



Item #17-4-6

Government Relations & Public Affairs Committee Consent

March 31, 2017

Resolution for Health Reimbursement Arrangement

Issue: Should SACOG adopt a Health Reimbursement Arrangement for retirees?

Recommendation: That the Government Relations & Public Affairs Committee recommend that the Board 1) approve the attached resolution and appoint Keenan Financial Services as the contract administrator adopt the Health Reimbursement Arrangement (HRA); and 2) authorize the CEO to sign all necessary documents.

Discussion: As discussed in item 7, SACOG is reducing its CalPERS healthcare benefits contribution to comply with CalPERS requirements as part of implementing the Memorandum of Understanding (MOU) with the SACOG Employees Association that takes effect July 1, 2017. This action does not change the benefits that employees and retirees are entitled to. Adopting the attached resolution will allow SACOG to provide different benefits between the retiree healthcare premium contribution by tier and the PEHMCA minimum directly to retirees through an HRA.

The third-party administrator for the HRA will be Keenan and Associates/MidAmerica Administrative Solutions. Keenan is the largest independent broker in California and works with over 900 public agencies in California and has expertise in administering HRAs.

If approved by the Board, the HRA would not take effect until July 1, 2017, concurrent with implementation of the MOU. Between April and June, SACOG and Keenan will reach out to all retirees to explain the changes and get them enrolled in the HRA. Tax counsel has advised that establishing a HRA is the best method for retirees and SACOG to comply with Internal Revenue Code requirements.

As an example of how the HRA will work, if a retiree is eligible for a plan that costs \$1,128, currently SACOG pays CalPERS directly for the entire amount of the premium. Starting in July, SACOG will pay CalPERS \$128 and fund the HRA with \$1,000. CalPERS will reduce the retiree's pension check by \$1,000, and the retiree can sign up for the HRA to direct deposit the \$1,000 every month, with no financial impact on the retiree. Before July, and subsequently after enrolling in a healthcare benefit plan annually, retirees will submit evidence of their healthcare plan costs to Keenan/MidAmerica. Keenan/MidAmerica will then reimburse the retiree monthly.

Because the healthcare benefit premiums are withheld from the retirees' pension checks, retirees are not restricted on how they spend or use this supplemental benefit payment, except that it

must be for healthcare premiums or other verified medical care expenses as defined by the Internal Revenue Code.

There is a \$2,000 setup fee and an estimated monthly expense of \$108 to cover all retirees.

Approved by:

Kirk E. Trost
Interim Chief Executive Officer

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Attachment

Key Staff: Erik Johnson, Manager of Policy & Administration, (916) 340-6247



SACRAMENTO AREA COUNCIL OF GOVERNMENTS

RESOLUTION NO. 33- 2017

ESTABLISHING A HEALTH RETIREMENT ACCOUNT FOR SACOG RETIREES

WHEREAS, California Government Code Section 53216 authorizes a governmental or public agency or employer to establish and make contributions to retirement plans; and

WHEREAS, the Employer desires to provide certain retirement benefits to its retirees under a health reimbursement arrangement (“HRA”) which will reimburse retirees for the difference between the CalPERS required minimum of \$128.00/month, and adjusted annually by CalPERS, and the amount which the Sacramento Area Council of Governments has agreed to pay toward the retirees’ medical premiums; and

WHEREAS, the Employer desires to fund the HRA through the purchase of an annuity.

NOW, THEREFORE, BE IT RESOLVED that the Board of the Sacramento Area Council of Governments hereby establishes an HRA benefit for its retired employees, effective July 1, 2017.

NOW, THEREFORE, BE IT FURTHER RESOLVED that the eligibility requirements for employees to participate in the HRA shall be as follows:

- (a) that the Board hereby adopts that certain plan known as the Sacramento Area Council of Governments Health Reimbursement Arrangement, effective July 1, 2017; and
- (b) that for purposes of clarification of administration of the HRA but not for purposes of making said HRA subject to title I of ERISA, the Board hereby designates the Employer as the sponsor and administrator of the HRA; and
- (c) that the Sacramento Area Council of Governments shall make all contributions to the HRA to fund said benefits; and
- (d) that, for purposes of the limitations on contributions and benefits under the HRA, as prescribed by section 415 of the Internal Revenue Code of 1986, as amended, the “limitation year” shall be as defined under the terms and provisions of the HRA; and

- (e) that the Board hereby appoints the following individuals to comprise the HRA Committee:

Kirk Trost, Chief Operating Officer/General Counsel
Roberta Raper, Finance Director
Erik Johnson, Manager of Policy & Administration.

NOW, THEREFORE, BE IT FURTHER RESOLVED that:

- (a) the Board hereby appoints Keenan Financial Services as the contract administrator to assist the Sacramento Area Council of Governments in the implementation and administration of the HRA, and as Broker of record to secure the annuity needed to fund the plan; and
- (b) MidAmerica Administrative and Retirement Solutions shall act as third party claims administrator for the HRA; and
- (c) the Board hereby authorizes any member of the HRA Committee to execute such documents and to take such action as may be necessary for the proper implementation and operation of the HRA.

PASSED AND ADOPTED this 20th day of April, 2017, at Sacramento, California, by the following vote of the Board of Directors:

AYES:

NOES:

ABSTAIN:

ABSENT:

Brian Veekamp
Chair

James Corless
Chief Executive Officer