

**MINUTES of the Special Rochester Hills City Council Work Session** held at the Rochester Hills Municipal Building, 1000 Rochester Hills Drive, Mezzanine, Rochester Hills, Oakland County, Michigan, on Wednesday, October 18, 2000.

In accordance with the provisions of Act 267 of the Public Acts of 1976, as amended, the Open Meetings Act, notice was given that a Special Rochester Hills City Council Work Session would commence at 6:00 p.m. Michigan Time on October 18, 2000, for the purpose of discussing the proposed City of Rochester Hills Retiree Health Savings Program.

**1. CALL TO ORDER**

President Hill called the Special Rochester Hills City Council Meeting to order at 6:25 p.m. Michigan Time.

**2. ROLL CALL**

Present: President Melinda Hill, Members Bryan Barnett, John Dalton, Jim Duisterman, Barbara Holder

Absent Lois Golden (6:27 p.m.), Gerald Robbins **QUORUM PRESENT**

Others Present: Marc Ott, City Administrator  
Beverly A. Jasinski, City Clerk  
Pamela Lee, Human Resources Director  
Tom Boyer, City Labor Attorney  
Bob Spaman, Finance Director

**3. PUBLIC COMMENTS**

No members of the audience provided comment(s).

**4. DISCUSSION regarding proposed City of Rochester Hills Retiree Health Savings Plan. (Members received copy of memo dated October 13, 2000, from Marc Ott, City Administrator, with attachments.)**

Ms. Holder provided a letter to Council indicating a conflict of interest; therefore, removed herself from the table. Ms. Holder's husband is a full-time employee of the City of Rochester Hills.

(Exit Holder 6:26 p.m.)  
(Enter Golden 6:27 p.m.)

Mr. Ott reported the matter of a Retiree Health Program has been the topic of desire and discussion of City employees for many years. As a result of employee meetings, Mayor Somerville requested the Administration devise a plan to provide for a retiree health program. Mr. Ott reported a number of employees have left the City because of the absence of this benefit and the Administration has concluded some form of retiree benefit is merited. The first conceptual plan was presented to the employees in June. After obtaining employee feedback, it was revised to change the supplemental benefit from employees with fifteen (15) years to employees with ten (10) years of seniority and retain the 457-matching program. The matter has not yet been presented to the bargaining units.

Ms. Lee provided Council with a detailed presentation about the program, which involves two (2) components. The components are briefly described as follows:

**1) ICMA VantageCare Retiree Health Savings Plan:**

The ICMA VantageCare Retiree Health Savings Plan grows through the City's contributions, two (2) leave days (if available) and accrued interest earnings over the career of the employee. The ICMA VantageCare Retiree Health Savings Plan was first implemented in Long Beach, California, with only ten (10) other municipalities considering the defined contribution approach throughout the United States. Individual accounts will be created for each employee and the

City will make its contributions. The investments will grow over time and the employee will draw from the accounts once they retire. The ICMA VantageCare Plan will be available to all full-time, non-probationary employees and can be drawn from once years of service/age equal seventy (70) or age fifty-five (55) and five (5) years of service. The City will contribute three (3%) percent of an employee's total gross wage into their accounts monthly. Additionally, any annual days remaining in excess of five (5), as of June 1st, will require that days 6 and 7 be deposited into the VantageCare Plan. If the annual days are deposited, then the City will match an additional one (1%) percent.

**2) Supplemental Benefit:**

The City's Supplemental Benefit will be provided to full-time employees with a minimum of ten (10) years of service on the inception date and a combined age/years service factor that equals seventy (70). The target date of inception is January 01, 2001. It is directed toward long-term employee who would not have time to save adequately under the ICMA VantageCare Plan for their retiree health benefits. This benefit includes more restrictions than the ICMA VantageCare Plan.

The plans have met with IRS approval, therefore, are non-taxable when used to pay health insurance premiums. It was noted, the 457 matching will be discontinued for new employees only.

