

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

Members of the Council:

SUBJECT: City Manager – Adoption of amendment to the Resolution for Executive & Management Employees modifying the benefits section to implement a Retirement Health Savings Plan (RHSP) and adopt a Resolution relating to the Employee Retirement Health Savings Plan.

RECOMMENDATION

Recommendation of the City Manager that City Council adopt an amendment to the Resolution setting forth hours, wages and working conditions for employees covered by the Executive & Management Employees Resolution and to 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.

Funding

Not applicable.

BACKGROUND AND ANALYSIS

On August 5, 2003 by Resolution No. 2003-91, the City Council adopted the International City/County Management Association (ICMA-RC) Retirement Corporation's VantageCare Retirement Health Savings Program ("RHSP"). Upon the inception of the RHSP, employees were allowed to determine their individual contribution amount; however, the IRS placed restrictions on the individual contributions in 2007. The voluntary contribution option was discontinued effective December 31, 2007. Under the new IRS guidelines, each employee organization is required to determine the uniform contribution amounts for all their members as part of the collective bargaining process.

The VantageCare RHS Plan was created exclusively for the public sector and is similar to other ICMA-RC administered retirement savings plans such as 401 plans and 457 plans. Employers make contributions from employee payroll deductions. Employees then invest those amounts into a lineup of quality mutual funds. Earnings are tax-deferred and withdrawals are tax-free when used for qualified expenses. Benefits also allow participants to accumulate assets tax-free to pay for medical expenses for themselves, their spouse and/or dependents (e.g., health insurance and prescription expenses) in retirement. Attachment C provides an additional overview of the ICMA-RC's innovative VantageCare Retirement Health Savings (RHS) Plan.

The original RHSP 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. With the changes to the regulations effective December 31, 2007, the beneficiary was

designated as spouse or dependant only. For those participants whose beneficiary was not a spouse or dependant, the funds would either remain in the plan's trust or revert to the employer. In response to this challenge, your Honorable Body adopted Resolution No. 2007-51 that allowed the City to distribute non-vested funds to the deceased employee's beneficiary.

The City continued to explore ways to implement the plan for various employee groups. To date, the Torrance Fire Fighters Association (TFFA) has implemented a similar retiree medical trust through PORAC with similar provisions and guidelines. Several members of the Executive and Management Employees team expressed interest to implement a mandatory RHSP. Through on-going education sessions and informal surveys, it was apparent that most employees favored a mandatory retirement health savings plan. An initial survey of Executives and Managers was conducted in 2007 to determine the level of interest in implementing a mandatory RSH plan. The responses indicated that majority of Executives and Managers favored a Retirement Health Savings plan. Based on the interest expressed, staff continued to work with ICMA to continue the process of developing viable options for the group. The final vote was taken during August 17, 2009 to August 31, 2009. The vote results are available as Attachment D. Majority of the Executives and Management Employees voted to approve the Retirement Health Savings plan. The plan that was adopted states that, "Upon retirement, any hours under or equal to 300 (sick) and 150 (vacation) will be deposited into the RHSP Plan."

With your Honorable Body's approval of the attached Resolutions, the Executive and Management Employees will have the opportunity to use the balance of their sick and vacation hours to help pay for medical related benefits during retirement.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By 
Aram Chaparyan
Assistant to the City Manager

CONCUR:


LeRoy J. Jackson
City Manager

- Attachments:
- A) Executive & Management 2008 Resolution Amendment #1
 - B) Resolution to allow distribution of non-vested funds to the deceased participant's Beneficiary.
 - C) Overview of the ICMA-RC's innovative VantageCare Retirement Health Savings (RHS) Plan.
 - D) Executive and Management Employee Vote Results

RESOLUTION 2009-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE AMENDING RESOLUTION NO. 2008-90 SETTING FORTH CHANGES REGARDING THE HOURS, WAGES, AND WORKING CONDITIONS FOR EXECUTIVE AND MANAGEMENT EMPLOYEES

The City Council of the City of Torrance does hereby resolve as follows:

SECTION I

That Resolution No. 2008-90 is hereby amended as follows:

SECTION II

Effective September 15, 2009

ARTICLE 6 - AMENDMENTS

SECTION 6.1 AMENDMENT TO ARTICLE 3 – WAGE SUPPLEMENTAL BENEFITS

SECTION 3.3 DEFERRED COMPENSATION PLAN

~~The references to and option to fund the RHSP and the existing RHSP language in this Section 3.3 is deleted as of December 31, 2007.~~

