001976

Health Insurance Premium Impacts on Retiree Pension Benefits

Introduction

The impacts of increasing health care costs are felt by everyone and nowhere is this more evident than on those individuals living on fixed incomes. This analysis is intended to put the increases in health insurance premiums for the City's health insurance plans into the context of how these increases will affect the net pension benefits received by City of Gainesville retirees.

In order for this analysis to have any meaning, a general understanding of the Retiree Health Insurance Ordinance is needed. The Gainesville City Commission adopted the ordinance with an effective date of April 1, 1995. (Copy attached.) It details how health insurance premiums will be split between the retiree and the City. The City's contribution is determined after the grid point of the individual retiree has been calculated. The grid point is based on years of service and age at benefit commencement. In general, the greater the number of years of service and the older the retiree is at benefit commencement, the higher the grid point and the higher the City's contribution toward the health insurance premium. The amount that a retiree pays is simply the difference between the total premium and the amount the City pays.

More specifically, there are two plans that are used to calculate the grid point. The first one is called the "Transition Plan". This plan applies to individuals who were retired as of April 1, 1995 and all active employees with at least 10 years of service as of April 1, 1995. The maximum City contribution for Transition Plan members is 80% of the individual premium for any given plan year. Also, the maximum City contribution for all other levels of family coverage is 155% of the individual premium. Therefore, the corresponding grid points are 0.80 and 1.55.

The second one is called the "Base Plan". This plan is applicable to all active employees with less than 10 years of service on April 1, 1995 and all subsequent hires. For Base Plan members, the maximum City contribution is 50% of the individual premium for the given plan year. Therefore, the corresponding grid point is 0.50. It should be noted that no City contribution is made for any level of family coverage for base plan employees.

When initially developing the Retiree Health Insurance Ordinance, much consideration was given to ensure that the new ordinance had much less of an impact on individuals who were either retired or were potentially approaching retirement on April 1, 1995. Prior to the adoption of the Retiree Health Insurance Ordinance, the City had typically paid 100% of individual coverage and 80% of family coverage. While there never was a guarantee that the City would continue to contribute at these levels, and even though retirees were religiously counseled to the fact that there was no guarantee of continuance, it was recognized by the City Commission that those already in retirement probably had an expectation of at least a similar contribution. It was because of this expectation, that the Transition Plan was developed and ultimately approved.

This analysis takes a comprehensive look at only those retirees who have elected health insurance coverage with the City of Gainesville. Additionally, a separate analysis was performed on those retirees who retired before 1985. The pre-1985 analysis is an attempt to gauge the impact of a change being considered to increase the multiplier for those retirees. This will be discussed in more detail later on in this report.

Impacts of Health Insurance Premium Increases

The following table summarizes the impacts of health insurance premium increases (which are scheduled to become effective as of January 1, 2002) on the monthly pension benefits (retirement checks) of retirees. The impacts are expressed in $25/month increments starting with the group of retirees that will actually be experiencing a decrease in their monthly premiums. As you will recall from the budget presentation this summer, these decreases result from adjusting the premium tiers and combining of the two (2) separate PPC Plans into a single PPC Plan.

Impact in Dollars	Number of Retirees	Percentage of Total
<= to $0 (Premium Reduction)	79	12.7%
$0 to $25/month Premium Increase	297	47.8%
$25 to $50/month Premium Increase	139	22.4%
$50 to $75/month Premium Increase	51	8.2%
$75 to $100/month Premium Increase	40	6.5%
> $100/month Premium Increase	15	2.4%
Totals	621	100%

This Table represents only the impacts associated with the health insurance premium increases. While there are some retirees who will see significant increases in their health insurance premiums, approximately sixty percent will experience a reduction or less than a $25/month increase in their premium. These individuals are typically at or above a 0.80 grid point. All individuals seeing a decrease in their premiums have some level of family coverage. Those experiencing between $25 and $100 per month increases have grid points less than the maximum allowed and generally retired at earlier ages. All individuals experiencing a greater than $100 per month increase have grid points lower than 0.66 and are insuring at least one additional family member. Four of the fifteen above $100 are survivors and, therefore, receive no City contribution at all.

Net Impact on Monthly Pension Benefit Annuities after Health Insurance Premium Increases and Cost Of Living Allowances

The following table summarizes the net impact on the monthly pension benefit annuity (retirement check) after adding the Cost of Living Allowance (COLA) as provided by the applicable plan. It should be noted that the COLA will be effective after October 1, 2001 but the health insurance premium increases will not be effective until January 1, 2002. Any amounts shown below which are less than zero will result in a net increase in the monthly pension benefit.

