Council Meeting of
May 15, 2007

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager - Adopt a Resolution relating to the Employee Retirement Health Savings Plan. Expenditure: N/A

RECOMMENDATION

The City Manager recommends that City Council adopt a Resolution relating to the Employee Retirement Health Savings Plan (RHSP) to allow distribution of non-vested funds to the deceased participant's beneficiary.

BACKGROUND AND ANALYSIS

On August 5, 2003 by Resolution No. 2003-91, the City Council of the City of Torrance adopted the ICMA Retirement Corporation's VantageCare Retirement Health Savings Program ("Plan"). Since adoption of the Plan, the Internal Revenue Service (IRS) has changed the regulations related to Retirement Health Saving Plans. The plan initially allowed continued use by a participant's survivors inclusive of non-spouse or non-dependent beneficiary.

Upon participant's death, the account balance would be transferred to an account to pay medical expenses for surviving spouse and/or dependents on a tax-free basis. It would also be available to a designated beneficiary for their medical expenses on a taxable basis. Effective December 31, 2007, the beneficiary must be a spouse or dependant only. For those participants whose beneficiary is not a spouse or dependant, the funds will either remain in the plan's trust or revert to the employer. Adoption of the attached resolution will allow the City to distribute non-vested funds to the deceased employee's beneficiary.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By _____
Aram Chaparyan
Assistant to the City Manager

CONCUR:

_____
LeRoy J. Jackson
City Manager

Attachment: Resolution

12D

RESOLUTION NO. 2007-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE RELATING TO THE EMPLOYEE RETIREMENT HEALTH SAVINGS PLAN (RHSP)

WHEREAS, on August 5, 2003 by Resolution No. 2003-91, the City Council of the City of Torrance adopted the ICMA Retirement Corporation's VantageCare Retirement Health Savings Program ("Plan"); and

WHEREAS, the Plan requires that upon death of a participant, except as provided for in Section XI of the Plan, a participant's non-vested funds shall either remain in the Plan's trust or revert to the employer; and

WHEREAS, the City Council of the City of Torrance has determined that the most equitable use of the non-vested funds is that they be distributed to the deceased participant's beneficiary; and

WHEREAS, the City Council of the City of Torrance has determined such distribution is intended as an employee benefit and is a proper use of public funds.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF TORRANCE HEREBY DOES RESOLVE AS FOLLOWS:

1. Section VIII of the Plan Adoption Agreement shall be amended to provide that non-vested funds of any deceased participant not distributed in accordance with Section XI of the Plan shall revert to the employer, the City of Torrance.
2. Upon receipt of any funds pursuant to Section 1 of this Resolution, the City shall pay an amount equal to that received to the deceased employee's designated beneficiary.
3. The payment by the City to the designated beneficiary shall be subject to all applicable taxes and shall be paid in accordance with all applicable laws and regulations.

Introduced, approved and adopted this _____ day of May, 2007.

_____
Mayor Frank Scotto

APPROVED AS TO FORM:
JOHN FELLOWS III, City Attorney

by _____
Ronald T. Pohl, Assistant City Attorney

ATTEST:

_____
Sue Herbers
City Clerk