- A. All employees covered by this resolution are eligible to participate in a 457 and/or 401(a) deferred compensation plan pursuant to this resolution. Employees are also eligible required to participate in the Retirement Health Savings Plan pursuant to this resolution.
- B. Plan documents outlining all three plans have been adopted by the City Council and are on file in the Office of the City Treasurer.
- C. Employees in the 457 and 401(a) plans may defer up to the limits set by law.
 1. If an employee is not participating in the 401(a) plan, the City will match an employee contribution to the 457 plan up to a maximum of 0.5% of base pay per calendar year.
 2. For current employees as of July 1, 2001 who irrevocably elect to participate in the 401(a) plan, the City will match up to a maximum of 0.5% employee contribution placed in the 401(a) plan.
 3. All employees hired after July 1, 2001 will irrevocably be participants in the 401(a) plan per this section.
- D. Retirement Health Savings Plan (RHSP)
 1. ~~For retiring or separating employees that are currently enrolled and have elections in place as of December 31, 2006, the following shall apply through December 31, 2007:~~
 - a. ~~Contributions into the plan in increments of 10% up to 100% of either or both of the totals of accrued sick leave and vacation leave.~~

Upon retirement, any hours under or equal to 300 (sick) and 150 (vacation) will be deposited into the International City/County Management Association (ICMA-RC) Retirement Corporation's VantageCare Retirement Health Savings Program, therein referred to as the RHSP Plan.

~~b. Any excess sick or vacation leave not paid into the RHSP may be deferred into the 457 plan up to limits allowed by law or will be paid in cash.~~

Upon retirement, the remaining balance up to limits allowed by law after which any remaining balance to be paid in cash will be disbursed into the City's 401A plan for participating employees. Employees without a 401A plan may either deposit the balance of hours into their 457 plan or take cash.

~~2. For any active employee who is currently enrolled and have elections in place as of December 31, 2006, the following shall apply through December 31, 2007:~~

~~Any elected sick leave or vacation leave balances in increments of 10% up to 100% over 500 hours as of October 15, 2007 will be deposited into the plan.~~

For separating employees, upon separation, any sick leave or vacation leave hours will be deposited into the 457 plan up to limits allowed by law or will be paid in cash.

Note: If State, Federal or PERS guidelines are changed regarding the employer's contribution to the deferred compensation program, moneys contributed by the employer to the deferred compensation program shall revert to another mutually accepted benefit of equal value.

SECTION 3.4 SICK LEAVE

~~The references to and option to fund the RHSP and the existing RHSP language in this section is deleted as of December 31, 2007.~~

A. Introduction

1. Sick leave is a benefit and not a right and is to be utilized by employees who are unable to work because of an injury or illness not arising out of the course of their employment, except as provided otherwise in this section.
2. The sick leave benefit should be thought of as an insurance policy; it insures and protects employees from a loss in wages when they are unable to work because of an illness or injury.
3. The City considers good attendance to be a very important part of an employee's overall performance. Absenteeism creates a hardship on City operations and co-workers, resulting in work schedule disruptions and added costs.
4. Misuse of sick leave shall be grounds for disciplinary action.

B. Sick Leave Use

An employee shall be granted sick leave for the following reasons:

1. Personal illness or injury
Medical or dental appointments including preventative care. Employees are encouraged to schedule medical and dental examinations of a non-urgent nature outside of normal working hours. Appointments scheduled during normal working hours constitute sick leave, provided

that the employee gives advance notice in accordance with departmental rules and regulations.

Forced quarantine of the employee is in accordance with community health regulations.

2. Family illness or injury:

Illness, injury or medical appointment of a member of the employee's immediate family which requires that employee's presence. Immediate family for the purpose of this section is defined as spouse, mother, mother-in-law, father, father-in-law, sister, brother, child or guardian, stepfather, stepmother, stepchildren, grandparents or grandchildren.

C. Accrual Rate:

Category A and B employees, ~~with the exception of the City Manager~~, shall be granted six hours of sick leave per month.

