

MEMORANDUM

TO: Chief Administrative Officer

FROM: City Comptroller and Personnel Manager

RE: Proposed Health Savings Plan Amendments

DATE: March 14, 2005

In April of 2000, the City Council of the City of Urbana established a post-employment health savings plan for employees not covered by an employee bargaining agreement who have reached a sick leave accrual balance of at least 300 hours (Resolution 2000-04-012R). This plan calls for the City to make an annual contribution of 1% (minimum of \$350) of a participant's annual salary, plus a contribution of 10% of an employee's accrued unused sick leave balance upon leaving employment after ten years. The contributions are deposited into an account owned by the employee. The employee does not pay any taxes on these contributions or interest earnings as long as the monies are used to pay for health care costs (insurance, prescriptions, co-pays, etc.) after the employee leaves employment with the City. The sick leave accrual rate for each participant is reduced in order to pay for this benefit.

We believe this program helps the City to recruit and retain employees and helps the employees to prepare to pay for the rising cost of health care. In addition, it provides a benefit to employees that do not use much of their sick leave and allows employees to recognize \$1.40 of benefits for \$1.00 otherwise received because of tax savings.

We believe that following proposed amendments will enhance benefits for the lowest paid employees, provide employees more flexibility, and improve employees' perceptions about this program.

- 1. Increase the minimum annual employee deposit to be made on July 1, 2005 from \$350 to \$425 and increase the subsequent annual amount 4% per year for the next 10 years.**

The annual 1% contribution rises as wages and the savings from reduced sick leave accrual rise. However, the minimum deposit that provides a contribution in excess of 1% for our lowest paid participants has not risen in five years. An increase to \$425 reflects an annual adjustment of 4% for five years.

- 2. Provide newly eligible employees the option of participating in the plan and receiving the lower annual sick leave accrual or not participating and receiving the same annual sick leave accrual as other City employees.**

When our plan was adopted, all eligible participants were required to participate since the law did not allow us to give individual participants a choice. Although the vast majority of eligible employees want to participate in this program, a few employees are upset because they would prefer to accrue the same sick leave as bargaining unit employees. Employees will now be permitted to elect to participate when they become eligible or during a subsequent election period. Once the employee elects to participate, the election is irrevocable.

3. Provide current plan participants a one-time option to withdraw from the plan.

Since current employees have never had the chance to elect participation, all currently employed participants will be provided a 60-day window during which they may elect to withdraw from the plan. Employees who withdraw from the plan will receive a one-time adjustment to their accrued sick leave balance. They will be credited with the additional sick leave that they would have earned if they had never participated in the plan. This decision will be irrevocable. Such employees will forfeit any deposits and any earning in their accounts and shall not be eligible for any future mandatory or voluntary contributions. The forfeited monies, if any, will be redistributed among the balance of participating employees in proportion to the outstanding balance.

4. Provide participants the option to deposit all or some of their sick leave buyout into the account.

Upon leaving employment, some employees receive a portion of their accrued and unused sick leave balance in a cash payment. Some participants want to deposit all or a portion of this cash payment into their account in order to save taxes and to assist them in paying the high cost of retiree health care. When our plan was adopted, voluntary employee contributions of this nature were not allowed. Employees will now have this option.

5. Remove the requirement that an employee must have ten years of service to receive a contribution of 10% of his/her accrued unused sick leave balance upon separation.

Participants who use little sick leave may become eligible for the post employment health savings plan in as few as four or five years, but they are not eligible for this portion of the plan until they have worked for at least ten years. Our sick leave buyout program rewards employees for long service, but employees who separate with less than ten years of service do not currently receive any partial payments for their sick leave balances. As demographics and employment patterns change, we anticipate recruiting more employees who are concerned about post retirement health care costs. This change will provide a small benefit for these employees.

