

RESOLUTION NO. 2020-92

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA CREATING A
POST EMPLOYMENT HEALTH PLAN (PEHP) FOR CITY OF MARINA EMPLOYEES

WHEREAS, a Post Employment Health Plan for Public Employees has been established for eligible public employees, pursuant to section 501(c)(9) of the Internal Revenue Code permitting such plans; and,

WHEREAS, the Plan may be funded with Employer contributions, mandatory Eligible Employee contributions or combination of both on behalf of the eligible employees in a manner permitted under the Plan; and,

WHEREAS, under the PEHP program, Nationwide Retirement Solutions (NRS), Inc. will provide administrative services in exchange for a fee as agreed upon by the Employer and NRS;

WHEREAS, access to health benefits is an important benefit provided by the City of Marina; and,

WHEREAS, this PEHP will allow employees to pay for their post-employment health insurance in a tax-benefited manner; and,

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARINA DOES HEREBY
RESOLVE AS FOLLOWS:

The City Council of the Marina hereby adopts this PEHP program on behalf of the eligible employees of Marina. The officers of Marina are hereby authorized to execute, on behalf of the eligible employees of the Marina, a participation agreement with NRS, authorizing NRS to act as the Administrator of the Plan and the agent of the Employer, and other such agreements and contracts as are necessary to implement the program.

PASSED and ADOPTED by the City Council of the City of Marina at a special meeting duly held on this 21st day of July 2020 by the following vote:

AYES, COUNCIL MEMBERS: Berkley, Urrutia, O'Connell, Morton, Delgado

NOES, COUNCIL MEMBERS: None

ABSENT, COUNCIL MEMBERS: None

ABSTAIN, COUNCIL MEMBERS: None

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk



Post Employment Health Plan (PEHP®) Fact Sheet and Investment Options

PEHP® Fact Sheet and Investment Options

Type of plan	- Employee benefit plan - Health reimbursement arrangement (HRA) - Internal Revenue Code Section 501(c)(9)
Assets held	Tax-exempt multiple-employer voluntary employees beneficiary association (VEBA) trusts
Tax advantages	- Employer pays no FICA taxes on plan contributions - Employees pay no FICA or federal income taxes on: - Contributions made on their behalf - Investment earnings - Benefits paid from the plan
Plan contributions	Employer, mandatory employee and/or contributions on behalf of retirees are permitted.
Plan benefits	Contributions accumulate tax free, and qualified post-employment medical expenses (as defined by Internal Revenue Code Section 213(d)) are reimbursable. Examples include: - Health insurance premiums - Medicare Part B premiums - Medicare supplemental insurance premiums - Qualified long-term care premiums - Qualified out-of-pocket medical expenses, including prescription drugs, eyeglasses and doctor co-pays
Benefit flexibility	Upon the employee's separation from service or retirement, requests may be made for the reimbursement of qualified medical expenses and/or medical insurance premiums. Plan-to-plan transfers are also available among accounts with the same employer for plans administered by Nationwide.
Funding options	- Universal reimbursement account (105) - Funded ongoing with equal dollar contributions per employee, per submission - Minimum annual ongoing contribution is \$120 per employee - Reimbursements may be made for any qualified out-of-pocket medical expense; examples include: health insurance premiums, prescription drugs, eyeglasses, hearing aids and doctor co-pays - Insurance premium reimbursement account (106) - Can be funded solely with accrued sick and/or vacation leave (must be required by employer of all eligible plan participants) - May also be funded with a percentage of salary - Minimum annual ongoing contribution is .5% of salary per employee - Reimbursements may only be used for qualified health insurance premium expenses; examples include: health insurance premiums, dental premiums, Medicare Part B premiums and Medicare supplements - Contribution details must be submitted separately for the universal reimbursement account (105) and insurance premium reimbursement account (106) - For collectively bargained plans whose benefits were the subject of good faith bargaining, Nationwide will allow all contributions, including those that are determined as a percentage of the eligible employee's compensation and earnings and any combination of vacation pay, sick pay or other accumulated absence pay, to be directed to the 105 Universal Reimbursement Account and used for any qualifying medical care expense as defined under Internal Revenue Code Section 213(d)(1), which includes but is not limited to health care insurance premiums
Investment options	There are 29 investment options available for employees. Employees have the ability to elect managed account services—Nationwide ProAccount®—for independent, professional financial money management of PEHP accounts (additional fees apply).
Plan fees	- Employer—Patient-Centered Outcome Research Institute (PCORI)¹ - Employee—0.50% asset management fee plus \$30 administrative fee per year Note: There is no charge for claims reimbursements.
Death of participant	Money is immediately made available to the surviving spouse and/or qualified dependents (as defined by IRC§152(a)) to use for health care expenses. If no surviving spouse or qualified dependents remain to request reimbursement, the account balance is reallocated to the accounts of the remaining members of the immediate employer group for their qualified medical expenses.

