



City of Grand Island

Tuesday, May 9, 2017

Council Session

Item G-13

**#2017-144 - Approving Agreement with Mid America
Administrative & Retirement Solutions, Inc. for Health
Reimbursement Arrangement for Retirees (HRA)**

Staff Contact: Jerry Janulewicz

Council Agenda Memo

From: Jerry Janulewicz, City Attorney
Meeting: May 2, 2017
Subject: VEBA Benefit Administrator
Presenter(s): Jerry Janulewicz, City Attorney

Background

The City of Grand Island provides VEBA (voluntary employees beneficiary association) benefits for non-union, IAFF and IBEW union members employed by the City. A VEBA benefit is one recognized under the federal tax code as a tax-free, post-retirement medical expense account used by retirees and their eligible dependents to pay for eligible medical expenses. VEBA benefits provided by an employer are not subject to the employer share of social security and medicare tax. VEBA benefits are administered through a Health Reimbursement Arrangement (HRA) service provider whose fees are charged to the participating employee accounts and are not an expense to the employer.

Discussion

Due to issues experienced by the City with respect to inadequate administrative support and lack of timely response by Security Benefit, the City has chosen a new HRA provider, moving from Security Benefit to MidAmerica Administration & Retirement Solutions, Inc. MidAmerica Administration & Retirement Solutions, Inc. offers the City better “back office” service, lower fees for employees, and simplified investing options. The HRA agreement between the City and MidAmerica Administration & Retirement Solutions, Inc. was reviewed and approved by City’s legal department and was approved by City’s Human Resources Department effective February 1.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Move to deny

Recommendation

City Administration recommends that the Council ratify and approve the HRA service agreement with MidAmerica Administration & Retirement Solutions, Inc. to serve as the VEBA benefit account administrator for eligible City employee.

Sample Motion

Move to approve ratify and approve the agreement with MidAmerica Administration & Retirement Solutions, Inc.

Health Reimbursement Arrangement for Retirees

ADOPTION AGREEMENT

for

City of Grand Island

Employer Address:

City Hall, 100 E. First St.
Grand Island, NE 68801

Employer Telephone Number:

308-385-5444

Employer Identification Number:

47-6006205

The undersigned Employer, by executing this Adoption Agreement, hereby adopts and implements the Health Reimbursement Arrangement for Retirees (hereinafter referred to as the "Plan" or the "HRA") and agrees to abide by the terms of the Plan. With this Adoption Agreement, and by its authorized signature below, the Employer hereby makes the following designations.

Effective Date. The Plan's Original Effective Date is February 1, 2017. The Plan's Restated Effective Date is _____. The Plan is available to Retirees of the Employer effective February 1, 2017.

Plan Year. The Plan Year ends on December 31.

Eligible Classes. The class or classes of Retirees covered by this Plan are: (See attached Class Specifications.)

Class RetA: IAFF - Fire Department

Class RetB: IBEW - Service Clerical

Class RetC: Non-Collectively Bargained Employee General Management

Class RetD: IBEW Union - Utilities

Class RetE: IBEW Union WWTP (Wastewater Treatment Plant)

Class RetF: IBEW Union - Finance

Designation of Plan Administrator. The Employer hereby designates the following initial Plan Administrator: MidAmerica Administrative & Retirement Solutions, Inc.

Designation of Individuals to Have Access to Protected Health Information ("PHI"). The following Employees, classes of Employees, or other persons shall be given access to the PHI to be disclosed:

Business Office Personnel

HR Department Personnel

The Employer hereby agrees to the provisions of the Plan and has executed this Adoption Agreement on this 10th day of February, 2017.

Name of Employer: City of Grand Island

Signature: Tami Herald

Print Name: Tami Herald

Title: Benefits & Risk Mngt. Coordinator

Employer CONTACT (print): Tami Herald

Title: Benefits & Risk Management Coordinator

E-Mail: therald@grand-island.com

Telephone: 308-385-5444

(or 308-389-0192)

Ext. 192

Fax: 308-385-5422

IRS Circular 230 Notice: We are required to advise you no person or entity may use any tax advice in this communication or any attachment to (i) avoid any penalty under federal tax law or (ii) promote, market or recommend any purchase, investment or other action.