We believe that these enhancements will require minimal, if any, additional costs. Increasing the minimum deposit simply maintains the same general level of benefits that were approved for lower income participants in 2000. Providing employees more options requires more administration, but the existing staff will absorb the increased workload. If current participants withdraw from the plan, we will incur a small expense if additional credited sick leave is used or partially reimbursed upon separation. However, we do not expect many, if any, employees to withdraw from the plan. Removing the requirement for ten years of service will require a small cost in exchange for providing a valued benefit. The City will save money from reduced employer taxes resulting from any voluntary amounts deposited into the health savings accounts. These savings will offset some or all of the minimal costs of these enhancements.

We recommend approval of the attached plan amendments.

RESOLUTION NO. **2005-03-006R**

A RESOLUTION AMENDING A POST EMPLOYMENT HEALTH SAVINGS PLAN FOR CERTAIN EMPLOYEES OF THE CITY OF URBANA

Plan Numbers 800006 and 800021, City of Urbana, Illinois

WHEREAS, the City of Urbana has established a retiree health savings plan in the form of the Vantage Care Retirement Health Savings Plan ("Plan") for certain employees of the City of Urbana that are not subject to previously approved collective bargaining agreements; and,

WHEREAS, said "Plan" provides reasonable security regarding employee's health needs during retirement, provides increased flexibility in the personnel management system of the City of Urbana, and assists in the attraction and retention of competent personnel; and ,

WHEREAS, the City of Urbana has determined that the continuance of the "Plan" serves the above objectives;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, THAT THE CITY OF URBANA HEREBY:

1. Amends and restates the "Plan" as outlined in the attached DECLARATION OF AMENDMENT TO THE VANTAGECARE RETIREMENT HEALTH SAVING PLAN".
2. Resolves that the assets of the "Plan" shall be held in trust, with the City of Urbana serving as trustee ("Trustee") for the exclusive benefit of Plan participants and their beneficiaries, and the assets of the Plan shall not be diverted to any other purpose prior to the satisfaction of all liabilities of the "Plan". The City of Urbana executes the Declaration of Trust of the City of Urbana Integral Part Trust in the form of The Model Integral Part Trust Agreement made available by the ICMA Retirement Corporation.

PASSED by the City Council this _____th day of _____, 2005.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____th day of _____, 2005.

Tod Satterthwaite, Mayor

SUPPLEMENTAL ATTACHMENT TO THE CITY OF URBANA VANTAGECARE
HEALTH SAVING PLAN ADOPTION AMENDMENT, ATTACHMENT C

Section A1. Mandatory Contributions.

The employer will make an annual contribution on approximately July 1 of each year. The contribution for July 1, 2005 will be \$425 to every participating full-time employee to the employee's universal reimbursement account. The contribution to the universal reimbursement account shall increase each year such that the contribution for July 1, 2006 will be \$442; \$460 in 2007; \$478 in 2008; \$497 in 2009; \$517 in 2010; \$538 in 2011; \$559 in 2012; \$582 in 2013; \$605 in 2014; \$629 in 2015; and \$654 in 2016. The contribution to the universal reimbursement account shall remain at \$654 unless subsequently amended by the employer.

In addition, the employer shall contribute an amount on approximately July 1 of each year to the employee's insurance premium reimbursement account. The amount contributed shall be 1% of each participating full-time employee's annual salary less the amount contributed by the employer to the employee's universal reimbursement account for that year. (For example, if a participating employee's annual salary for July 1, 2005 is \$50,000, the employer will contribute \$75 to the insurance premium reimbursement account: \$500 less \$425 contributed to the universal reimbursement account).

Eligible part-time employees shall receive a pro-rated contribution on the same date. Contributions will be pro-rated by the same percentage as health insurance contributions.

Section A2. Mandatory Leave Contributions:

The employer will also contribute into the employee's universal reimbursement account, the value of 10% of an eligible employees accumulated and unused sick leave at the time an eligible employee leaves employment if the employee separates in good standing. For purposes of this 10% mandatory contribution, an employee shall be considered eligible if at any time during their employment the City made an annual contribution under Section A1 above (except for an employee that elected to revoke their participation under Part 1:Section 5 "Irrevocable Election to Participate" in the Declaration of Amendment.

