



**CITY OF GREAT FALLS
COMMISSION AGENDA REPORT**

- Item:** Resolution #9797, State of Montana Voluntary Employees' Beneficiary Association Health Reimbursement Account, "Montana VEBA HRA."
- From:** Linda Williams, Human Resources Manager
- Initiated By:** Employees requesting to participate in the Montana VEBA HRA
- Presented By:** Linda Williams, Human Resources Manager
- Action Requested:** City Commission to consider adoption of Resolution #9797, to allow the City of Great Falls to participate in the Montana Voluntary Employees' Beneficiary Association Health Reimbursement Account (VEBA HRA) and Trust Plan.
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Suggested Motion:

1. Commissioner moves:

"I move that the City Commission adopt/deny Resolution #9797."

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.
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Staff Recommendation: Staff recommends the adoption of Resolution #9797, to allow the City of Great Falls to participate in the State of Montana VEBA HRA and Trust Plan.

Background: The State of Montana Department of Administration established a VEBA HRA and Trust Plan (herein after referred to as "the Plan") in accordance with Section 501(c)(9) of the Internal Revenue Code. The Montana VEBA HRA is a tax-exempt health and welfare trust. The City of Great Falls is eligible to participate in the Plan by acceptance of a completed Employer Adoption Agreement by the State of Montana Department of Administration in accordance with 2-18-1310, MCA.

The Plan would permit tax-exempt employer contributions, which must include 25% of an employee's unused sick leave cash-out and may include vacation leave as well as other contributions, to create an account on behalf of eligible employees in accordance with MCA 2-18-1301:1311 (2007). This tax-exempt account can then be used to reimburse post-retirement healthcare costs for the employee, their qualified dependents, and their beneficiaries. Eligible expenses include, but are not limited to medical, dental and vision premiums as well as other non-covered expenses such as deductibles and co-payments, etc.

The City will define VEBA groups and eligibility criteria. Each group will be given the opportunity to vote on whether or not to participate in the VEBA HRA Plan. If the group votes to participate in the Plan, then all of the employees that were eligible to vote on the question and any employees subsequently hired into the positions covered under the terms and conditions of the election must be formed as a VEBA group and the employees must become VEBA participants. Employees separating from service in such group during that Plan year will be required to have the City contribute the value of their designated unused accrual(s) to the Plan. Groups can elect to vote on whether or not to continue to participate in the Plan annually if at least 25% of the members of the VEBA group request an election.

Concurrences: The IBEW labor agreement stipulates the City will make a VEBA HRA or similar program available. Other employee groups have also expressed interest in participating in the State's VEBA HRA Plan.

Fiscal Impact: There are cost savings to the City when employees elect to participate in the VEBA HRA because the City will not pay FICA, Medicare or PERS on the eligible cash outs at retirement. The employees who vote to participate in the VEBA HRA will not pay Federal, State, FICA, Medicare, or PERS on their eligible cash outs at retirement. There are no direct employer costs for participating in the Montana VEBA HRA Plan. Enrollment and reporting are required administrative functions that will be absorbed by Human Resources and Fiscal Services. VEBA participants are charged a monthly administration fee, plus a percentage of the monthly HRA administration expenses as determined by the State.

Alternatives: The City Commission may or may not adopt Resolution #9797.

Attachment: Resolution No. 9797