Net Impact in Dollars	Number of Retirees	Percentage of Total
<= to $0 increase in net benefit	184	29.6%
$0 to $25/month reduction in net benefit	219	35.3%
$25 to $50/month reduction in net benefit	127	20.4%
$50 to $75/month reduction in net benefit	44	7.1%
$75 to $100/month reduction in net benefit	32	5.2%
> $100/month reduction in net benefit	15	2.4%
Totals	621	100%

This table clearly shows that the COLA has a very positive impact on many of their net monthly benefit annuities (retirement checks). Evidence of this can be seen by looking at the substantial increase in the number of retirees experiencing a net increase in the monthly pension benefit (184 vs. 79). In total, 85.3% (or 530) of the retirees will see less than a $50/month impact on their net pension benefit. This table also demonstrates that those retirees experiencing a net decrease of greater than $50/month in their retirement checks did not meet the criteria for COLA eligibility (generally 25 years of service and age 60 or 20 years of service and age 62).

Pre 1985 Retirees

Individuals who retired under the General Pension Plan prior to 1985 have a pension benefit amount which was determined using a multiplier of 1.75%. For post 1985 retirees, the General Pension Plan has used a 2% multiplier. This means that the retirement checks of the Pre-1985 retirees are 12.5% lower than they would have been if they had retired under the 2% multiplier. In addition, there was no COLA provision in the pension plan when these individuals retired. Recognizing the need to assist retirees with ever-increasing expenses, a COLA was added to the Consolidated Police and Fire Retirement Plan beginning in October 1999 and to the General Employees Pension Plan beginning in October 2000. Prior to the implementation of the COLA, the City Commission would annually authorize one-time lump sum payments for those retirees over 65 years of age. Given this history, the City Commission also granted an additional amount to be given to retirees over 65 whenever the COLA was less than the previously approved lump sum payment.

There are sixty-four individuals who retired before 1985 that are currently insured through the City. Their ages range from 56 to 92 years. Their years of service range from 11 to 37 years. Twenty-four retirees insure a spouse and the remaining forty have only individual coverage.

This following analysis uses a building block approach beginning with a simple look at the impact of health insurance premium changes on these 64 retirees. Then the analysis shows the impacts of the COLA and finally, the impacts of the proposed multiplier change.

Pre-1985 - Health Insurance Premium Increases/Decreases

The following table summarizes the impacts that the health insurance premium increases have on the monthly pension benefit payments of retirees. The impact is in $25/month increments starting with the group of retirees that will be experiencing a decrease in their monthly premiums.

Net Impact in Dollars	Number of Retirees	Percentage of Total
<= to $0 Premium Reduction	16	25.0%
$0 to $25/month Premium Increase	45	70.3%
$25 to $50/month Premium Increase	0	0.0%
$50 to $75/month Premium Increase	1	1.6%
$75 to $100/month Premium Increase	2	3.1%
> $100/month Premium Increase	0	0.0%
Totals	64	100%

All retirees experiencing a decrease in health insurance premiums insure a spouse and have a grid point in excess of 1.38. Most (10 of 16) have the maximum grid point of 1.55. The majority of the retirees in the zero to twenty-five dollar per month category have individual coverage (36 of 46) and are receiving the maximum grid point of 0.80. The remaining three individuals all retired from the City with less than 21years of service and were less than 45 years of age. Therefore, they are not yet eligible for the COLA.

Pre-1985 – Net Impact of Health Insurance Premium on Pension Benefit after COLA

The following table summarizes the net impact on a retiree's monthly pension benefit after adding the Cost of Living Allowance (COLA) as provided by each retiree's plan and incorporating the health insurance premium changes. Also, any amount less than zero results in a net increase in the monthly pension benefit.

Net Impact in Dollars	Number of Retirees	Percentage of Total
<= to $0 increase in net benefit	33	51.5%
$0 to $25/month reduction in net benefit	28	43.8%
$25 to $50/month reduction in net benefit	0	0.0%
$50 to $75/month reduction in net benefit	1	1.6%
$75 to $100/month reduction in net benefit	2	3.1%
> $100/month reduction in net benefit	0	0.0%
Totals	64	100%

Once again, the COLA has a very positive impact on net pension benefit. Despite increases in the retiree health insurance premiums, approximately half of the pre-1985 retirees experience an increase in their pension benefit as a result of the COLA. As previously mentioned, the bottom three are not currently eligible for a COLA.

