



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: [Click [here](#) and type in the Legislative File No]

TO: Mayor and City Council Members
FROM: Pamela M. Lee, Director of Human Resources, ext. 2521
DATE: September 12, 2007
SUBJECT: Retiree Health Savings Plan Amendment Adoption for Non-union Employees

REQUEST:

City Council approval of amendments to the VantageCare Retiree Health Savings (RHS) plan for full-time Non-union City employees, effective January 1, 2008 is hereby requested

BACKGROUND:

The City first adopted RHS plans offered by ICMA-RC in 2001 for full-time employee groups in order to provide City employees with a savings vehicle for health care expenses during retirement. Contributions made by the employer and the employee grow tax-deferred and account assets are tax-free when used for eligible health care expense reimbursements when a vested employee retires or separates from the City.

Earlier this year, the IRS ruled that certain elective features introduced by ICMA-RC's in 2004 could no longer be part of a health reimbursement arrangement such as the RHS program. The City of Rochester Hills was advised that these features must be removed from all such plans by the end of 2007. Non-union employees were informed of these developments in March and given an opportunity to submit comments regarding plan contribution options under consideration. The majority of the employees who responded favored some level of mandatory employee contribution as necessary to maximize the City's contribution level.

The proposed plan amendment for Non-union employees features a four percent (4%) City contribution. This amount was previously budgeted based on a three percent (3%) base contribution and a one percent (1%) matching contribution. The previous employee contribution, which required elective contributions of either 1% of earnings or a two-day leave contribution in order to receive the employer match, would become a mandatory 1% earnings contribution in 2008.

RECOMMENDATION:

Approval of the City of Rochester Hills VantageCare Retiree Health Savings (RHS) Plan Adoption Agreement (Plan Number 80-00049) amendment, effective January 1, 2008 for eligible Non-union City employees, including Department Directors is recommended.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		

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