EXECUTIVE OFFICER'S REPORT

To The

Local Agency Formation Commission

TO:

Commissioner	**DAVID WEST** (Chair)	[Public]	Commissioner	**MICHAEL KELLEY**	[Supervisor]
Commissioner	**JASON JACKSON**	[City]	Commissioner	**RAY CASTILLO**	[Supervisor]
Commissioner	**MARIA NAVA-FROELICH** (Vice-Chair)	[City]			

Alt Commissioner	**LUIS PLANCARTE**	[Supervisor]
Alt Commissioner	**JIM PREDMORE**	[City]
Alt Commissioner	**RALPH MENVIELLE**	[Public]

REPORT DATE: January 1, 2018

FROM: Jurg Heuberger, AICP, CEP, Executive Officer

PROJECT: **Employee Retirement Healthcare**

HEARING DATE: **January 25, 2018** **TIME:** 8:30 a.m.

AGENDA ITEM NO: **10**

HEARING LOCATION: 1275 Main St., El Centro, Ca. (City Council Chambers)

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In summary & order)

OPTION #1: Approve the Resolution as proposed for the Employee Retirement Health plan as presented by the Executive Officer.

OPTION #2: Approve the Resolution as proposed for the Employee Retirement Health plan as amended and as recommended by the Executive Officer.

OPTION #3: Continue the item to the next hearing with direction.

ANALYSIS/REPORT

When LAFCO transitioned from being quasi-county and quasi-independent to being entirely independent, the Commission also established its own policies and created four employee position allocations. The positions created were that of the Executive Officer as required under the statue. In addition, it created the position of "Clerk", Accountant, and Analyst.

When these positions were hired, certain "benefits" were agreed to, which included, (a) a retirement plan; (b) vacation time; (c) sick leave time; (d) medical and (e) retirement medical plan.

Retirement was accomplished by allowing LAFCO employees to become members of the Imperial County Retirement System (ICERS). LAFCO contributes to that system the same as the County and since that system is independent there are no issues.

Vacation time/pay and sick leave time/pay is structured and paid the same as what had been done under the County.

Retirement Medical coverage was however unilaterally terminated by the County, even though the two employees that transferred from the County to LAFCO had done so under the understanding that their benefits would remain the same.

Given that LAFCO had no alternative short of litigation with the County, LAFCO, through direction of your Commission investigated other options to arrive at similar or equal benefits.

Unfortunately, LAFCO is too small an entity to be able to carry the load for a full plan upon retirement. Hence the options that we were left with are limited.

We have arrived at a solution through Nationwide which includes the establishment of two contribution systems, one being the 401(a) and the other being the 457(b).

The 401(a) will be a plan to which LAFCO will make a defined contribution, but will not be obligated to any liability upon retirement of the employee. In other words, this amounts to creating a savings account for the employee contributing by LAFCO what we would essentially have contributed to the County. The employee however then has sole responsibility upon retirement on how to use those funds, i.e. they can cash out, they can use the funds to pay medical bills or they can purchase their own insurance.

Concurrently we will create with no monetary contribution the 457(b) to which the employee can add funds as they choose. LAFCO, will however have no obligation to contribute, control, or monitor this. It is being done however to allow the employee to fund a supplemental option with tax benefits. This seems strange on first blush; however, it needs to be understood that the 401(a) to which LAFCO makes its contribution cannot be added to by the employee so it is a fixed and limited savings account. With the 457(b) added to the overall goal, the employee can if they so choose to, begin to plan better for their retirement.

In summary, this proposal results in the employee(s) being provided with a managed "savings" account funded by LAFCO in the amount similar to what LAFCO has or would have been paying to the County had we been able to maintain that arrangement. It also gives the employee an opportunity to fund their own separate deferred savings account that they can then use in conjunction with the account funded by LAFCO at such time as they retire and need medical coverage.

It also eliminates the need or obligation for LAFCO to maintain a retirement medical coverage system.

EXECUTIVE OFFICERS RECOMMENDATION:

OPTION #1: Approve the Resolution as proposed for the Employee Retirement Health plan as presented by the Executive Officer.
EXHIBIT "A"

The Executive Officer recommends that the Commission approve the resolution as attached which will commence the process to establish with Nationwide the two plans as outlined.

Additionally, the County upon terminating LAFCO from their plan, agreed to provide the one employee that transferred and had the requisite years of County service (16 years) a minimum of 50% coverage within their plan upon her retirement. The Commission therefore authorizes the Executive Officer to sign the agreement that the County offered in this regard and further agrees to litigate this matter should the coverage not be provided as agreed.

OPTION #2: Approve the Resolution as proposed for the Employee Retirement Health plan as amended and as recommended by the Executive Officer.

OPTION #3: Continue the item to the next hearing with direction.