Pre-1985 Net Impact with COLA and Multiplier Increase

The following table summarizes the net impact on the monthly pension benefit of the retiree after adding the Cost of Living Allowance (COLA), changing the multiplier from 1.75% to 2%, and incorporating the health insurance premium changes. Again, any amount less than zero results in a net increase in the monthly pension benefit.

Net Impact in Dollars	Number of Retirees	Percentage of Total
<= to $0 increase in net benefit	64	100%
$0 to $25/month reduction in net benefit	0	0
$25 to $50/month reduction in net benefit	0	0
$50 to $75/month reduction in net benefit	0	0
$75 to $100/month reduction in net benefit	0	0
> $100/month reduction in net benefit	0	0
Totals	64	100%

Even with dramatic increases in health insurance premiums, every pre-1985 retiree will experience a net increase in their pension benefit if the multiplier is increased from 1.75% to 2%. The net increases range from a high of $498/month to a low of $17/month.

The cost to add this benefit is relatively expensive. Per the actuarial analysis, the total increase in the actuarial present value is estimated at $688,000 as of October 1, 2001. The increase to the City contribution rate is estimated at 0.12% of payroll, which is $66,650, for the first year and, then because the balance is amortized over the next 15 years, the amount increases annually as the City's payroll increases.

Summary

The following table is provided as a summary of changes in each tier after incorporating the incremental impacts of health insurance premium increases, the COLA, and the proposed change in the multiplier.

Net Impact on Pension Benefit	Health Insurance Premium Only	Health Insurance and COLA	Health Insurance, COLA and Multiplier
Increase in net benefit	79	184	215
$0 to $25/month reduction in net benefit	297	219	191
$25 to $50/month reduction in net benefit	139	127	127
$50 to $75/month reduction in net benefit	51	44	43
$75 to $100/month reduction in net benefit	40	32	30
> $100/month reduction in net benefit	15	15	15
Totals	621	621	621

This analysis indicates that the City is attempting to address the issues associated with increased health insurance costs. This is particularly true with respect to those individuals who retired prior to 1985. Since their retirement, the City Commission has added a COLA to both defined benefit plans and adopted a retiree health insurance ordinance which gave all existing retirees special consideration.

In general, approximately 83% of all retirees will experience a net decrease in their pension benefit of less than $50 after the impact of the health insurance premium increases. Furthermore, of the 621 retirees who receive health insurance through the City of Gainesville, 29% (184) will experience a net increase in their pension benefit after the COLA. This is especially evident in the Pre-1985 retirees where over 50% of these retirees will experience a net increase in their monthly retirement checks.

Lastly, it should be emphasized again that despite the dramatic health insurance premium increases, there are 79 retirees (12.7%) that will see a decrease in their contribution toward their health insurance premiums as a result of restructuring the premium tiers and by combining the two separate PPC plans into a single PPC plan. In contrast, every active employee will experience an increase in the cost of their health insurance ranging from $6.52 to $74.25 per month depending on the plan and level of coverage selected. This fact highlights the need to rethink the way that the City's contribution toward retiree health insurance premiums is derived. Rather than making the City's contribution be based upon a percentage of the plan that the retiree chooses, it should probably be based on a percentage of the premium of the least costly plan that the City provides (i.e. Care Manager). Another alternative would be to have the City's contribution be based on a fixed dollar amount like the State of Florida. To make change of this magnitude will require a lot of additional analysis.

CITY OF G..NESVILLE

TRANSITION PREMIUM SUBSIDY PERCENTAGE FOR RETIREES WITH SINGLE COVERAGE

Years of Service	Age at Transition Date 38	40	42	44	46	48	50	52	54	56	58	60	62	64	66	68	70
10										0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.70
12										0.50	0.50	0.50	0.50	0.50	0.50	0.63	0.80
14										0.50	0.50	0.50	0.50	0.50	0.59	0.79	0.80
16										0.50	0.50	0.51	0.55	0.59	0.71	0.80	0.80
18										0.57	0.61	0.65	0.69	0.73	0.80	0.80	0.80
20	0.50	0.50	0.50	0.50	0.52	0.56	0.60	0.64	0.68	0.72	0.76	0.80	0.80	0.80	0.80	0.80	0.80
22	0.50	0.50	0.52	0.56	0.60	0.64	0.68	0.72	0.76	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
24	0.52	0.56	0.60	0.64	0.68	0.72	0.76	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
26	0.60	0.64	0.68	0.72	0.76	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
28	0.68	0.72	0.76	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
30	0.76	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
32	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
34	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
36	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
38	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
40	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