Section B1b. Irrevocable Election for Pre-Tax Contributions of Accrued Leave.

During an election window provided by the City, an eligible employee may make a one-time irrevocable election to contribute into his or her universal reimbursement account all or a portion of the value of the accumulated and unused sick leave that she or he would otherwise be eligible to receive as cash upon separation. Such contribution shall be made in lieu of an equivalent cash payment to the employee. These employee elected contributions amounts are in addition to the mandatory leave contributions made by the employer outlined in Section A2 above. The election period and the earliest date such contribution may be made are specified in Attachment C. Once made, the election is irrevocable. However, in the event that the employee elects to contribute under this provision, but separates prior to the earliest date in which such contribution may begin, the voluntary contribution will not be accepted by the Plan unless it is legally permissible to begin the payment by the date in which the City requires such contributions to be made following an employee's separation.

MEMORANDUM

TO: Chief Administrative Officer

FROM: Personnel Manager

RE: Proposed Benefit Program Amendments

DATE: March 14, 2005

Since 1976 the City has maintained a benefit program for benefit eligible employees who are not subject to previously approved collective bargaining agreements. The purpose of the Benefit Program approved under this ordinance is to provide benefits that will attract and retain employees and to ensure that the City does not provide lesser benefits for those employees who are not subject to a collective bargaining agreement.

I am proposing two sets of changes.

1. Increase the benefits below to move toward the goal of not providing lesser benefits to non-union employees.

A. Provide vacation benefits for exempt employees with significant tenure that are equal to the vacation leave of AFSCME and IAFF employees. Increase vacation at the start of year 16 from 24 days to 25 days for all exempt employees, except for 24-hour Division Chiefs. Increase vacation for 24-hour Division Chiefs at the start of year 20 from 12 days to 13 days.

B. Increase sick leave buyout at separation for employees who have 30 or more years of service from 25% to the following:

30 years of service	30% of sick leave balance
35 years of service	40% of sick leave balance

Police Officers with 20 years of service receive 50% of their sick leave balance at separation. The cost of increasing non-bargaining unit employees' sick leave buyout can be funded from the payroll savings that occur while we search for a replacement for the separating employee.

2. Improve flexibility, clarity, and legal compliance.

Most of our benefits are subject to the City Council approved benefit program description, a variety of federal and state laws and regulations, legally required plan documents, City policies and procedures, and/or insurance and vendor contracts and plan descriptions. These requirements are increasingly complex, difficult for employees to understand, and subject to rapid change. We continually try to improve benefits communications. I believe that we can improve our benefit program by establishing broad policies and benefit levels in the Ordinance, controlling costs through the annual budget, and describing administrative details in our policies and other employee communications.

This Ordinance:
AMENDS THE CITY OF URBANA BENEFITS PROGRAM.

ORDINANCE NO. _____

{An Ordinance Amending the City of Urbana Benefits Program}

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the text of the City of Urbana, Illinois Benefits Program for benefit eligible employees that are not subject to approved collective bargaining agreements, last amended January 20, 2004, is hereby deleted and replaced in its entirety with the text of the attached City of Urbana, Illinois Benefits Program for benefit eligible employees that are not subject to approved collective bargaining agreements.

Section 2. All ordinances, resolutions, motions, or parts thereof, in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

Section 3. This ordinance shall become effective immediately upon its passage and approval.

PASSED by the City Council this _____ day of _____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____.

Tod Satterthwaite, Mayor

City of Urbana Benefit Program Non-Bargaining Unit Employees

DISCLAIMER

City benefits and the statements made in this document are subject to revision at any time without notification of employees by the City. This document and the policies and guidelines referenced herein are not a contract for employment or part of a contract. Nothing in these policies and guidelines provides any contractual obligations or any obligations relating to continued employment, compensation, or employment in a particular position. To ensure the most current and accurate information regarding materials in this document, please contact the City's Personnel Manager. Employees subject to a bargaining agreement should refer to their contract for specific information on their benefits.