D. ~~Effective May 1, 2002~~, Conversion of Sick Leave Insurance:

1. The employee may select to convert any sick leave granted but unused over three hundred (300) hours into cash or into the 457 deferred compensation plan at the rate of one hour of pay for each hour of unused sick leave. Requests for such payments or deferral to the 457 plan shall be made before the 1st of December each year. Payments shall be made no later than 30 days after date of request.
2. ~~No later than October 15 each year, those who wish to participate in the Retirement Health Savings Plan may irrevocably declare their intent to defer sick leave balances over 500 hours (City Manager over 173.3 hours) into the plan. The cash out will be made the first pay period in November.~~
- ~~32.~~ For those employees who do not wish to participate in the Retirement Health Savings Plan, during the first full pay period in December, convert any sick leave in accordance with 3.4.D.1, any sick leave in excess of 500 hours on the books as of December 1 will be automatically deferred into the 401(a) plan for employees who have elected to participate in the 401(a) program ("Participating Employees") at the rate of one hour of pay for each hour of unused sick leave.
- ~~43.~~ For employees who have elected not to participate in the 401(a) plan ("Non-Participating Employees") any accrued sick leave in excess of 600 hours on the books as of December 1 shall be converted into cash. Payments shall be made no later than December 31.
- ~~54.~~ For "Participating Employees" in the 401(a) plan at the time of retirement, an employee shall have his/her accumulated sick leave balance deferred into a 401(a) account subject to the plan limits the provisions of Section 3.3.D (RHSP) shall apply. At retirement, (minimum of age 50 and 5 years of service with the City of Torrance) each hour of accumulated sick leave shall equal 100% hourly rate of base salary. ~~For those employees who are participating in both Retirement Health Savings Plan and 401(a) plans, any excess sick leave on the books at the time of retirement will be deposited in the 401(a) plan.~~
- ~~65.~~ For "Non-Participating Employees" at the time of retirement, the provisions of Section 3.3.D (RHSP) shall apply, as well as the provisions below. ~~and f~~For all employees at the time of separation from the City, after the appropriate years of service, an employee shall have his/her accumulated sick leave balance converted into cash or deferred into a 457 account as follows:

- a. After one year of service, each hour of accumulated sick leave shall equal $\frac{1}{4}$ hour base salary;
- b. After seven years of service, each hour of accumulated sick leave shall equal $\frac{1}{2}$ hour of base salary;
- c. At retirement for non-participating employees, or upon separation of any employee who meets PERS eligibility for retirement, (minimum of age 50 and 5 years of service with the City of Torrance) each hour of accumulated sick leave shall equal 100% hourly rate of base salary.

76. In case of death of an employee, each hour of accumulated sick leave shall equal one hour of salary to be paid to the employee's designated beneficiary.

~~E. Sick Leave - City Manager:~~

~~The references to and option to fund the RHSP and the existing RHSP language in this section is deleted as of December 31, 2007.~~

- ~~1. The City Manager shall earn sick leave at the rate of six (6) hours per month.~~
- ~~2. There shall be no maximum on the number of hours of unused sick leave that can be accumulated except as provided by the City Charter. Each day of sick leave earned after reaching the maximum accumulation shall be converted into cash and deposited into a deferred account at the rate of 100% hour salary for each hour of sick leave in lieu of being accrued.~~
- ~~3. Sick leave may be used for personal or family illness.~~
- ~~4. At time of termination after at least seven (7) years of service, each hour of earned unused sick leave shall be converted into cash or deferred income on the basis of $\frac{1}{2}$ hour pay for each hour of unused sick leave; upon retirement such conversion shall be at the rate of 100% hourly rate of pay for each hour of unused sick leave; in case of death, conversion shall be at the rate of one hour of pay for each hour of unused sick leave to be paid to the employee's designated beneficiary.~~
- ~~5. At any time the City Manager cashes out sick leave over 173.3 hours, he may elect to defer that cash out into the 401A, 457 deferred plan, or Retirement Health Savings Plan in increments of 10% to 100% of the amount cashed out. Upon termination from the City, the City Manager may also elect to defer cash-outs into the RHSP or into the 401A, 457 deferred plans.~~
- ~~6. The City Manager shall be covered by a long term disability insurance policy. The premiums shall be paid for by the City and the policy shall provide a 30 day waiting period, 50% compensation during illness after 30 days for 10 years in case of illness, or until age 65 in case of disability caused by accident. The policy shall include a premium refund for non-usage.~~
 - ~~a. If there is a refund of non-used premiums, that refund amount shall be converted to sick leave hours, taking the City Manager's hourly pay rate and dividing that amount into the total refund.~~
 - ~~b. Those sick leave hours can only be used for deferral purposes into the City's Retirement Health Savings Plan or into the 401A, 457 deferred plans. They may not be used for sick pay.~~
 - ~~c. The entire amount of sick leave hours will then be deferred into the RHSP or into the 401A, 457 deferred plans.~~
 - ~~d. The City Manager must fill out a form no later than October 15 of each year in order to make this deferral.~~
 - ~~e. The payment into the plan will be made the first pay period in November~~