Employer Representations

- The Employer intends to reduce its Retirees' medical expenses by providing reimbursement of such expenses, in a limited capacity. The Employer anticipates that participation in the HRA will encourage prospective Retirees to retire earlier, as they will be better able to afford quality health care prior to the age at which they are Medicare eligible.
- The Employer may allow Retirees to participate in both the HRA and the Special Pay Plan (403(b)).
- Retirees are not permitted to make any election or choice between cash, the HRA, and/or the Special Pay Plan, or any other tax deferred program.
- The Employer will base HRA allocations on its estimates of the costs required to provide a certain amount of medical reimbursements to its Retiree population as that population approaches Medicare age.
- The Employer has discretion in determining classes of Employees eligible to participate in the Retiree HRA. Once determined, Retirees in the class shall be treated uniformly and be provided a uniform allocation to the HRA. Such class shall remain in effect for the Employer's entire fiscal year for all affected Retirees in such year and for all future contributions to such class. Each year, the Employer may reevaluate allocations and classes for new Retirees only.
- The Employer may gather information from the Retiree to determine the appropriate allocation to the HRA, but individual Participants are not allowed to elect or to determine their allocation.
- The Employer will monitor all rehires to ensure that less than two employees are in the Retiree HRA Plan.
- The Employer acknowledges that it has received the Plan document for the HRA and agrees with all the terms therein.
- The Employer understands that whether a contribution to the HRA is non-elective for tax purposes is a facts and circumstances determination, and the Employer is responsible for whether the contribution is truly non-elective or not. The Employer understands that MidAmerica Administrative & Retirement Solutions, Inc. and its agents and employees are not tax or legal advisors. They may provide general information regarding the tax treatment of health reimbursement arrangements, but the Employer should consult with its own tax or legal advisors as to how tax and other rules may apply to its own facts and circumstances.
- The Employer will not provide any information or forms or enter into any contracts inconsistent with the preceding.

Effective Date February 1, 2017

Employer Initials



Eligible Class RetA: IAFF - Fire DepartmentDefined as: Per employment contractEmployment Status Upon the initial contribution to the Plan, Participant employment status shall be:

- ☐ Retiree ☒ Active with no access to benefit until retirement or separation of service

Contribution Types All funds for the Plan shall come exclusively from the Employer and shall be determined in accordance with the following formula:

- ☒ Dollar Amount ☐ Percentage of Compensation or Retirement Pay

Contribution Frequency

- ☐ One Time ☐ Annually ☐ Quarterly
☐ Semi-Annually ☐ Monthly ☒ Other Per Pay Period

Vesting Schedule Participants shall own their account balance in accordance with the following vesting schedule:

- ☒ 100% Immediate
☐ 100% upon Retirement, meeting the Employer's eligible requirements for retirement
☐ 100% upon Separation of Service
☐ Other
☐ 100% upon death (can be selected in addition to "other" above)

Forfeitures Employees who are not 100% vested under the Vesting Schedule at the time of termination shall forfeit their unvested funds. In the event of the death of the Participant, the Participant's spouse, and all of the Participant's qualifying dependents, any vested funds remaining in the account shall be forfeited. In the event that the Participant opts out of participation in the Plan, all vested and unvested funds shall be forfeited. Forfeitures shall:

- ☐ Reduce future Employer contributions
☒ Be redistributed pro-rata at the end of each Plan Year to all Plan Participants who are actively employed as of the end of the Plan Year

Run-off Times Participants will be allowed 0 (zero) days to continue incurring expenses after the date that their Participation in the Plan ends. The Run-off time for Participants to submit claims for reimbursement from funds that shall be forfeited will be 90 (ninety) days. The Run-off time for funds that shall be forfeited due to death will be one year.Reimbursements Reimbursements shall be for:

- ☒ All eligible Medical Expenses specified in section 213(d) of the Internal Revenue Code
☐ Limited Purpose
☐ Post Deductible
☐ Premium Only Medical Expenses

HRA/FSA Ordering

- ☐ The Employer maintains a Flexible Spending Account (FSA) plan in which Participants may elect to participate.
☒ The Plan permits reimbursements for expenses eligible to be reimbursed by the FSA plan and therefore the HRA shall not reimburse before expenses exceeding the dollar amount of any FSA have been paid.
☐ The Plan permits reimbursements for Limited Purpose, Deductible or Premium Only expenses which are not eligible to be reimbursed by the FSA plan and therefore the HRA shall reimburse before the Participant's FSA account is exhausted.

Administration Fees: Administrative Fees are paid by the Participant.


\$2 per active employee per month

Distribution Fees: A reimbursement processing fee of \$5.00 for each claim processed manually or \$2.50 for each claim submitted online, up to an annual maximum of six claims shall be paid by the Participant.Reimbursement Eligibility A Participant shall be eligible for reimbursement of medical expenses at the time selected below.