SUMMARY AND SCOPE

This document describes some of the standard benefits provided to employees who are not subject to approved collective bargaining agreements and occupy benefit eligible City positions on a regular, non-temporary basis. Other benefits, policies, and procedures are described in pension plan documents, the City's Policy and Procedure Manual, insurance and vendor documents, and other City communications. These documents are available through the City's internal web site and/or the Personnel Division's web page and office. The CAO and/or the Personnel Manager shall establish the policies, rules, and procedures governing the benefit packages for employees not subject to approved collective bargaining agreements, including modifications to the policies and procedures, and descriptions herein. The City adheres to applicable laws that affect these benefits.

PHILOSOPHY

These benefits are designed, in conjunction with pay, to attract, reward, and retain highly qualified individuals who will best serve the public. Therefore, it is the goal of the City of Urbana, to the greatest extent possible, to provide a competitive benefit package that is no less than the benefit packages provided for employees who are subject to bargaining-unit agreements.

POSITION DEFINITIONS

- ❑ **REGULAR BENEFIT ELIGIBLE POSITION:** A non-temporary position that averages 20 or more hours per week annually and has been duly authorized and budgeted as benefit eligible. At the time of appointment, the benefit package is identified as fulltime, 75%, or 50% based on the anticipated work hours.
- ❑ **NON-BARGAINING UNIT POSITION:** An exempt or non-exempt position that is not subject to a bargaining unit agreement (NBU).
- ❑ **EXEMPT / MANAGEMENT:** A position classified as exempt from overtime requirements under the Fair Labor Standards Act (FLSA). Supervisory, professional, and administrative positions meeting certain criteria are typically classified as exempt.
- ❑ **HOURLY / NON-EXEMPT:** All other positions that are not classified as exempt under the FLSA.
- ❑ **PART-TIME:** Pro-rated benefits are provided for part-time regular benefit eligible positions that are expected to average 20 or more hours of work per week over a year. Positions that are authorized for 20-29 regular hours per week are authorized at the 50% benefit level and those authorized for 30 or more hours per week are authorized at the 75% benefit level.
- ❑ **DEPARTMENT HEAD:** A Department Head (Director) or the CAO.

TIME OFF AND LEAVE

Leave is accrued, advanced, approved, and used in accordance with applicable laws, policies and procedures. Details concerning policies and procedures are available in the City's Policy and Procedures Manual, department policies, and through supervisors and the Personnel Office.

VACATION

Fulltime Exempt Vacation	
Upon hire and on each eligible anniversary, vacation is advanced for the upcoming year.	
Excluding Fire Department 24 hour shift personnel	
Start Date	10 days
Start of Year 2	16 days
Start of Year 3	20 days
Start of Year 4	24 days
Start of Year 16	25 days
Fire Department 24 hour shift personnel	
Start Date	5 days
Start of Year 2	8 days
Start of Year 3	10 days
Start of Year 4	12 days
Start of Year 20	13 days

Fulltime NBU Hourly Vacation	
During the first year, vacation <u>accrues</u> during the first 10 months.	
On each eligible anniversary, annual vacation is <u>advanced</u> for the upcoming year.	
During 1st year of service	1 day per month for the first 10 months
After completion of 1 year of service	12 days
After completion of 5 years of service	15 days
After completion of 9 years of service	20 days
After completion of 15 years of service	25 days

Part-time NBU Hourly Vacation	
20-29 hours per week	50% of schedule
30 or more hours per week	75% of schedule

These benefits apply exclusively to the positions specified and only to employees who occupy benefit eligible non-bargaining unit City positions on a non-temporary basis.

