



CC Regular Meeting

AGENDA ITEM REPORT

Meeting: June 3, 2025

Title: Establishment of Post-Employment Health Savings Plan (PEHP) through Nationwide Retirement Solutions for Police Management Group (PMG) Effective June 3, 2025; and Side Letter Agreement between the City/PMG

Presented by: Christopher Marcarello, City Manager
Joanna Espinosa, Human Resources Manager

Recommendation: 1. Adopt Resolution CC 2025-63, to establish a Post-Employment Health Savings Plan (PEHP) through Nationwide Retirement Solutions for the Police Management Group (PMG) as set forth in City/PMG Memorandum of Understanding (MOU) dated July 1, 2024 – June 30, 2028.; and
2. Authorizing the City Manager to execute a Side Letter Agreement between the City of Covina and the Police Management Group (PMG), revising Article 14.4.D.

EXECUTIVE SUMMARY:

The Resolution authorizes the City Manager to establish a Post-Employment Health Savings Plan (PEHP) with Nationwide Retirement Solutions to comply with the current Memorandum of Understanding (MOU) between the City and Police Management Group (PMG). The PEHP enables qualified PMG employees to transfer ninety percent (90%) of their accrued sick leave at retirement to a retiree health savings account (within applicable IRS regulations and limitations), at the current base hourly rate, to be used for qualifying medical expenses during retirement. The terms and provisions of the PEHP program were negotiated in the current MOU between the City and PMG. In recent months, with the pending retirement of existing PMG members, staff worked with Nationwide Retirement Solutions, who is the City's current provider for 457(b) and 401(a) plans, to set up the new plan.

BACKGROUND:

On June 18, 2024, the City Council approved a new four (4) year Memorandum of Understanding between the City and Police Management Group (PMG). The PMG is a small bargaining group, representing sworn Police employees in the classifications of Captain and Lieutenant. As a means of encouraging sworn officers to preserve sick leave-related banks, the City and PMG negotiated a new provision for the cash out of unused accrued sick leave at retirement. By establishing a retiree health savings plan, PMG members now have the ability to transfer ninety percent (90%) of their accrued sick leave at retirement to a retiree health savings account at their current hourly base rate of pay (Section 14.3-D).

These accounts, also known as Post-Employment Health Savings Plans (PEHPs), enable retired employees to set aside money, on a tax-free basis, for future qualifying medical expenses during retirement. These expenses include medical insurance premiums and out-of-pocket medical costs, including prescription drugs, co-pays, eyeglasses and other medical expenses. PEHP is a tax-exempt voluntary employees' beneficiary association (VEBA) trust, which provides employee benefits authorized by IRS Code Section 501 (c)(9).

In recent months, the City contacted Nationwide Retirement Solutions, the current provider for the City's 457(b) and 401(a) plans, to set up the new PEHP plan. Nationwide has an existing program to address the City's needs and comply with the provisions of the City/PMG MOU, as well as IRS regulations.

Furthermore, the City and PMG have met and conferred and agree to revise the language set forth in the PMG MOU (Article 14.4 D) to ensure compliance with IRS regulations and limitations.

DISCUSSION:

Staff recommends adoption of the Resolution to establish and implement the PEHP plan for the PMG group; and approve Side Letter.

FISCAL IMPACT:

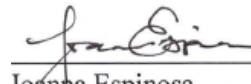
None.

CEQA (CALIFORNIA ENVIRONMENTAL QUALITY ACT):

Not applicable.

Respectfully submitted,


Chris Marcarello
City Manager


Joanna Espinosa
Human Resources Manager