¹ The PCORI fee results from Affordable Care Act requirements and is payable to the IRS by July 31 each calendar year.

PEHP® Investment Options

PEHP Variable Annuity, a group variable annuity contract issued by Nationwide Life Insurance Company

Asset allocation		Category
The Nationwide Investor Destinations Funds can be selected based on your personal objectives and risk tolerance, and they are designed to provide asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Principal value of the fund(s) is not guaranteed at any time, including at the target date. Therefore, in addition to the expenses of the Investor Destination Funds, investors are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.	American Funds 2020 Target Date (Class R4)	U.S. Fund
	American Funds 2025 Target Date (Class R4)	U.S. Fund
	American Funds 2030 Target Date (Class R4)	U.S. Fund
	American Funds 2035 Target Date (Class R4)	U.S. Fund
	American Funds 2040 Target Date (Class R4)	U.S. Fund
	American Funds 2045 Target Date (Class R4)	U.S. Fund
	American Funds 2050 Target Date (Class R4)	U.S. Fund
	American Funds 2055 Target Date (Class R4)	U.S. Fund
	American Funds 2060+ Target Date (Class R4)	U.S. Fund
	Nationwide Investor Destinations Aggressive Fund (Service Class)	Large Growth
	Nationwide Investor Destinations Moderately Aggressive Fund (Service Class)	Large Growth
	Nationwide Investor Destinations Moderate Fund (Service Class)	Moderate Allocation
	Nationwide Investor Destinations Moderately Conservative Fund (Service Class)	Moderate Allocation
	Nationwide Investor Destinations Conservative Fund (Service Class)	Conservative Allocation
Small-cap stock funds		
"Small-cap" is an abbreviation of the term "small market capitalization." It's a company whose market capitalization is small or newer. A small-cap stock fund is made primarily of investments in companies that are considered small or newer companies. Small-cap funds involve increased risk and volatility.	Franklin Small Cap Value Fund (Class A)	Small Value
	Nationwide Small Cap Index Fund (Class A)	Small Blend
	Neuberger Berman Small Cap Growth Fund (Class A)	Small Growth
Mid-cap stock funds		
Mid-cap is an abbreviation of the term "middle market capitalization," a company whose market capitalization is mid-range. A mid-cap stock fund is made primarily of investments in companies that are considered mid-range or midsize companies.	AllianzGI NFJ Mid Cap Value Fund (Class A)	Mid-Cap Value
	Nationwide Mid Cap Market Index Fund (Class A)	Mid-Cap Blend
	Invesco Oppenheimer Discovery Mid Cap Growth Fund (Class A)	Mid-Cap Growth
Large-cap stock funds		
Large-cap is an abbreviation of the term "large market capitalization," and that's a company whose market capitalization is very large. A large-cap stock fund is made primarily of investments in companies that are considered large-cap, big corporations.	American Century Ultra® Fund (Investor Class)	Large Growth
	MFS Value Fund (Class R3)	Large Value
	Nationwide Fund Institutional Service Class	Large Blend
	Nationwide S&P 500 Index Fund (Institutional Service Class)	Large Blend
International stock funds		
These are mutual funds that invest primarily in companies located anywhere outside of its investors' country of residence. International investing involves additional risks, including currency fluctuations, political instability, differences in accounting standards and foreign regulations.	MFS International Diversification Fund (Class R3)	Foreign Large Blend
	Oppenheimer Global Fund (Class A)	World Stock
Bond funds		
These are funds invested primarily in bonds, which could include government, corporate, municipal or convertible bonds.	Lord Abbett High Yield Fund (Class R4)	High-Yield Bond
	PIMCO Total Return Fund (Class A)	Immediate-Term Bond