SICK LEAVE

Fulltime NBU Exempt & Hourly Sick Leave Excluding Fire Department 24 hour shift personnel	
Start Date	69 hours advanced on the first day of employment.
After completion of 1 year of service	8 hours of sick leave will accrue each month

Fire Rescue Division Chiefs' Sick Leave Exempt 24-Hour Shift	
Start Date	96 hours advanced on first day of employment.
After completion of 1 year of service	11.2 hours of sick leave will accrue each month

Part-time NBU Hourly Sick Leave	
20-29 hours per week	50% of schedule
30 or more hours per week	75% of schedule

SICK LEAVE ACCRUAL FOR PARTICIPANTS OF THE OPTIONAL POST-EMPLOYMENT HEALTH SAVINGS PLAN

Eligible employees may enroll and receive benefits from the City's Post-Employment Health Savings Plan. The Plan benefits and rules are described in the Plan documents and City policies. The sick leave accrual rate for participants in this plan is listed below.

Post-Employment Health Savings Plan Sick leave accrual is based on a participant's July 1 sick leave balance.	
Excluding Fire Department 24 hour shift personnel	
At least 300, but under 400	6.3 hours of sick leave will accrue each month
At least 400, but under 500	5.5 hours of sick leave will accrue each month
500 or more	4.7 hours of sick leave will accrue each month
Fire Department 24 hour shift personnel	
At least 300, but under 400	9.5 hours of sick leave will accrue each month
At least 400, but under 500	8.7 hours of sick leave will accrue each month
500 or more	7.9 hours of sick leave will accrue each month

These benefits apply exclusively to the positions specified and only to employees who occupy benefit eligible non-bargaining unit City positions on a non-temporary basis.

HOLIDAYS

All employees, excluding Fire Department 24-hour shift personnel, are eligible for the following paid holidays. Part-time benefit eligible employees receive prorated holiday pay for each official recognized city holiday whether or not the holiday falls on the employee's regularly scheduled workday. If a part-time employee works on a City recognized holiday, the employee shall receive regular pay for the hours worked, in addition to the applicable holiday pay.

Holidays – 10 holidays	
The City shall determine the actual day on which holidays are to be celebrated. 50% and 75% benefit eligible employees receive 4 hours and 6 hours respectively.	
New Year's Day	Labor Day
Martin Luther King's Day	Veteran's Day
Good Friday	Thanksgiving Day
Memorial Day	Day After Thanksgiving
Independence Day	Christmas Day

OTHER PAID AND UNPAID LEAVE

The City's Policy and Procedures Manual covers a variety of other types of leave, including: Family and Medical (FMLA), VESSA, Military, Funeral/Bereavement, Jury Duty, and Civic. Eligible employees wishing to take such leave may do so in accordance with the applicable policy.

OVERTIME

Non-exempt employees are entitled to overtime in compliance with the Fair Labor Standards Act (FLSA). The City's Policy and Procedures Manual describes overtime and compensatory time policy and procedures. Specific questions should be addressed to the Personnel Manager.

HEALTH INSURANCE

The City will pay the full cost of the premium for the City's designated standard group health insurance plan(s) for each fulltime employee and 50% or 75% of the cost, as applicable, for benefit eligible part-time employees. Participants may purchase dependent coverage at the group rate. The City will pay 40% of the cost of the premium for standard family dependent coverage for fulltime employees enrolled in a standard family plan. If the City offers a higher cost alternative to the standard group health plan, the participant will pay the excess over the standard rate.

WAIVING HEALTH INSURANCE

The City shall maintain a policy in the Policy and Procedures manual that provides partial cash payment or credit to eligible employees who waive their health insurance. This policy shall provide prorated benefits for part-time benefit eligible employees and shall specify the eligibility criteria, the documentation requirements, and the sum or percentage to be paid. Health insurance costs and payments in lieu of insurance will be reflected in the annual budget.

These benefits apply exclusively to the positions specified and only to employees who occupy benefit eligible non-bargaining unit City positions on a non-temporary basis.