F.E. Sick leave standard:

1. Use of sick leave shall not necessarily in and of itself constitute misuse. However, sick leave use not related to a legitimate illness, or injury which exceeds standard usage and/or which has a predictable pattern may initiate a review of sick leave usage. If it is determined that an employee has misused their sick leave, the employee shall be notified of any restrictions or requirements to be placed upon the employee's use of sick leave regarding notification or use of other accrued leaves in cases where there is insufficient sick leave available.
2. Components of the sick leave standard may include section/division/department sick leave utilization average, taking into consideration the number of incidents and the numbers of hours used, paternalistic sick leave use, depleted sick leave and/or other elements as reasonably established in the departmental work rules.

G.F. Notification of sickness:

1. To receive compensation while absent on sick leave, employees shall notify the section/division/department in the manner provided in departmental rules and regulations stating the nature or reason for the absence.
2. An employee who has been counseled about sick leave usage within the preceding twelve (12) months may be advised, as part of said counseling, that he/she will be required to furnish reasonable evidence, including a written statement from a medical professional, to substantiate any request for sick leave of two (2) days or more.
3. A department may require a written statement from a medical professional without prior counseling where the absence is greater than five (5) consecutive workdays, or in cases where there is evidence of a specific violation of departmental work rules.

H.G. Return from sick leave:

Upon return from sick leave, an employee may be required by the department head to report for examination by the City medical examiner to determine fitness for duty.

I.H. Depleted sick leave:

Employees who have insufficient sick leave accrued to cover an absence may request the use of other accrued leaves, according to departmental work rules. If no other accrued leaves are granted, employees are required to apply for a leave of absence without pay at the earliest possible time; that is, at the beginning of the leave or immediately upon return to work. Failure to submit the request for leave will constitute unauthorized absence, which could lead to disciplinary action. Such a request for leave shall not be unreasonably denied.

J.I. The employees covered by this resolution are eligible to participate in the Catastrophic Leave Program described in Attachment B.

SECTION 3.5 INDUSTRIAL INJURY LEAVE

A. For injuries sustained to non-safety employees prior to August 3, 1997, the following applies:

In the event an employee sustains an injury or illness arising out of and occurring in the course of his/her employment with the City, the employee shall be entitled to industrial injury leave as follows:

1. Up to three (3) months during the first three (3) years of employment.
 2. Up to six (6) months during the fourth (4th) year of employment.
 3. Up to twelve (12) months after four (4) years of employment for industrial injury.
 4. Such leave shall be at ninety percent (90%) of regular salary rate. Said leave shall terminate upon return to regular work or when the injury is deemed permanent or stationary, or at the expiration of the maximum time period listed in this Section.
- B. For injuries sustained to non-safety employees on or after August 3, 1997, the following applies: In the event an employee sustains an injury or illness out of and occurring in the course of his/her employment with the City, the employee shall be entitled to industrial injury leave as follows:
1. Up to three (3) months during the first three (3) years of employment.
 2. Up to six (6) months during the fourth (4th) year of employment.
 3. Up to eight (8) months after four (4) years of employment for industrial injury.
 4. Such leave shall be at eighty-five percent (85%) of regular salary rate. Said leave shall terminate upon return to regular work or when the injury is deemed permanent or stationary, at the expiration of the maximum time period listed in his Section.
- C. In the event the Fire Chief or Police Chief sustains an illness or injury occurring in the course of his/her employment with the City, the employee shall be entitled to that compensation prescribed by State Law and all items of compensation specified by this agreement.
- D. Employees who are on industrial injury leave with pay as a result of an industrial injury shall continue to accrue seniority, and shall receive holidays, accrue vacation and sick leave benefits the same as if they had been present for duty.
- E. An employee on industrial injury leave shall be under the direction of the City subject to medical advice and shall be available at all times unless he/she receives specific permission from the City.
- F. An employee on industrial injury leave shall inform the city of any current outside employment and/or any such outside employment during the four (4) years immediately prior to such injury. An employee on industrial injury leave shall not enter into any employment or physical activity, as determined by an appropriate physician, which might exacerbate his injury or illness.

