

FREQUENTLY ASKED QUESTIONS REGARDING POST EMPLOYMENT (RETIREE) HEALTH BENEFIT

1. What is the monthly cost for retiree health currently?

Non-Medicare

- 1.** Health Net HMO- \$856.08
- 2.** Health Net PPO - \$1,166.26
- 3.** Kaiser – \$739.94

Medicare

- 4.** Health Net HMO (assigned) - \$307.31
- 5.** Health Net HMO (not assigned) - \$402.05
- 6.** Health Net PPO - \$647.90
- 7.** Kaiser - \$285.01

2. When does Medicare start?

Age 65

3. What do employees hired on/after 7/1/05 receive?

Depends. General members hired after 6/30/05 but before 7/1/09 and Safety members hired after 6/30/05 have no retiree health benefit. General members hired on/after 7/1/09 contribute .25% of pay to a retiree medical trust and the City matches this.

4. What do other agencies typically offer for retiree health?

It varies from city to city. In San Diego County, some cities don't offer any retiree health benefit such as Chula Vista, Escondido, Oceanside, Vista or Poway. The County of San Diego's retiree health benefit is \$400/month. San Marcos, El Cajon pay the minimum amount required by CalPERS (approximately \$105/month).

5. Can this 15-year MOU be modified?

Yes. The 15-year MOUs can be modified. Either party may request to re-open negotiations over the benefit after July 1, 2014. In order to do so, 6 City Council members must vote in favor of re-opening the MOU. 6 Council Members must also vote to approve any modification of the agreement.

6. How are life expectancies calculated?

Life expectancies are calculated using a widely accepted mortality table, called the RP 2000. The table provides the probability that an individual dies at each age from 0 to 120. To calculate the life expectancy at a particular age, the probability that the individual is still living at each future age is added together to produce the average expected number of years that the individual will live (or his or her future life expectancy).

7. If I purchased years of service worked at the City, will those purchased years apply toward my service eligibility for the retiree health benefit?

Yes.

8. I was an hourly employee hired before July 1, 2005, but did not become benefited until after July 1, 2005. Am I eligible for the benefit?

Employees with Service Credit eligibility questions should contact SDCERS.

Option A/B Questions**9. Do the contributions for Option A/B stop when you enter DROP?**

No. Eligible Employees must continue to make irrevocable contributions until they physically retire from the City of San Diego.

10. If I have 20 years of service with the City, but am not yet 55 and start paying contributions toward Option B and I leave before I retire, what happens?

You will be placed in Option C and you will not be entitled to a refund on any of your contributions.

11. Does the Option A annual amount go up 2% every year?

Yes, beginning in July 1, 2013 the maximum allowance of \$8,883.24 will increase by 2% to \$9,060.90 and compounds each year thereafter.

12. If I am eligible for Option A, but leave the City and then come back, what do I get?

You will get Option C. In order to receive Option A, you must meet the Creditable Service requirements or service and age requirements, make all required contributions AND physically retire from the City.

13. If I have Option A or B, retire and do not need the coverage for awhile, can I start using the benefit at a later date?

Yes you may enroll in a City health plan at the annual open enrollment period or any time during the year if you lose your other coverage.

14. For Options A&B, how do you pay back contributions if you are out for a prolonged period of time?

When an employee has insufficient funds in his or her paycheck to cover Option A or B contributions for any reason including a leave of absence, the employee will be required to make-up any deficiency by a lump sum payroll deduction within 60 days of the date the employee has sufficient funds to pay the missed required contribution through payroll or double deductions are made from the employee's paycheck until all missed contributions are repaid. Should an employee who elected Option A or B fail to make-up the missed required contributions, this employee will be placed in Option C and the employee will not be entitled to any refund.

