

**CITY OF SAN ANTONIO
HUMAN RESOURCES DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council
FROM: Sharon De La Garza, Director, Human Resources Department
SUBJECT: Retirement Health Savings (RHS) Plan Adoption
DATE: December 1, 2005

SUMMARY AND RECOMMENDATIONS

Consideration of the following matters in connection with establishment and adoption of a Retirement Health Savings (RHS) trust and plan:

- A. An Ordinance authorizing the City Manager, the City Manager's designee, or the Director of Human Resources to execute any and all instruments and documents required to establish and adopt a Retirement Health Savings (RHS) trust and plan in the form of the ICMA Retirement Corporation's VantageCare Retirement Health Savings Plan.
- B. An Ordinance authorizing the City Manager, the City Manager's designee, or the Director of Human Resources to execute any and all instruments and documents required to amend the Administrative Services Agreement with ICMA Retirement Corporation to provide for the administration of the Retirement Health Savings (RHS) plan.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The Adopted Budget FY05-06 included a Retirement Incentive Initiative for full-time civilian employees with twenty seven or more years of City service as of July 31, 2006. Participating employees, who retiree from the Texas Municipal Retirement System (TMRS) no earlier than February 28, 2006 and no later then September 30, 2006, will be eligible to receive a 50% reduction of the City's retiree premium for 36 months beginning on September 1, 2006. For employees retiring on September 30, 2006, the premium reduction will begin on October 1, 2006 for 36 months.

For those eligible employees who have banked sick leave balances, the City will deposit lump sum amounts equivalent to up to 50% of the projected annual medical premium amount into individual retirement health savings accounts beginning in September 2006, and continuing

annually. For eligible employees who retire as of September 30, 2006, sick leave deposits will be made into the health savings account in October 2006, and annually thereafter. The dollar value of the annual deposits will be deducted from the employee's calculated sick leave value, decreasing balance annually. At the end of the three-year period, any remaining balance of the sick leave value amount will be deposited into the health savings account. Deposits into the retirement health savings account will not exceed the actual calculated sick leave value.

The retirement health savings (RHS) plan will allow eligible participants, as defined by the City of San Antonio, to accumulate funds from banked sick leave on a pre-tax basis for post-employment healthcare expenses including premiums and out-of-pocket expenses. Upon initial enrollment into the RHS program, a participant's funds are automatically established in the Vantagepoint Money Market Fund. Subsequently, the RHS becomes a participant directed account where the participant may change the investment allocation at any time among nineteen (19) Vantagepoint Mutual Funds. RHS distributions are also made on a tax free basis and account balances are transferred to beneficiaries upon the participant's death.

POLICY ANALYSIS

Adoption of the Retirement Health Savings trust and plan, effective December 26, 2005, will allow the City to establish a tax-deferred retirement health savings plan for retirees eligible to participate in the Retirement Incentive Initiative and implement the provisions of any separation/retirement agreements between the City and any employee.

FISCAL IMPACT

The FY2005-2006 Adopted Budget included approval for funding of RHS accounts to implement the Retirement Incentive Initiative with banked sick leave in accordance with the eligibility requirements. Amount of annual funding for eligible employees electing retirement under the Retirement Incentive Initiative will be determined upon election of retirement and selection of medical plan option.

Annual account fees and annual asset fees will be charged to each accountholder's account. The annual account fee of \$30 per account along with the asset fee of 0.30% (30 basis points) will be charged on a quarterly basis based on the balance in the account on the last day of the previous quarter.

COORDINATION

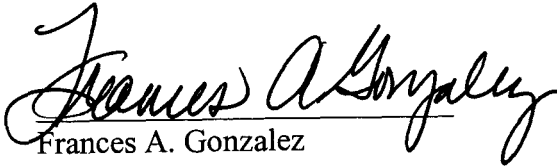
This item has been coordinated with Finance, Office of Management & Budget, and the City Attorney's Office.

SUPPLEMENTARY COMMENTS

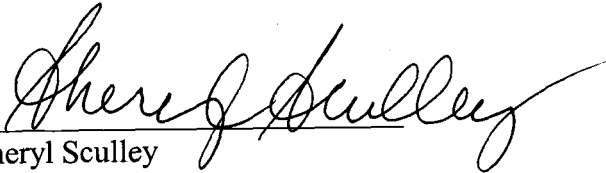
The required Discretionary Contracts Disclosure Form is attached.



Sharon De La Garza
Human Resources Director



Frances A. Gonzalez
Assistant City Manager



Sheryl Sculley
City Manager

Attachments

**City of San Antonio
Discretionary Contracts Disclosure**

*For use of this form, see Section 2-59 through 2-61 of the City Code (Ethics Code)
Attach additional sheets if space provided is not sufficient.*

ICMA-RC

☐ No partner, parent or subsidiary; or

List partner, parent or subsidiary of each party to the contract and identify the corresponding party:

ICMA-RC Services, LLC
Vantagepoint Investment Advisors, LLC ("VIA")
Vantagepoint Transfer Agents, LLC ("VTA")

☐ No subcontractor(s); or

List subcontractors:

ICMA-RC does not anticipate engaging any subcontractors to provide services specific to this contract. However, ICMA-RC uses various third party vendors to provide recordkeeping and plan administration services on behalf of its clients, such as, for example, SunGard, which provides our recordkeeping software/platform, and SourceCorp, which provides our employer and participant statements.

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law. A sole proprietor should list the name of the individual and the d/b/a, if any.

☒ No lobbyist or public relations firm employed; or

List lobbyists or public relations firms:

☒ No contributions made; If contributions made, list below:

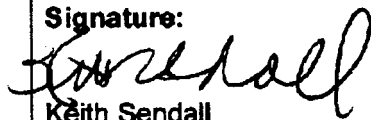
By Whom Made:	To Whom Made:	Amount:	Date of Contribution:

☒ Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

This form is required to be supplemented in the event there is any change in the information before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed, whichever occurs first.

Signature:

Keith Sendall

Title: Sr.Vice President, Field
Sales**Company or D/B/A:**

ICMA-RC

Date: November 28, 2005