



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

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Legislative File No: 2007-0571

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 Local 1917 Employees

REQUEST:

City Council approval of amendments to the VantageCare Retiree Health Savings (RHS) plan for Local 1917, Chapter 28 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. Local 1917 employees have agreed to implement the required changes for 2008 in conjunction with their ratified collective bargaining agreement.

The proposed plan amendment for Local 1917 employees features a five percent (5%) City contribution. This amount was previously budgeted based on a four percent (4%) base contribution, a one percent (1%) mandatory earnings contribution, and a 1% matching contribution. The previous employee matching contribution required employees to contribute either 1% of earnings or a two-days of contribution in order to receive the employer match. In lieu of elected contributions, a mandatory two percent 2% earnings contribution would be implemented in 2008.

RECOMMENDATION:

Approval of the City of Rochester Hills VantageCare Retiree Health Savings (RHS) Plan Adoption Agreement (Plan Number 80-00056) amendment, effective January 1, 2008 for eligible Local 1917 employees is recommended.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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

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