POST EMPLOYMENT HEALTH INSURANCE

Separating employees will be provided the opportunity to continue group health insurance at their own cost in accordance with applicable law, including 215 ILCS 5/367f (Firefighters), 5/367g (Police), or 5/367j (IMRF). The City may provide the same or similar health insurance continuation eligibility to employees who separate in good standing with twenty consecutive years of City employment, but are not otherwise eligible for the benefits above.

UNUSED SICK LEAVE

Upon separation an eligible employee who separates in good standing may receive partial payment for his or her sick leave balance. The schedule for such payment is listed below. Eligible Post-Employment Health Savings Plan (PEHSP) participants may voluntarily contribute all or a portion of the sum otherwise due to his or her post-employment health savings plan per the rules of the Plan. Both cash payments and voluntary employee contributions to a PEHSP will reduce the balance of unpaid, unused sick leave that is used in IMRF retirement calculations accordingly, e.g. payment of 10% of 500 hours will reduce the unpaid sick leave by 50 hours.

An eligible employee who separates in good standing is eligible to receive partial payment for his or her sick leave balance based on years of continuous service.	
Service	Payment based on Service
10 years of service	10% of sick leave balance
15 years of service	15% of sick leave balance
20 years of service	20% of sick leave balance
25 years of service	25% of sick leave balance
30 years of service	30% of sick leave balance
35 years of service	40% of sick leave balance

IMRF SERVICE CREDIT FOR PEHSP PARTICIPANTS

For the sole purpose of computing additional IMRF service credit, the Post-Employment Health Savings Plan participant shall be credited with 8 hours of sick leave per month, instead of the actual accrual, for each month the employee accrued sick leave as a Plan participant.

PENSIONS

DEFINED BENEFIT PLAN

As established by State law, the City contributes to the Illinois Municipal Retirement Fund, the Police and the Fire Funds. The City's contributions are established annually by an actuarial study. Eligibility requirements and other provisions of these plans are described in the plan documents. IMRF information is available through the Personnel Office and IMRF. Police and Fire Plan information is available from each respective Plan's representative.

457 PLAN

In addition to the traditional pension plans, the City sponsors a deferred compensation plan for benefit eligible personnel. The City does not make a contribution to this plan; however, employees may save for retirement by deferring a portion of their wages in this tax-deferred plan.

These benefits apply exclusively to the positions specified and only to employees who occupy benefit eligible non-bargaining unit City positions on a non-temporary basis.

EMPLOYEE DEVELOPMENT, LICENSES AND MEMBERSHIP

PROFESSIONAL LICENSES

As the City requires professional licenses for various administrative and professional positions, such as City Engineer and City Attorney, it is the policy of the City to pay the full cost for all required professional license fees, following approval by the employee's Department Head. At the discretion of the Department Head and within budgetary constraints, other licenses or certification fees that are strongly desired, but not required, may be partially or fully reimbursed.

PROFESSIONAL ORGANIZATION MEMBERSHIP

It is recognized by the City that it is necessary and beneficial for employees and the City to keep abreast of current technology, equipment, techniques, legislation and ideas to provide the best possible services to the tax payer at the least possible cost. Therefore, upon the authorization of the employee's Department Head, the City will pay the cost for membership in job-related professional organizations that are beneficial to the City.

CONFERENCES & TRAINING

Participation at professional conferences, seminars, and workshops not only serves the employee in continuing his/her educational and professional development, but also assists the City in maintaining efficient and effective managerial and technological practices. Therefore, the City, within budgetary limits, may pay reasonable job-related conference or training fees and associated travel and accommodation costs. Department Head approval will be based upon the potential benefit to the employee and to the City, and the availability of funds.

EDUCATIONAL BENEFITS

The City encourages employees to further their education. Employees who voluntarily pursue job-related educational opportunities outside of work may be eligible for partial or full tuition reimbursement and/or a flexible schedule. Administrative details and eligibility requirements are described in the City's Policy and Procedures Manual.

These benefits apply exclusively to the positions specified and only to employees who occupy benefit eligible non-bargaining unit City positions on a non-temporary basis.