- ☐ Immediate
☐ Upon becoming 100% vested
☒ Upon Retirement or Separation of Service

Investment Selection Investment Provider: American United Life Insurance CompanyType of Investment: ☐ Fixed annuity only☒ Variable annuities – Default ¹² Forfeiture Default ¹²☐ Employer directed☒ Participant directed; restrictions are:

- ☒ None
☐ 100% vested
☐ At Retirement
☐ Account balance in excess of \$
☐ Other
☐ Funds limited (see attachment)

Effective Date February 1, 2017Employer Initials 

Eligible Class RetB: IBEW - Service Clerical**Defined as:** Per employment contract**Employment Status** Upon the initial contribution to the Plan, Participant employment status shall be:

- ☐ Retiree ☒ Active with no access to benefit until retirement or separation of service

Contribution Types All funds for the Plan shall come exclusively from the Employer and shall be determined in accordance with the following formula:

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Contribution Frequency

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Investment Selection**Investment Provider:** American United Life Insurance Company**Type of Investment:** ☐ Fixed annuity only

- ☒ Variable annuities – Default ¹² Forfeiture Default ¹²
☐ Employer directed
☒ Participant directed; restrictions are:
☒ None
☐ 100% vested
☐ At Retirement
☐ Account balance in excess of \$
☐ Other
☐ Funds limited (see attachment)

Effective Date February 1, 2017**Employer Initials** 

Eligible Class RetC: Non-Collectively Bargained Employee General Management**Defined as:** Per employment contract**Employment Status** Upon the initial contribution to the Plan, Participant employment status shall be:

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Contribution Types All funds for the Plan shall come exclusively from the Employer and shall be determined in accordance with the following formula:

- ☒ Dollar Amount ☐ Percentage of Compensation or Retirement Pay

Contribution Frequency

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☐ Semi-Annually ☐ Monthly ☒ Other Per pay period

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- ☒ None
☐ 100% vested
☐ At Retirement
☐ Account balance in excess of \$
☐ Other
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Effective Date February 1, 2017**Employer Initials** 

Eligible Class RetD: IBEW Union - UtilitiesDefined as: Per employment contractEmployment Status Upon the initial contribution to the Plan, Participant employment status shall be:

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Effective Date February 1, 2017Employer Initials 

Eligible Class Retiree: IBEW Union WWTP (Wastewater Treatment Plant)**Defined as:** Per employment contract**Employment Status** Upon the initial contribution to the Plan, Participant employment status shall be:

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Effective Date February 1, 2017**Employer Initials** 

Eligible Class RetF: IBEW Union - FinanceDefined as: Per employment contractEmployment Status Upon the initial contribution to the Plan, Participant employment status shall be:

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Investment SelectionInvestment Provider:

American United Life Insurance Company

Type of Investment: ☐ Fixed annuity only☒ Variable annuities -- Default ¹² _____ Forfeiture Default ¹² _____

- ☐ Employer directed
☒ Participant directed; restrictions are:

- ☒ None
☐ 100% vested
☐ At Retirement
☐ Account balance in excess of \$ _____
☐ Other _____
☐ Funds limited (see attachment)

Effective Date February 1, 2017Employer Initials 

RESOLUTION 2017-144

WHEREAS, the City of Grand Island provides VEBA (voluntary employees beneficiary association) benefits for non-union, IAFF and IBEW union members employed by the City; and

WHEREAS, a VEBA benefit is one recognized under the federal tax code as a tax-free, post-retirement medical expense account used by retirees and their eligible dependents to pay for eligible medical expenses; and

WHEREAS, VEBA benefits provided by an employer are not subject to the employer share of social security and medicare tax; and

WHEREAS, VEBA benefits are administered through a Health Reimbursement Arrangement (HRA) service provider whose fees are charged to the participating employee accounts and are not an expense to the employer; and

WHEREAS, the City has chosen a new HRA provider, moving from Security Benefit to MidAmerica Administration & Retirement Solutions, Inc.; and

WHEREAS, MidAmerica Administration & Retirement Solutions, Inc. offers the City better “back office” service, lower fees for employees, and simplified investing options; and

WHEREAS, the HRA agreement between the City and MidAmerica Administration & Retirement Solutions, Inc. was reviewed and approved by City’s legal department.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Health Reimbursement Arrangement agreement between the City of Grand Island and MidAmerica Administration & Retirement Solutions, Inc. is hereby ratified and approved.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, May 9, 2017.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
May 5, 2017	☐ City Attorney