15. If you have Option A or B and move out of state when you retire – what happens?

Depending on where you move, you may need to enroll in another health plan. If you enroll in a plan offered by the City, the City would continue to pay the premiums directly to the health plan provider (currently Health Net or Kaiser) up to the maximum allotment. If the cost of the new health plan is more than the maximum, the difference in cost will be deducted from your pension check. If you enroll in an individual plan, you would be responsible to pay the premiums up front and submit for reimbursement from SDCERS. More information about the process to get reimbursed is in the Retiree Health Benefits booklet on the Human Resources website available on the intranet or on SDCERS.org under the Forms and Publication tab.

Option C Questions

16. When you retire, can you move the money in the Option C trust into an individual account when you retire?

No. The monies must remain on account with the Trusts in accordance with federal law and Trusts' Plan documents. Eligible Employees who are Local 145 members are covered by the Firefighters Southern California Firefighters Benefit Trust and all other Eligible Employees are covered under the San Diego City Employees Retiree Medical Trust. Neither of these Trusts are administered by the City or SDCERS.

17. For Option C, when do you get the money placed into your account?

The City will deposit funds into the employee's account within 60 days of when he/she becomes service and age eligible to retire.

18. Where does the money for Option C go when you die?

The money would go to an eligible dependent, subject to the Trusts' Plan document and federal law. In the event the retiree has no eligible dependent(s), the monies revert to the trust.

19. What happens if you draw out more than the projected yield \$8,500 for Option C?

Option C is a defined contribution plan. If the retiree draws out more money than the projected yield of \$8500, the account will be depleted sooner than the projected life expectancy of the employee.

20. Is the Option C defined contribution benefit considered taxable income?

No. The benefit is pre-tax into the trust and pre-tax out of the trust subject to federal law.

21. Is the Option C projected yield of \$8,500 based on today's premiums?

No. The amount of funds deposited into the employee's was negotiated based on the amount of money the City could afford to pay for all retiree health obligations.

22. What investment options are there for the Option C defined contribution trust?

Details associated with the Trusts will be provided the week of January 3, 2012.

23. Who is on the Option C defined contribution Trust Board?

Each labor organization will designate a trustee and one trustee will be elected to represent the unclassified/unrepresented employees in the San Diego City Employees Retiree Medical Trust. The Trust agreement for the Firefighters Southern California Firefighters Benefit Trust should be reviewed by Eligible Employees who are members of Local 145.

24. Will we get performance updates on how the money in the Option C trust is doing?

This is information that will come from the Trusts. You should contact your labor organization or consult the Trusts plan document.

25. What are eligible reimbursement expenses under Option C?

In general, eligible expenses are governed by federal law and include premiums for medical, dental, vision and long term care plans as well as Medicare Part B premiums. They also include copayments for the services provided by these plans. For a detailed listing, please contact your labor organization or consult the plan document.

26. Are there other Cities offering similar type arrangements?

San Diego is different than the majority of other cities in the State of California in that the City is offering eligible employees a choice between a defined benefit and a defined contribution plan. Many Cities either do not offer any retiree medical benefit, are looking to renegotiate the benefit or have renegotiated a lower benefit.

27. If you have Option C and have a catastrophic injury that uses all of the money – what happens? You are responsible to pay for any retiree health costs once the funds in your account have been used.

28. For Option C – when does the money go into the account for those in DROP?

For those in DROP as of April 1, 2012 monies will be deposited by the end of April 2012. After April 1, 2012, monies will be deposited into the employees' account within 60 days of when the employee first becomes eligible for retirement whether they enter DROP at that time or not.

29. At retirement, can the ending balance of Annual Leave hours be deposited into Option C?

None of the agreements between the labor organizations and the City permit this Option at this time. The City is analyzing this issue and this option may be available to be negotiated between the City and labor organizations in the future.

30. Can I contribute my own money to Option C?

Effective July 1, 2012, all Local 145 and Local 911 employees will have mandatory payroll deductions that will go into the respective trusts. All other labor organizations and unrepresented classified and unclassified employees may have mandatory contributions in the future. This will be determined through negotiations with the labor organizations. In order for the contributions to be made to the trusts, they must be mandatory for all members of the bargaining unit.