

Article 9: Other Post-Employment and Health-Related Benefits
(“Other Post-Employment and Health-Related Benefits”
added 10-18-2011 by O-20105 N.S.)

**Division 1: Post-Employment Health Benefits for Eligible
Employees Who Retire After March 31, 2012**
*(“Post-Employment Health Benefits for Eligible Employees
Who Retire After March 31, 2012” added 10-18-2011 by O-20105 N.S.)*

§ 29.0101 Post-Employment Health Benefits Not Part of Retirement System

The post-employment health benefits described in this Article are not part of the City Employees’ Retirement System established under San Diego Charter Article IX. Therefore, the vote requirements set forth in San Diego Charter section 143.1 do not apply to these benefits.
(“Post-Employment Health Benefits Not Part of Retirement System “added 10-18-2011 by O-20105 N.S.; effective 11-17-2011.)

§ 29.0102 Definitions

For the purposes of this Article:

“Base Compensation” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“CalPERS Trust” means the retiree health trust account managed by CalPERS OPEB/CERBT.

“Deferred Member” means a *Member* who leaves his or her employee contributions on deposit with the *Retirement System* after terminating City employment.

“DROP” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“Elected Officer” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“General Member” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“*Member*” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“*Retiree Medical Trust*” means the City of San Diego Defined Contribution Retiree Medical Account Plan and Trust, established by the City effective July 1, 2009.

“*Retirement System*” or “*System*” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“*Safety Member*” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

“*Service Credit*” means service rendered for compensation as a City employee or officer and service purchased by a *Member* pursuant to Chapter 2, Article 4, Division 13.

“*Service Retirement*” means, for *Safety Members* and *General Members*, a retirement based upon *Service Credit* and age under Chapter 2, Article 4, Division 4, and for *Elected Officers*, means a retirement under section 24.1705.

“*Surviving Spouse*” has the same meaning as set forth in San Diego Municipal Code section 24.0103.

(“*Definitions* “ added 10-18-2011 by O-20105 N.S.; effective 11-17-2011.)

§ 29.0103 Post-Employment Health Benefit Options for Eligible Members Who Retire on or after April 1, 2012

- (a) The City provides three post-employment health benefit options for eligible *General Members* and *Safety Members* who began City employment before July 1, 2005 and retire on or after April 1, 2012. The eligibility requirements for each option are set forth in this section, along with a description of the benefits and employee contributions associated with each option. *Members* who are eligible for one or more of the post-employment health benefit options set forth in this section must irrevocably elect a benefit option before February 1, 2012.
- (b) Option A - Defined Health Benefit.
 - (1) Eligibility. To be eligible for Option A, a *General Member* or *Safety Member* must:
 - (A) have started work for the City before July 1, 2005,
 - (B) be on City payroll on April 1, 2012,

- (C) remain employed by the City until retiring from City service, and
 - (D) have twenty-five or more years of *Service Credit* or be eligible for a *Service Retirement* on or before April 1, 2012.
- (2) Benefit Description. A *General Member* or *Safety Member* who qualifies for and elects Option A before February 1, 2012, may obtain post-employment health coverage under any available City-sponsored health insurance plan or any other health insurance plan of their choice. The *Member* will be paid or reimbursed his or her health insurance premiums up to the Option A annual retiree health allowance, which is set at \$8,883.24 for Fiscal Year 2013, and will increase by two percent annually beginning July 1, 2013.
- (3) Employee Contributions. *Members* who are eligible for and elect Option A must make contributions during the course of their employment. An eligible *General Member* must pay contributions of \$98 per month (\$45.23 per pay period), and an eligible *Safety Member* must pay contributions of \$103 per month (\$47.54 per pay period). These contributions will be deducted pre-tax from the *Member's* biweekly paycheck beginning with the first pay period that begins on or after April 1, 2012. The contributions will be deposited periodically into the *CalPERS Trust* or any successor trust selected by the City. The contributions will end upon retirement. An eligible *Member* who elects Option A may not thereafter change this election for any reason, including actual financial hardship. In addition, no *Member* will receive a refund of his or her contributions for any reason.
- (4) Minimum Time Period for Employee Contributions for Certain Members. *Members* who on April 1, 2012 are represented either by Local 127, American Federation of State, County and Municipal Employees (Local 127), or the San Diego Police Officers Association (SDPOA) must make the employee contributions described in subsection (b)(3) for a minimum of twelve months before they retire in order to qualify for the two percent annual increases. If the *Member* does not contribute for the full twelve months, the *Member* will be eligible for the Option A benefit, but with no annual increases. However, if a *Member* covered by this subsection is in *DROP* on April 1, 2012, and has signed an irrevocable agreement requiring the *Member* to leave City employment before April 15, 2013, then the *Member* may pay any remaining Option A employee contributions in a lump sum upon terminating employment.