Mr. Spaman addressed the financial issues. It was noted individual employees would be making their own investment choices in the ICMA VantageCare Plan. Projected costs for the plans were estimated as follows:

<u>YEAR</u>	<u>VANTAGECARE</u>	<u>SUPPLEMENT</u>	<u>TOTAL</u>
2001	\$ 450,000	\$ 18,000	\$ 468,000
2002	\$ 463,500	\$ 36,000	\$ 499,500
2003	<u>\$ 477,405</u>	<u>\$ 54,000</u>	<u>\$ 531,405</u>
	\$1,390,905	\$108,000	\$1,498,905

Mr. Spaman indicated if the plan begins on January 1, 2001, an estimated five (5) employees may take advantage of the Supplemental Plan in 2001, ten (10) employees in 2002, and fifteen (15) in 2003. There will be twenty two (22) persons eligible to retire at inception.

Mr. Boyer reported every governmental unit in the State of Michigan has some type of health plan, with the exception of Rochester Hills. It was noted the benefits of those plans vary a great deal.

The following represents a summary of Council discussion and questions/answers:

***What is the current 457-match?***

- For the 2491 Union (approximately 130 employees) the maximum City match is one (1%) percent. For every dollar contributed to the plan, fifty (\$.50) cents is contributed by the City to a maximum of one (1%) percent of their gross wage.
- For non-union and 1917 Union, the match is a maximum of two (2%) percent. For every dollar contributed to the plan, a dollar is contributed by the City to a maximum of two (2%) percent of their gross wage.
- The IAFF 3472 Union did not accept the 457-match when the City offered it; therefore, has no match.

It was noted the Supplemental Benefit will reach a peak and eventually be eliminated.

***Is it typical that monies under VantageCare revert to an estate upon death?***

If there are no eligible persons to purchase health care in the event of an employee's death, the remainder of monies in the VantageCare account would go to the estate of the last surviving beneficiary and becomes taxable.

It was noted, in the event an employee leaves the City unvested in the VantageCare program, contributed annual leave days will be returned as taxable income to the employee as a pay-out and the remaining VantageCare monies revert to the City.

**How will the Supplemental Benefit be paid?**

When an employee retires, they have ninety (90) days to enroll in one of the City's plans. If an employee leaves the City's group plan, the benefit is forfeited.

Mr. Dalton expressed concern that an individual can vest with five (5) years of service and at the age of fifty five (55); he feels this is too short a period of time. Mr. Dalton also feels the 457 match should be discontinued because it had been established when the City did not want to step up to its responsibility toward retiree health care. He indicated he would not support this matter if the 457-match continues. It was noted, the 457-match will be discontinued for new employees, but would continue for current employees.

Ms. Lee noted employees had expressed concern when the City initially proposed to eliminate the 457-match and a compromise was reached. Initially, the City was proposing a five (5%) percent contribution toward the VantageCare Program, but scaled back the City's contribution to three (3%) percent, with an additional one (1%) percent possible. The Administration felt this was a reasonable trade-off and did not create additional obligations.

Mr. Boyer noted both the 457-match and the supplement would terminate in time; however, costs would be recovered through the reduction from the five (5%) percent.

Ms. Golden noted employees favored the 457-match and those monies can be used for any purpose.

Ms. Hill supports the City decreasing the 457-match amount.

**Could the 457-match be changed?**

Mr. Boyer reported the programs are fully negotiable.

**Why must VantageCare monies go to beneficiaries in the event of death?**

The Internal Revenue Service (IRS) dictated that the fund must go to beneficiaries. It was noted the program would be under guidelines from the IRS, ICMA and the City.

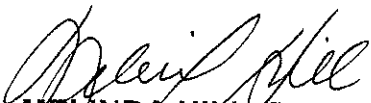
Ms. Golden noted she had conducted a survey of employees and most comments received were positive.

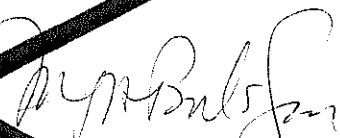
~~OTHER BUSINESS~~

~~No Other Business was discussed.~~

~~6. ADJOURNMENT~~

~~There being no further business to discuss before Council, President Hill adjourned the meeting at 7:35 p.m.~~

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MELINDA HILL, President  
Rochester Hills City Council~~

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MARILYN A. PAULSEN-TOMASZEWSKI  
Administrative Assistant  
to the City Clerk~~

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BEVERLY A. JASINSKI, Clerk  
City of Rochester Hills~~

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