CITY OF GAINESVILLE

TRANSITION PLAN PREMIUM SUBSIDY PERCENTAGE FOR RETIREES WITH FAMILY COVERAGE

Years of Service	Age at Transition Date 38	40	42	44	46	48	50	52	54	56	58	60	62	64	66	68	70
10										0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.70
12										0.50	0.50	0.50	0.50	0.50	0.50	0.63	0.83
14										0.50	0.50	0.50	0.50	0.50	0.59	0.79	0.99
16										0.50	0.50	0.51	0.55	0.59	0.71	0.91	1.11
18										0.57	0.61	0.65	0.69	0.73	0.85	1.05	1.25
20	0.50	0.50	0.50	0.50	0.52	0.56	0.60	0.64	0.68	0.72	0.76	0.80	0.84	0.88	1.00	1.20	1.40
22	0.50	0.50	0.52	0.56	0.60	0.64	0.68	0.72	0.76	0.80	0.84	0.88	0.92	0.96	1.08	1.28	1.48
24	0.52	0.56	0.60	0.64	0.68	0.72	0.76	0.80	0.84	0.88	0.92	0.96	1.00	1.04	1.16	1.36	1.55
26	0.60	0.64	0.68	0.72	0.76	0.80	0.84	0.88	0.92	0.96	1.00	1.04	1.08	1.12	1.24	1.44	1.55
28	0.68	0.72	0.76	0.80	0.84	0.88	0.92	0.96	1.00	1.04	1.08	1.12	1.16	1.20	1.32	1.52	1.55
30	0.76	0.80	0.84	0.88	0.92	0.96	1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.40	1.55	1.55
32	0.84	0.88	0.92	0.96	1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	1.48	1.55	1.55
34	0.92	0.96	1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.55	1.55	1.55
36	1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.48	1.52	1.55	1.55	1.55
38	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.48	1.52	1.55	1.55	1.55	1.55	1.55
40	1.16	1.20	1.24	1.28	1.32	1.36	1.40	1.44	1.48	1.52	1.55	1.55	1.55	1.55	1.55	1.55	1.55

Actuarial Concepts

Management Advisors

Benefits Specialists

September 13, 2001

Mr. Mark S. Benton
City of Gainesville
P.O. Box 490
Gainesville, Florida 32602

Dear Mark:

CITY OF GAINESVILLE GENERAL EMPLOYEES' PENSION PLAN
PRE-1985 RETIREE FORMULA INCREASE STUDY

You have inquired as to the impact on Plan liabilities and related contribution requirements if the City of Gainesville Pension Plan were amended to retroactively increase the formula benefits for those retirees who terminated employment before the current 2% formula went into effect. The increase would be applicable to those current retirees and beneficiaries still receiving benefits in the Plan as of October 1, 2000. (It is unclear at this point whether some of these older retirees were prior vested terminateds or whether all were eligible for retirement at termination.)

If the 2% accrual rate formula were in effect rather than the 1.75% formula that was used to calculate benefits pre-1985, 101 retirees and beneficiaries would be affected. The total increase in actuarial present value is estimated at $688,000 as of October 1, 2001. The increase in contribution requirements is estimated at approximately 0.12% of payroll or initially $66,650 in amortization payments.

After you have had a chance to review this information, please let us know if you have any questions or wish additional explanation.

Sincerely,

Mike

Michael J. Tierney

/lj

3020 Hartley Rd., Suite 250, Jacksonville, FL 32257
Phone: (904) 262-3020, FAX: (904) 268-3374

Health Insurance
PPC Premiums Blended

	PPCI	Blended		
Monthly	**2001**	**2002**	**$ Change**	**% Change**
Individual	247.46	210.34	(37.12)	-15.0%
Employee/Spouse	523.87	445.29	(78.58)	-15.0%
Employee/Child	357.57	303.93	(53.64)	-15.0%
Family	593.79	504.72	(89.07)	-15.0%
Employee Bi-Weekly	**2001**	**2002**	**$ Change**	**% Change**
Individual	22.84	19.41	(3.43)	-15.0%
Employee/Spouse	92.04	73.90	(18.14)	-19.7%
Employee/Child	58.84	46.46	(12.38)	-21.0%
Family	100.67	80.12	(20.55)	-20.4%
Employer Bi-Weekly	**2001**	**2002**	**$ Change**	**% Change**
Individual	91.37	77.67	(13.70)	-15.0%
Employee/Spouse	149.75	131.61	(18.14)	-12.1%
Employee/Child	106.19	93.81	(12.38)	-11.7%
Family	173.38	152.83	(20.55)	-11.9%