- (5) A *Member* who is eligible for Option A may elect Option B or C instead on or before February 1, 2012. The *Member's* election is irrevocable.
 - (6) If a *Member* who elects Option A before February 1, 2012 terminates City employment before retirement, and becomes a *Deferred Member*, the *Member* will no longer be eligible for Option A, and will instead receive Option C.
- (c) Option B - Defined Health Benefit.
- (1) Eligibility. To be eligible for Option B, a General Member or Safety *Member* must:
 - (A) have started work for the City before July 1, 2005,
 - (B) be on City payroll on April 1, 2012, and
 - (C) remain employed by the City until retiring from City service.
 - (2) Benefit Description. A *General Member* or *Safety Member* who qualifies for and elects Option B on or before February 1, 2012, may obtain post-employment health coverage under any available City-sponsored health insurance plan or any other health insurance plan of their choice. The *Member* will be paid or reimbursed their health insurance premiums up to \$5,500 per year. There will be no annual adjustment of this amount.
 - (3) Employee Contributions. *Members* who are eligible for and elect Option B must make contributions during the course of their employment. An eligible *General Member* must pay \$49 per month (\$22.61 per pay period), and an eligible *Safety Member* must pay \$52 per month (\$24 per pay period). These contributions will be deducted pre-tax from the *Member's* biweekly paycheck beginning with the first pay period that begins on or after April 1, 2012, and will end upon retirement. The contributions will be deposited periodically into the *CalPERS Trust* or any successor trust selected by the City. An eligible *Member* who elects Option B may not thereafter change this election for any reason, including actual financial hardship. In addition, no *Member* will receive a refund of his or her contributions for any reason.
 - (4) If a *Member* who elects Option B before February 1, 2012 terminates City employment before retirement, and becomes a *Deferred Member*, the *Member* will no longer be eligible for Option B, and will instead receive Option C.

- (d) Option C - Defined Contribution-Style Health Plan.
- (1) Eligibility. Option C is available to *General Members* and *Safety Members* who:
- (A) were hired before July 1, 2005, and
- (B) are either on City payroll or a *Deferred Member* on April 1, 2012.
- (2) Benefit Description. The City will create a defined contribution-style health reimbursement plan and trust (DC Plan), either by amending the existing *Retiree Medical Trust* or creating a new plan and trust effective April 1, 2012. When a *Member* who qualifies for and elects Option C on or before February 1, 2012, or becomes eligible for Option C by default, first becomes eligible to retire based upon age and *Service Credit*, the City will deposit into the *Member's* DC Plan account an amount that, assuming an annual investment return of six percent, is projected to yield \$8,500 annually during the *Member's* life expectancy as determined under subparagraph (A) or (B) below. The City's contributions to the *Member's* DC Plan account will immediately vest when made. The funds in the *Member's* DC Plan account may only be used to reimburse post-employment qualified medical expenses of the *Member*, the *Member's* spouse or surviving spouse (as defined by federal law), and the *Member's* dependents (as defined by Internal Revenue Code sections 152 and 105(b)). Once the retired *Member*, any surviving spouse, and all dependents are deceased, any balance remaining in the retired *Member's* DC Plan account will be forfeited to the trust for the DC Plan. For purposes of this subsection:
- (A) the life expectancy of a *Safety Member* is determined using the RP2000 Combined Healthy Mortality table with no projection, set forward two years; and
- (B) the life expectancy of a *General Member* is determined using the RP2000 Combined Healthy Mortality table with no projection, with no set forward.
- (3) Although the City will be obligated to fund the *Member's* DC Plan account when the *Member* first becomes eligible to retire, the *Member* is not required to retire at that time.