SECTION 3.6 ADMINISTRATIVE LEAVE

All Category A Employees covered by this Resolution, ~~except the City Manager~~, shall receive eight days of administrative leave per fiscal year. This leave may not be cashed out and is non-accruable.

~~The City Manager shall receive four days of administrative leave per fiscal year. This leave may not be cashed out and is non-accruable.~~

SECTION 3.7 PERSONAL LEAVE

All Category B Employees covered by this Resolution shall accrue a total of 27 hours of personal leave at the beginning of each fiscal year. This leave may not be cashed out and ceases to accrue after the full 27 hours are earned.

SECTION 3.8 HOLIDAYS

- A. For the purpose of this Resolution, the following days shall be considered holidays with pay:
- New Year's Day
 - Martin Luther King Jr.'s Birthday
 - Lincoln's Birthday

- Washington's Birthday
- Memorial Day
- Independence Day
- Labor Day
- Veterans Day
- Thanksgiving Day
- Day after Thanksgiving
- Last working day prior to Christmas Day
- Christmas Day
- Last working day prior to New Year's Day

B. When a holiday occurs on Saturday, the day immediately preceding will be observed as the holiday. When a holiday occurs on Sunday, the day immediately following will be observed as a holiday, if a holiday falls on any other scheduled day off, the management employee may, subject to City Manager approval, take another day off.

C. A holiday shall be construed as the value of the normal work shift.

SECTION 3.9 HOLIDAYS FOR 9/80 PARTICIPANTS

A. For those employees with weekends, which consist of a Saturday and Sunday, the following shall apply:

1. If a holiday falls on a Saturday and the prior Friday is an 8-hour work day in which the employee is schedule to work, the City will close and the employee will be off work with eight (8) hours holiday pay.

If the holiday falls on a Saturday and the Friday before is the employee's 9/80 schedule day off the City will close on Friday and the employee will accrue eight (8) hours holiday leave which will be added to the employee's vacation leave balance.

2. If a holiday falls on a Sunday, the Monday following will be observed, the City will close, and the employee will be off work and the holiday criteria outlined in 3.9.A.1 will apply.

B. For those employees whose regularly scheduled weekends are other than Saturday and Sunday the following shall apply:

If the holiday falls on any scheduled day off, the employee shall receive eight (8) hours vacation leave (or eight [8] hours in the case of the days before Christmas Eve and New Years Eve).

SECTION 3.10 VACATION

A. Individuals shall earn vacation as follows:

1. The rate of 9.33 hours per month of service by each regular employee.
2. Commencing with the 2nd year of service, at the rate of 10 hours per month of employment.
3. Commencing with the 5th year of service at the rate of 12.67 working hours per month of employment.
4. Commencing with the 10th year of service, at the rate of 16.02 working hours per month of employment.
5. Commencing with the 21st year of service, at the rate of 17.34 hours per month of employment.
6. Commencing with the 25th year of service, at the rate of 18 hours per month of employment.

- B. Eligibility:
Employees shall earn vacation only while receiving compensation from or through the City.
- C. Scheduling:
The time of taking vacation shall be determined by the employee, subject to review by the City Manager. An employee may take vacation only in increments of full days or shifts unless City Manager approval is given for smaller increments.
- D. Borrowing:
An individual may borrow up to 40 hours of unearned vacation subject to the approval of the City Manager for Executive Employees, and the Department Head and City Manager for Management Employees. Any borrowed vacation owed by an employee separating service from the City shall be deducted from the employee's final pay.
- E. Effect of Separation:
For Non-Participating Employees of the 401(a) deferred compensation plan, any vacation owed to a separating employee shall be added to the employee's final pay or may be deferred into the 457 deferred plan up to the maximum limits.
- F. Effect of Holidays:
When an authorized holiday occurs during a vacation period, such days shall not be deducted from earned vacation.
- ~~G. No later than October 15 each year, those who wish to participate in the Retirement Health Savings Plan may irrevocably declare their intent to defer vacation leave balances over 500 hours (City Manager over 173.3 hours) into the plan. The cash-out will be made the first pay period in November.~~
- H.G. Vacation accruals over 500 hours which are on the books as of December 1st of each year will be automatically deferred into the 401(a) account by December 31st for "Participating Employees." "Non-Participating Employees" may accrue vacation up to a maximum earned during the preceding 36 months.
- ~~I. For those employees who do not wish to participate in the Retirement Health Savings Plan, vacation accruals over 500 hours which are on the books as of December 1st of each year will be automatically deferred into the 401(a) account by December 31st for "Participating Employees." "Non-Participating Employees" may accrue vacation up to a maximum earned during the preceding 36 months.~~
- J.H. Pay for Vacation:
An individual, subject to City Manager approval, may select to receive pay in lieu of a specified amount of vacation each fiscal year (28 days prior notice must be given for such a request).
- K.I. Vacation leave is allocated on an hour by hour basis.
- L.J. At the time of retirement, ~~accumulated vacation balance shall be deferred into a 401(a) account for "Participating Employees."~~ the provisions of Section 3.3D (RHSP) shall apply.