PEHP® Investment Options cont'd

PEHP Variable Annuity, a group variable annuity contract issued by Nationwide Life Insurance Company

Fixed-income securities/cash		
Fixed-income security options are designed to protect principal and may not keep pace with inflation. Their goal is to have lower risks than alternative options, but they're not insured or guaranteed by the FDIC or any other government agency.	Nationwide Money Market Fund (Prime Shares) is made of bonds that might be short or intermediate term with longer maturities than other choices, such as money market funds. An investment in a money market underlying fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the money market.	Money Market
	Nationwide Fixed Account: Guarantees are subject to the claims-paying ability of Nationwide Life Insurance Company.	Fixed Account



The underlying fund prospectuses can be obtained by calling 1-877-677-3678. Before investing, carefully consider the fund's investment objectives, risks, charges and expenses. The underlying fund prospectus contain this and other important information. Read the prospectuses carefully before investing.

Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

Nationwide and its representatives do not give legal or tax advice. An attorney or tax advisor should be consulted for answers to specific questions.

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For more complete information, including all charges and expenses, please consult your Nationwide representative or call 1-877-677-3678.

Nationwide Retirement Solutions Inc. and its affiliates (Nationwide) offer a variety of investment options to public sector retirement plans through variable annuity contracts, trusts or custodial accounts. Nationwide may receive payments from mutual funds or their affiliates in connection with those investment options. For more details about the payments Nationwide receives, please visit www.nrsforu.com.

Nationwide Retirement Solutions (Nationwide) makes payments to the National Association of Police Organizations (NAPO) for the value of services and endorsements related to the Nationwide Post Employment Health Plans (PEHP). Under the arrangement, NAPO exclusively endorses the National Association of Counties, the United States Conference of Mayors and the International Association of Fire Fighters-Financial Corporation. More information about the endorsement relationships may be found online at www.nrsforu.com or www.FrontLinePlan.com.

Nationwide Retirement Solutions Inc. and Nationwide Life Insurance Company (collectively "Nationwide") have endorsement relationships with the National Association of Counties, the United States Conference of Mayors and the International Association of Fire Fighters-Financial Corporation. More information about the endorsement relationships may be found online at www.nrsforu.com or www.FrontLinePlan.com.

The PEHP unregistered group variable annuity is issued by Nationwide Life Insurance Company, contract number APO-3350.

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June 19, 2020

Item No: **8f(1)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of July 7, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
CREATING A POST EMPLOYMENT HEALTH PLAN (PEHP) FOR CITY
OF MARINA EMPLOYEES**

REQUEST: That the City Council consider:

1. Adopt a Resolution No. 2020-, authorizing the City Manager or his/her designee to execute agreements in order to adopt a Post-Employment Health Plan for City of Marina Employees

BACKGROUND: One of the largest expenses for a retiree is health benefits. One way to pay for these health benefit premiums is through a Post-Employment Health Plan (PEHP). This plan, authorized by the Internal Revenue Code, allows an employer to make contributions into the PEHP on behalf of the employee without taxation. Later, the retired employee may make withdrawals for specified health costs without taxation. Thus, contributions are never taxed.

The requirements of the plan require that all participants follow the same rule. So, a percentage of pay or portion of leave accruals. The plan is governed by a committee made up of a City representative and a member of each participating group.

The City considered the two deferred comp provides the City currently has and selected Nationwide because their plan administration fee is only \$30 per year per participant. The investment options for the plan include all of the Nationwide investment options approved by this committee.

ANALYSIS: The ability of offer this plan to all the City's employees will provide another method for employees to leverage the City's resources to more effectively use the compensation the City provides employees. The cost to the City is the staff time required to administer the plan. However, the trustee (Nationwide) will do almost all the work. And since Nationwide is already a Deferred Comp plan provider, the extra work will be minimal. But the potential tax savings to employees may be substantial.

All the employee groups have been approached about the plan. The Department Heads are ready to move forward. After the plan is adopted, the other groups may take advantage of this plan if and when they chose to.

FISCAL IMPACT: A small amount of staff time to administer the plan, probably less than 2-3 hours a year.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina

SOURCE OF FUNDING: Employee compensation