



## Agenda Report

19-648

Agenda Date: 6/25/2019

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### REPORT TO COUNCIL

#### **SUBJECT**

Action on Trust and Plan Adoption Documents with Gallagher Benefit Services, Inc. to Facilitate Administration of the HealthInvest Health Reimbursement Arrangement in Support of the City's Voluntary Employee Beneficiary Association

#### **BACKGROUND**

On September 4, 2001, the City Council approved a resolution authorizing the establishment of a Voluntary Employees' Beneficiary Association (VEBA) as a mechanism to create a post-retirement Health Reimbursement Arrangement (HRA) as a benefit to City employees. The HRA is an employer funded account that employees may utilize post-retirement to pay for qualified medical expenses. Establishment of the VEBA required the execution of several service agreements and a formal Plan Document. The service agreements included the administrative service agreement with A. W. Rehn & Associates, Inc., the trust agreement with Washington Trust Bank, and the benefits consulting agreement with the VEBA Service Group, LLC. On September 1, 2013, Gallagher Benefit Services replaced the VEBA Service Group, LLC as the benefit consultant and Gallagher Benefits Services has also been selected to replace A. W. Rehn & Associates as the administrative services provider. The selection was related to the fact that Gallagher had experience with the City's VEBA administration having been the benefits consultant for a number of years. An administrative services agreement with Gallagher Benefit Services was executed on January 11, 2019 and the transfer of service from Rehn to Gallagher was effective May 1, 2019. Washington Trust Bank continues as the trust bank under their original agreement.

Entering into the administrative services agreement with Gallagher Benefit Services required that the City adopt Gallagher's proprietary HealthInvest HRA product. The administrative services agreement contemplates that adoption of the HealthInvest HRA product will be predicated on execution of the Trust and Plan Adoption documents presented today.

#### **DISCUSSION**

Staff is recommending approval of the Trust and Plan Adoption documents with Gallagher Benefit Services, Inc. The Trust Adoption documents allow for transfer of existing fund balances and future funds to be deposited into the HealthInvest HRA Master Trust account. Washington Trust Bank will then be able to transfer existing fund balances from the City's current trust account into the HealthInvest HRA Master Trust account. The HealthInvest Plan Adoption documents will replace the current City HRA plan document and conform to Gallagher's proprietary plan administration protocols. Approval of these Adoption documents will allow Gallagher to fully carry out the obligations of their service agreement with the City.

**ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Furthermore, the action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

**FISCAL IMPACT**

Funds for administrative services are included in the current service agreement with Gallagher Benefit Services and are included in current appropriations. The recommended action results in no additional fiscal impact, it is an administrative action to bring the trust into compliance with the services agreement. Trust administration and investment services fees are paid from the trust assets.

**COORDINATION**

This report has been coordinated with the City Attorney’s Office.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Authorize the City Manager to execute the Trust and Plan Adoption documents.

Reviewed by: Teresia Zadroga-Haase, Director of Human Resources

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Gallagher HealthInvest Trust and Plan Adoption Packet
2. Professional Services Agreement with Gallagher Benefit Services