Name:

City of Chandler Employee Retirement
I. Employer Name: Health Savings Plan 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: January 1, 2008

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 Benefits 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

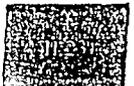
Mandatory Participation: All Employees in the covered group(s) are required to participate in the Plan and shall receive contributions pursuant to Section VI.

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 1st* (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).

*day of the month following one full calendar month of employment.



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 N/A

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 N/A

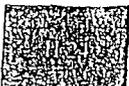
The Employer will make mandatory contributions of accrued leave as follows (provide formula for determining Mandatory Employee Leave contributions):

- 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 **See Attachment A

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
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

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 Immediate retirement from City of Chandler into Arizona State Retirement System or Public Safety Personnel Retirement System.

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

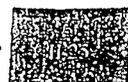
Upon separation from the service of the Employer prior to attainment of benefit eligibility (as outlined in Section IX)*, or upon reversion to the Trust of a Participant's account assets remaining upon the participant's death (as outlined in Section XI)** a Participant's non-vested funds shall (check 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. into Plan 801217 (Assets reverting to Trust after death of participant).

Remain in the Trust to be reallocated among all Plan Participants based upon Participant account balances.

Revert to the Employer. (Non-vested funds upon separation prior to attainment of benefit eligibility).



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.) N/A
Definition of retirement:

Same as Section VII.B.

Other _____

At separation from service with the following restrictions N/A

No restrictions

Other _____

At age _____ only N/A

At retirement and age _____ (also complete section B) N/A

Definition of retirement:

Same as Section VII.B.

Other _____

At retirement or age _____ N/A

Definition of retirement:

Same as Section VII.B.

Other _____

Other, specified as follows (also complete Section B if applicable): As set forth in Section VI.B.

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. As limited pursuant to Section VI.B.

At age _____

C. A Participant that becomes totally and permanently disabled

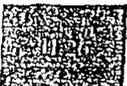
as defined by the Social Security Administration

as defined by the Employer's primary retirement plan

other After completing five (5) years of service as an employee of the City of Chandler, employee is approved for long-term disability prior to* 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.

*separation ^{or} within 180 days of separation from the City of Chandler for (1) Long-Term Disability Program for Arizona State Retirement System, (2) qualifies for a disability pension pursuant to Public Safety Personnel Retirement, or (3) qualifies for any long-term disability policy to which the City contributes.



X. Permissible Medical Benefit Payments

Benefits eligible for reimbursement consist of:

- All Medical Expenses eligible under IRC Section 213* other than direct long-term care expenses, and including non-prescription medications allowed under IRS guidance.
- 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 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:

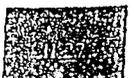
A. Surviving Spouse and/or Surviving Dependents *See Attachment A**

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 the Vantagepoint Money Market Fund* (or another fund selected by the Employer). The account balance may be reallocated by the surviving spouse or dependents.

** Please read the current Vantagepoint Mutual Funds 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 wholly-owned broker-dealer affiliate of ICMA Retirement Corporation. Member FINRA/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 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 asser-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 the Participant's lawful spouse and 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

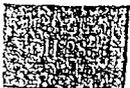
Accepted: VANTAGEPOINT TRANSFER AGENTS, LLC

Angela C. Moritz

Assistant Secretary, ICMA-RC

APPROVED AS TO FORM

CITY ATTORNEY *[Signature]*



PLAN # 801217

ATTACHMENT A

*VI.B.1. Other: (1) Employer will annually contribute the excess vacation leave over 240 hours with a maximum contribution of 40 hours or the equivalent as computed under a) the rule for the Fire Department employees assigned to more than a 40 (forty) hour week or b) the rule for regular employees who work less than fulltime but at least one thousand forty (1040) hours or more per year in a part-time regular budgeted position. Such contributions and earnings will vest as accrued. (2) The following contribution 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 to either the Arizona State Retirement System or the Public Safety Personnel Retirement System: 50% of Employee's Accumulated Sick Leave. (3) The following contribution will vest upon five (5) years of service with the City of Chandler and either a) eligible to retire at separation and submitted application and obtained 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 to either the Arizona State Retirement System or the Public Safety Personnel Retirement System: \$800 per twelve (12) month year of City of Chandler service prorated for any partial year. (4) The following contribution will vest upon the death of the employee while actively employed by the City of Chandler for any amount of time upon the death of the employee or upon termination for any other reason upon five years of service with the City of Chandler: fifteen dollar (\$15.00) per pay period contribution by the City of Chandler to every employee.

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

**XI.A. The amended Plan is subject to the provision in Internal Revenue Code Revenue Ruling 2006-36, ~~that for reimbursement plans containing a provision on or before August 14, 2006 stating that upon the death of a deceased employee's surviving spouse and last dependent, or upon the death of the employee, if there is no surviving spouse or dependents, any unused reimbursement amount will be as paid as a reimbursement of substantiated medical care expenses of a beneficiary designated by the employee, which is effective with respect to plan years beginning after December 31, 2008.~~