

M E M O R A N D U M

TO: Laurel Lunt Prussing, Mayor

FROM: Ronald Eldridge, Comptroller

DATE: May 22, 2008

**SUBJECT: An Amendment to the City's Employee Benefit Program for
Non-Bargaining Unit Employees**

Introduction and Background

The current City employee benefits plan for non-union employees provides a payment in cash of a % of unused and accrued sick leave upon leaving employment (% is dependent upon years of service). A similar payment for unused sick leave is also included in the 3 union contracts.

In addition to this cash payment, employees that are enrolled in the City's post-employment health savings plan (must have at least 300 accrued sick leave hours) also automatically receive a payment of 10% of sick leave balance into their health savings account. There is no additional cost for this deposit since these employees receive less sick leave accrual amounts.

Up until January 1, 2008, employees could elect to have some or all of this cash payment amount deposited into their post-employment health savings account. This was a very good benefit for employees in that deposits into this account are not taxable and interest earned are also not taxable as long as the monies in the account are used to reimburse employees for eligible medical costs, after they leave employment with the City. Plus allowing employees to save for future medical costs in retirement is a good benefit for the employee and society in general.

However, the I.R.S. on January 1, 2008, removed any elective features of these plans. Many of the employees that are enrolled in the City's post-employment health savings plan have asked the City to amend this benefit to reduce the cash payment by 10% and to increase the deposit into the health savings plan by this same 10%.

I have communicated with all employees enrolled in the health savings plan and all employees have indicated they are in acceptance of this change.

Fiscal Impact

There is no cost to the City in implementing this change.

Recommendation

Staff recommends approval of the attached resolution and ordinance. The first "A RESOLUTION AMENDING A POST EMPLOYMENT HEALTH SAVINGS PLAN FOR CERTAIN EMPLOYEES OF THE CITY OF URBANA" includes only 2 changes from the current plan: (1) increases deposit 10% to 20% and (2) removes section A3 which allows the elective part which is no longer allowed by the IRS. The ordinance "AN ORDINANCE REVISING THE URBANA BENEFITS PROGRAM FOR NON-BARGAINING UNIT EMPLOYEES" amends the current benefit program to reduce the cash payment for employees participating in the Health Savings Plan 10% for all levels.

RESOLUTION NO. 2008-06-014R

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 "SUPPLEMENTAL ATTACHMENT TO THE CITY OF URBANA VANTAGECARE HEALTH SAVINGS PLAN ADOPTION AMENDMENT C", which replaces the previous "SUPPLEMENTAL ATTACHMENT TO THE CITY OF URBANA VANTAGE CARE HEALTH SAVINGS PLAN ADOPTION AMENDMENT C", which was previously approved on March 24, 2005 by City of Urbana Resolution 2005-03-006R .
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 _____, 2008.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____th day of _____, 2008.

Laurel Lunt Prussing, 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 20% 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.