Health Insurance
PPC Premiums Blended

	PPCII	Blended		
Monthly	**2001**	**2002**	**$ Change**	**% Change**
Individual	180.44	210.34	29.90	16.6%
Employee/Spouse	390.84	445.29	54.45	13.9%
Employee/Child	273.52	303.93	30.41	11.1%
Family	451.26	504.72	53.46	11.8%
Employee Bi-Weekly	**2001**	**2002**	**$ Change**	**% Change**
Individual	16.65	19.41	2.76	16.6%
Employee/Spouse	61.34	73.90	12.56	20.5%
Employee/Child	39.45	46.46	7.01	17.8%
Family	67.78	80.12	12.34	18.2%
Employer Bi-Weekly	**2001**	**2002**	**$ Change**	**% Change**
Individual	66.63	77.67	11.04	16.6%
Employee/Spouse	119.05	131.61	12.56	10.6%
Employee/Child	86.80	93.81	7.01	8.1%
Family	140.49	152.83	12.34	8.8%

Health Insurance
Care Manager Premiums Blended

Monthly	***2001***	***2002***	***$ Change***	***% Change***
Individual	105.00	148.47	43.47	41.4%
Employee/Spouse	241.52	314.32	72.80	30.1%
Employee/Child	194.29	214.54	20.25	10.4%
Family	309.75	388.05	78.30	25.3%
Employee Bi-Weekly	***2001***	***2002***	***$ Change***	***% Change***
Individual	9.69	13.70	4.01	41.4%
Employee/Spouse	26.88	43.68	16.80	62.5%
Employee/Child	21.17	25.84	4.67	22.1%
Family	35.13	53.20	18.07	51.4%
Employer Bi-Weekly	***2001***	***2002***	***$ Change***	***% Change***
Individual	38.77	54.80	16.03	41.3%
Employee/Spouse	84.59	101.39	16.80	19.9%
Employee/Child	68.50	73.17	4.67	6.8%
Family	107.83	125.90	18.07	16.8%

dependents, until the member or beneficiary is located or until the benefits have been paid in full, whichever event shall first occur.
(Code 1960, § 20-110.11; Ord. No. 000050, § 9, 6-26-00)

Sec. 2-607. Cost of living adjustment of benefits.

(a) A retired member who was receiving on or before October 1, 1999, a monthly normal, delayed or disability retirement benefit and is age 62 or older on or before October 1, 1999, shall have his/her monthly retirement benefit adjusted by two percent beginning with the benefit for the month of October, 1999 (which monthly benefit is payable November 1, 1999). The monthly benefit payable to the retired member or the retired member's beneficiary, as the case may be, shall be adjusted by two percent each October thereafter for the duration of the annuity.

(b) A retired member who was receiving on or before October 1, 1999, a monthly normal, delayed, or disability retirement benefit shall, upon the attainment of age 62 on or before October 1st, have his/her monthly retirement benefit adjusted by two percent, beginning with the benefit for the month of October (which monthly benefit is payable in November) next following or coincident with (October 1st birthday) the retiree's attainment of age 62. The monthly benefit payable to the retired member or the retired member's beneficiary, as the case may be, shall be adjusted by two percent each October thereafter for the duration of the annuity.

(c) A retired member who first receives a monthly normal or delayed (including DROP participants) retirement benefit for October, 1999, or later (first payable November 1, 1999, or later) which benefit is based upon 25 or more years of credited service shall, upon the attainment of age 55 on or before October 1st, have his/her monthly retirement benefit adjusted by two percent, beginning with the benefit for the month of October next following or coincident with (October 1st birthday) the retiree's attainment of age 55. The monthly benefit payable to the retired member or the retired member's beneficiary, as the case may be, shall be adjusted by two percent each October thereafter for the duration of the annuity.