- (4) Employee Contributions. There will be no required employee contributions associated with Option C, unless the DC Plan allows for mandatory employee contributions to provide a higher benefit than the one described in subsection (d)(2).

- (e) If a *Member* who is eligible for and elects Option A, B or C under this section retires on a *Service Retirement* with less than twenty years of *Service Credit*, the *Member's* post-employment health benefit will be reduced and the *Member* will receive a percentage of the benefit as set forth in the Table below:

<u>Years of <i>Service Credit</i></u>	<u>Percentage of Post-Employment Health Benefit</u>
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20	100%

- (f) If a *Member* who is eligible for a post-retirement health benefit under this section fails to elect Option A, B or C before February 1, 2012 or within fourteen days of returning to work if the *Member* is on an extended leave of absence on February 1, 2012, the irrevocable default will be as follows:
 - (1) Any *Member* eligible for Option A will be placed in Option A and the required contributions will be deducted from the *Member's* paycheck.
 - (2) All other *Members* will be placed in Option C.

- (g) **Disability Retirement.** If a *Member* who is eligible for and elects Option A, B or C, is granted an industrial or nonindustrial disability retirement by the Retirement Board effective on or after April 1, 2012, the *Member's* selected retiree health benefit will not be reduced pursuant to subsection (e).
- (1) If, on the effective date of the *Member's* disability retirement, the *Member* is eligible for a *Service Retirement*, he or she will receive post-employment health benefits in accordance with his or her irrevocable election of Option A, B or C.
- (2) If the *Member* is not eligible for a *Service Retirement*, and the *Member* selected Option A or B, the Option A or B benefit will be paid without any further contributions by the *Member*.
- (3) If the *Member* is not eligible for a *Service Retirement*, and the *Member* selected Option C, the City's funding associated with this benefit, as described in section 29.0103(d)(2), will occur when the *Member* becomes age eligible for a *Service Retirement*. Until that date, the *Member* will be paid or reimbursed their health insurance premiums up to \$5,500 per year.

("Post-Employment Health Benefit Options for Eligible Members Who Retire on or after April 1, 2012 "added 10-18-2011 by O-20105 N.S.; effective 11-17-2011.)

§ 29.0104 Retiree Medical Trust for General Members Who Begin City Employment on or after July 1, 2009

- (a) Each *General Member* who begins City employment on or after July 1, 2009, is required to contribute .25 percent of his or her *Base Compensation* to the *Retiree Medical Trust*. These employee contributions are deducted from the gross pay of each *Member*, and transferred to the *Retiree Medical Trust* on a biweekly basis for crediting to the *Member's Retiree Medical Trust* account.
- (b) The City will make matching contributions to the *Retiree Medical Trust* on behalf of each *General Member* covered under this section equal to .25 percent of the *Member's Base Compensation*.
- (c) The *Retiree Medical Trust* may, to the extent allowed by law and the terms of the *Retiree Medical Trust*, allow *Members* covered by this section to make additional contributions to their *Retiree Medical Trust* accounts to provide additional benefits. These additional employee contributions will not require the City to make any additional contributions.

("Retiree Medical Trust for General Members Who Begin City Employment on or after July 1, 2009 "added 10-18-2011 by O-20105 N.S.; effective 11-17-2011.)

§ 29.0105 *Members Hired after July 1, 2005*

The following *Members* are not eligible for the post-employment health benefits set forth in this Division, or in Chapter 2, Article 4, Division 12: (i) *General Members* who begin City employment on or after July 1, 2005, but before July 1, 2009, and (ii) *Safety Members* and *Elected Officers* who begin City employment or assume office on or after July 1, 2005.

(“Members Hired after July 1, 2005“ added 10-18-2011 by O-20105 N.S.; effective 11-17-2011.)