SECTION III SEVERABILITY

If any section, subsection, sentence, clause or phrase of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction such decision shall not affect the validity of the remaining portions of the Resolution. The City Council hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

Introduced, approved, and adopted this ____ day of September, 2009.

Mayor of the City of Torrance

APPROVED AS TO FORM:
JOHN FELLOWS III, City Attorney

ATTEST:

by _____
Ronald T. Pohl, Assistant City Attorney

Sue Herbers, City Clerk

RESOLUTION NO. 2009-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
TORRANCE RELATING TO THE EMPLOYEE RETIREMENT
HEALTH SAVINGS PLAN**

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 was amended on September 15, 2009 by Resolution No. 2009-_____; 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 September, 2009.

Mayor Frank Scotto

APPROVED AS TO FORM:
JOHN FELLOWS III, City Attorney

ATTEST:

by _____
Ronald T. Pohl, Assistant City Attorney

Sue Herbers, City Clerk

OVERVIEW OF THE ICMA-RC'S INNOVATIVE VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PLAN

- Participants can accumulate assets to pay for one of retirement's greatest financial needs — medical care.
- The VantageCare RHS Plan, created exclusively for the public sector, is similar to other ICMA-RC administered retirement savings plans (401, 457). Employers make contributions from employee payroll deductions. Employees then invest those amounts into a lineup of quality mutual funds. Earnings are tax-deferred and withdrawals are tax-free when used for qualified expenses.
- Participants accumulate assets tax-free to pay for medical expenses for themselves, their spouse and/or dependents (e.g., health insurance and prescription expenses) in retirement (or other eligibility).
- Funds are withdrawn tax-free when used for qualified medical expenses for the employee, their spouse and/or dependents.
- RHS contributions may be any or all of the following:
 - Direct employer contributions can be either a fixed percentage or dollar amount, or a discretionary employer contribution.* (Note that percentage-of-earnings contributions may be subject to nondiscrimination testing for non-collectively bargained plans or plans that permit benefit payments for other than insurance premiums).
 - Mandatory unused leave contribution of accrued sick and/or vacation leave are mandated by the employer—employees may not choose whether or not to make these contributions.* The employer can establish an unused leave contribution formula that best fits the needs of its covered employees.
 - Mandatory pre-tax contributions of employee compensation would require employees to contribute a certain portion of their salary.* Alternatively, the employer might mandate that all or a portion of an incentive payment be contributed to the RHS plan.
 - No FICA (Social Security and Medicare) or income tax applies to the contributed funds and, if used for participant, spouse or dependent medical expenses, no FICA or income tax will be due at distribution.

** These contributions will be made to all plan participants' accounts without completion of additional contribution forms.*

RETIREMENT HEALTH SAVINGS PLAN (RHSP) VOTE RESULTS

Voting period: August 17, 2009 to August 31, 2009

STEP 1

- Should the City of Torrance amend the Executive & Management Employees Resolution to adopt a mandatory Retirement Health Savings Program offered by the ICMA Retirement Corporation?
 - **YES - 46**
 - NO - 14
 - Did not Vote - 5

STEP 2

Please proceed to vote for the type of mandatory plan to be offered. You must only vote for 1 option. The option with the most votes will be adopted.

- **Mandatory Plan 1: 11 Votes**
 - Upon retirement, any hours under or equal to 150 (sick) and 150 (vacation) will be deposited into the RHSP Plan.
- **Mandatory Plan 2: 27 Votes**
 - **Upon retirement, any hours under or equal to 300 (sick) and 150 (vacation) will be deposited into the RHSP Plan.**
- **Mandatory Plan 3: 8 Votes**
 - Upon retirement, any hours under or equal to 150 (sick) will be deposited into the RHSP Plan.