(d) A retired member who first receives a monthly normal or delayed retirement benefit for October, 1999, or later (first payable November 1, 1999, or later) which benefit is based upon 20 or more years of credited service but less than 25 shall, upon the attainment of age 62 on or before October 1st, have his/her next monthly retirement benefit adjusted by two percent beginning with the benefit for the month of October next following or coincident with (October 1st birthday) the retiree's attainment of age 62. The monthly benefit payable to the retired member or the retired member's beneficiary, as the case may be, shall be adjusted by two percent each October thereafter for the duration of the annuity.

(e) A retired member who first receives a monthly disability retirement benefit on or after October 1, 1999, shall, upon the attainment of age 62 on or before October 1st, have the next monthly retirement benefit adjusted by two percent beginning his/her benefit for the month of October next following or coincident with (October 1st birthday) the retiree's attainment of age 62. The monthly benefit payable to the retired member or the retired member's beneficiary, as the case may be, shall be adjusted by two percent each October thereafter for the duration of the annuity.
(Ord. No. 981266, § 18, 7-12-99)

Secs. 2-608—2-609. Reserved.

ARTICLE VIII. RETIREE HEALTH INSURANCE FUND

Sec. 2-610. Establishment of fund.

Establishment of retiree health insurance fund. There is hereby created for the benefit of the city and its citizens, a retiree health insurance fund to be known as "The City of Gainesville Retiree Health Insurance Fund" to be administered by the city manager and funded as provided for in this article. The retiree health insurance fund, which shall be a component of the city's employee health and accident benefit fund, shall be a fund in which shall be accumulated all deposits made

to the fund and from which disbursements shall be made for the purposes described herein. The purpose of the fund is to provide for sufficient revenues to pay for liabilities associated with retiree health insurance, as determined according to generally accepted actuarial principles.
(Ord. No. 4066, § 1, 3-27-95)

Sec. 2-611. Definitions.

Base plan participant shall mean any future retiree with less than ten years of service as of April 1, 1995, as determined by the city.

Base and transition plan shall mean a plan for providing health insurance for city retirees which generally considers the retiree's years of service and age for the purpose of determining the extent of the city's contributions towards premium payments, as well as considering the retiree's or employee's years of service as of April 1, 1995, as determined by the city, for the purpose of considering eligibility for additional supplemental contributions.

Benefit commencement date shall be April 1, 1995, for retirees enrolled in the city health insurance plan as of that date who do not choose to defer benefit commencement under this article. For all other retirees, the first date after April 1, 1995, at which time they become enrolled in the city health insurance plan.

Credited service shall mean service with the city upon which the retirement benefit the retiree is receiving is based, or would be based in the case of an "ICMA" retiree.

Fund or retiree health insurance fund shall include all sums of money paid or transferred into the fund by the city and retirees, and all gifts received by the fund and accepted from other sources, together with earnings and appreciation of the same, less disbursements made from such monies, in accordance with this article, and less any losses or depreciation of asset value.

Premium shall mean the amount the city charges for retiree health insurance coverage as established by the city manager.

Premium payment, retiree shall mean the portion of the total premium paid by the retiree.

Retiree shall mean:

- A retired employee, who is a member of the city employees pension plan or a member of the consolidated police officers and firefighters retirement plan and is receiving monthly annuity pursuant to an approved application for normal or early retirement, in accordance with the provisions of these pension plans; or

- A retired employee upon whose behalf employer contributions were made to the ICMA deferred compensation program and/or 401(a) plan and who, at the time of their separation from the city, would have met the age and/or service requirements for normal, or early retirement under the city employee pension plan or the consolidated police officers and firefighters retirement plan as applicable to the classification they held at the time of their separation: or

- A retired employee, who is a member of the consolidated police officers and firefighters retirement plan and is receiving a monthly annuity pursuant to an approved application for disability retirement in accordance with the provisions of that pension plan: or

- A retired employee of the city receiving a monthly benefit pursuant to an approved application for disability retirement under the city employee's disability plan.

- When a regular employee enters a DROP, or a retired employee becomes re-employed as a regular employee, he/she shall not be eligible to participate in the city's retiree health insurance program while serving as a regular employee for the city.

Transition plan participant shall mean any current or future retiree with ten years or more service as of April 1, 1995, as determined by the city.
(Ord. No. 4066, § 1, 3-27-95; Ord. No. 981266, § 19, 7-12-99; Ord. No. 991457, § 5, 6-26-00)

Sec. 2-612. Deposits, payments.

