



## **Governmental Benefits Update**

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### **FURLOUGHS AND LAYOFFS**

The ongoing pandemic has many local governments looking at possible furloughs and/or layoffs. Three benefit matters that must be analyzed in advance and should be communicated to affected employees are the pension consequences, the unemployment consequences and the health care consequences of the furlough or layoff program. Often the ultimate impact on pension, unemployment and health care can be affected or controlled by how the program is developed, structured and communicated.

### **ALOM MUNICIPAL BENEFITS ADVISORY SERVICE**

In these unusual times it can be easy to feel pressure to make decisions without your normal deliberation. The Allegheny League of Municipalities (ALOM) wants to remind their members that they are entitled to a free consultation with Rhoades Law regarding benefits matters. If you wonder about an issue or decision and would like our view, feel free to contact Randall Rhoades at 412-765-2228 or [rrhoades@rhoadeslawllc.com](mailto:rrhoades@rhoadeslawllc.com).

### **TWO IDEAS CONCERNING RETIREE MEDICAL**

Coping with medical costs in retirement is one of the biggest issues facing local governments and their employees. We wanted to present two ideas that might provide some relief at your local government.

The first idea is normally employed where the local government already provides some sort of medical insurance coverage for retirees. The broad concept is to convert the insurance coverage to a defined contribution account established for workers. This is often instituted for new hires. The funds may be invested as determined by the Participant including if he or she leaves employment before benefit eligibility. The

Participant then may use the account for tax-free reimbursement of medical expenses in retirement.

It may also be possible to fund retiree medical with compensated absence payouts (like sick pay lump sums). Once again, accounts can be established in the Participant's name (to receive the lump sum) and the Participant controls the investment of the balance. The Participant then may use the account for tax-free reimbursement or medical expenses.

In this time of additional financial stress due to COVID-19, these tools may assist local governments and their employees help cope with retiree medical costs.

If you have questions or would like more information relative to these ideas, please contact Randall R. Rhoades at [rrhoades@rhoadeslawllc.com](mailto:rrhoades@rhoadeslawllc.com).

## **RECENT DEFINED CONTRIBUTION LITIGATION**

Fidelity investments was found liable for fiduciary breaches in the way it ran its own 401(k) program. As the case is a private sector case that has a detailed history and complex backdrop, it is difficult to pull general statements of applicable law to the governmental sector.

As Fidelity was found liable for failure to monitor the Fidelity fund investments as well as administrative expenses, it does serve as a cautionary tale for governmental defined contribution sponsors that monitoring the defined contribution arrangement is essential.

For a discussion of the case see:

<https://www.planadvisor.com/fidelity-liable-certain-fiduciary-breaches>

**For additional information, feel free to contact attorney Rhoades at:**

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