



Legislation Text

File #: 21-683, **Version:** 1

Report regarding a resolution approving the change of administrator for the Medical After Retirement Account (“MARA”) Plan to Educators Benefit Consultants, LLC d/b/a Aviben (“Aviben” or “EBC”) and authorizing the City Manager to execute the necessary plan documents to effect this change (*Leah Lockhart, Human Resources Director*)

RECOMMENDATION

Staff recommends that City Council adopt a resolution approving the change of administrator for the Medical After Retirement Account (“MARA”) Plan to Educators Benefit Consultants, LLC d/b/a Aviben (“Aviben” or “EBC”) and authorizing the City Manager to execute the necessary plan documents to effect this change.

BACKGROUND/DISCUSSION

The MARA plan is a Health Reimbursement Arrangement (“HRA”) plan that allows employees to accumulate earnings on a tax-free basis in a Voluntary Employees Beneficiary Association (“VEBA”) trust during their working years to pay for qualified post-retirement health benefits as allowed under the Internal Revenue Code. Permanent, full time employees hired after April 24, 2010 receive a City contribution to the MARA plan in the amount of 1.5% of salary, in lieu of a defined benefit retiree health program available to employees hired before that date. Additional mandatory employee contributions to the plan vary by employee bargaining group,

The MARA plan, along with the City’s other deferred compensation plans, is overseen by the City’s Deferred Compensation Committee, as established by Council resolution in 1977. The committee meets on a quarterly basis to monitor the plans’ investment options and ensure fees are reasonable, placing funds on watch list status, adding funds, and removing funds as appropriate. The Committee is comprised of seven members including the Finance Director, Human Resources Director or designee, four members representing the City’s various labor groups and a retiree representative. The Committee is supported by NFP Retirement, Inc. and members receive ongoing education in deferred compensation plan administration.

The current MARA plan administrator is Total Administrative Services Corporation (“TASC”) d/b/a Genesis Employee Benefits. MARA plan monies are held in the City of South San Francisco VEBA Health Savings Trust custodial account with Matrix Trust Company.

In order to improve administrative efficiencies, customer service, and alignment of investment strategies, in July, 2021 the Deferred Compensation Committee reviewed and approved a proposed change to the MARA plan administrator from TASC to Educators Benefit Consultants, LLC dba Aviben (“Aviben” or “EBC”).

Aviben is partnered with Empower Retirement Services, who is the current plan administrator for the City's deferred compensation. With the change in MARA plan administrators, monies will remain with Matrix Trust as custodian, requiring only internal administrative changes. The MARA plan document, as administered by Aviben, is included with this report as Attachment 1.

Changing administrators from TASC to Aviben will provide several advantages for employees and administration, among which are:

- 1. Access:** With TASC, investments are accessed through one portal and HRA benefits are accessed through a different portal. These portals are completely independent systems with separate log-ons, look and feel. This has caused much confusion and employees have difficulty accessing and monitoring their accounts. With Aviben, participants will have a single sign-on to the portal where they will be able to manage their investments and their benefits. They can see investment options and prospectuses, move monies between funds, rebalance, etc. They are also able to file claims once they are benefit eligible. Further, Aviben offers a mobile app to increase and ease participant access.
- 2. Integration:** With the move to Aviben, employees will be able to login to their Empower account and see their MARA plan balances for the last quarter on their landing page. They would be able to click on the HRA link to see their MARA account overview without leaving the Empower portal. Further, this data feeds into the employee's lifetime income score to assist employees with retirement planning.
- 3. Investments:** The Committee seeks to mirror the investment options offered in the MARA plan with those in the deferred compensation plan. With Aviben's partnership with Empower, aligning the deferred compensation plan investment options will be streamlined. Further, the MARA plan can leverage the larger pool of assets in the deferred compensation plans to participate in lower fee institutional share classes where available.
- 4. Customer Service:** Due to recent changes at TASC, City staff no longer has a dedicated customer care team. Support requests are now done by calling a general customer service number or by submitting customer support requests online. When staff receives an email response to a request, they are unable to reply to the email. Instead, staff must call or follow-up with a new support request which generates a new support request number. This constrains staff's ability to effectively administer the plan and assist participants with issues. With Aviben, staff will have access to a dedicated Benefit Consultant and Plan Administrator.
- 5. Fees:** The fees under the Aviben agreement differ in structure from TASC, and are more in line with the City's other deferred compensation plans. Whereas TASC's administrative fees are set at a flat rate \$1.50 per month for active employees, Aviben offers an asset-based fee structure of 12 basis points per quarter, paid from account earnings (this will be reduced to 8 basis points once the total plan assets reach \$10,000,000.) This provides a more equitable structure based on the individual employee's account size, which varies by salary and length of service. After retirement, TASC's fees increase to \$4.00 per month, whereas Aviben's fees are \$1.00 per month after retirement, providing a significant cost advantage to retirees. A comparison of fee structures between the two providers is included in

Table 1 (Attachment 2).

FISCAL IMPACT

The City will incur one-time set-up fees of \$1,000 for the Plan Documentation and \$250 for the Trust Documentation; and the City will continue to pay the annual IRS Form 990 Filing fee service (\$500 for plan year 2022). Otherwise, the transition from TASC to Aviben will not impact the City's budget as employer contributions to employee accounts will not change with this action, and fees are paid out of employee accounts.

RELATIONSHIP TO STRATEGIC PLAN

This action supports the City's strategic priorities of workforce development and fiscal responsibility by maintaining a cost-effective retiree health benefit plan to attract and retain high-performing employees.

CONCLUSION

In order to integrate and simplify employee access, align plan investment strategy, improve customer service and provide a more equitable fee structure for employees and retirees, it is recommended that the City Council approve the attached resolution to approve the change of administrator for the MARA Plan from TASC to Aviben effective January 1, 2022.