In addition to premium payments made by retirees, gifts to the fund accepted by the city, and earnings, the city is hereby authorized to transfer and/or deposit in the fund sum(s), which together with the other sources of income to the fund shall be sufficient to pay for the premium for health insurance benefits of the base and transition plan, including both the normal costs of such benefits and those necessary to amortize the unfunded liability for such benefits over a period of not longer than 40 years. For the purpose of securing the necessary funds, the city commission is hereby authorized to levy such taxes and generate such other revenues as may be necessary to provide the appropriate level of city contributions.

Monies in this fund may be disbursed only for the payment of premiums for retiree health insurance for base plan and transition plan participants and the costs associated with managing, administering, and operating the fund and any appropriate transfers.
(Ord. No. 4066, § 1, 3-27-95)

Sec. 2-613. Actuarial evaluations, reports.

On a periodic basis, at least once every two years, the fund shall be subject to an actuarial evaluation which shall determine the adequacy of the payments into the fund to meet premium requirements and shall determine the changes in contributions, if any, needed in such to achieve the funding through premiums, earnings, and other sources of income that is deemed adequate to enable payment through the indefinite future of the retiree health insurance program prescribed by the city commission.

As may be required, an actuarial report shall be prepared which shall include a description of the current total premium, current retiree premium payment, and current city contributions; a valuation of present assets based upon statement value and prospective assets and liabilities of the fund and the extent of unfunded liabilities; a plan to amortize any unfunded liabilities; a description of actions taken to reduce unfunded liabilities; a description and explanation of actuarial assumptions; a schedule illustrating amortization of any unfunded liabilities; a comparative review illustrating the level of funds available to the plan from premiums, investment income, and other sources realized over the period covered by the report with the assumptions used; and a statement by the actuary that the report is complete and accurate and that in his opinion the techniques and assumptions used are reasonable and meet the requirements and intent of this article.
(Ord. No. 4066, § 1, 3-27-95)

Sec. 2-614. City contributions towards premium payments.

(1) *Base plan participants.* City contributions towards premium payments for base plan participants would be made in accordance with the following formula:

2% × years of credited service, or portion thereof, for credited service years 1-10

+3% × years of credited service, or portion thereof, for credited service years 11-20

+2% × years of credited service, or portion thereof, for credited service years over 20

+2% × years of age over 65, or portion thereof, at benefit commencement

-2% × years of age under 65, or portion thereof, at benefit commencement

= multiplier, maximum of 50%, no minimum guarantee.

Multiplier × then current individual coverage premium = City share of premium payment.

(2) *Transition plan participants.* City contributions towards premium payments for transition plan participants would be made in accordance with the following formula:

10% increase in credited service years at April 1, 1995, for each year, or portion thereof, over 10, a maximum service increase of 100%

+2% × years of credited service, or portion thereof, for credited service years 1-10

+3% × years of credited service, or portion thereof, for credited service years 11-20

+2% × years of credited service, or portion thereof, for credited service years over 20

+8% × years of age over 65, or portion thereof, at April 1, 1995

+2% × years of age over 65, or portion thereof, at the later of benefit commencement date or April 1, 1995

-2% × years of age under 65, or portion thereof, at benefit commencement

= multiplier, maximum of 80% for single coverage, maximum of 155% for other than single, minimum of 50% for the retiree or employee with 20 years credited service at April 1, 1995.

Multiplier × then current individual coverage premium = City share of premium payment.

(3) Employees who enter a DROP shall have "benefit commencement" for the purposes of section (1) and (2) above fixed and determined as the years of credited service and age upon entry into the DROP and shall not earn credited service while participating in the DROP or thereafter.

(4) A re-employed retiree who becomes covered by the city's health insurance program shall retain the same entitlement to city contributions towards retiree health insurance premium payments as existed immediately prior to re-employment and such shall not be diminished by changes applicable solely to employees terminating after the date of his or her re-employment.

(5) *Disability retirees.* In the case of retirees who are receiving retirement benefits pursuant to an approved application for disability retirement, the city would make the following contributions towards premium payments, until the issue is studied further:

Eighty percent of the individual premium if the retiree has individual coverage and 155 percent of individual premium if the retiree has other than individual coverage.

(Ord. No. 4066, § 1, 3-27-95; Ord. No. 981266, § 20, 7-12-99; Ord. No. 991457, § 6, 6-26-00)