

Q and A For Retiree Informational Session #2

August 20, 2015

There was a letter sent out July 8, 2015 concerning a new ordinance that was passed. Today's session is informational only – no decisions are to be made at this time.

The City's goal is to reach out to all retirees to be sure they are aware of this option; all retirees are asked to please update any address changes with PERS, since that is where the City is getting retiree address information.

The most frequent question from the last session was, "What Tier am I in?" Generally, the majority of retirees present at the meetings were in Tier 1, dependent on their hire date.

The City went on to review the Ordinance and discuss the different codes within it:

3.09.010 – There is NO change to the City offering medical insurance to retirees.

3.09.020 – There are categories for current and former employees who qualify for optional benefits. In the past, whatever the current employees negotiated in the MOU for their benefits also applied to the retirees' benefits.

The thing that *is* changing is that retirees now have an option:

Option 1 – They can choose to keep the retiree medical benefits as they have been, which is tied to the MOU (i.e. the amount that the union negotiates).

Option 2 – Sign over an irrevocable election that is a flat amount and represented in the handout.

The effective date will be 1/1/2017. All units are currently still tied to an MOU/Agreement, with the amounts negotiated in contracts. Next year will present retirees with the option to take the irrevocable election for the flat amount with a 2% escalator, or make no changes and stay with the current medical benefits the way they are – tied to the MOUs.

The City will give advance notice of 60 calendar days should there be any changes to the Ordinance.

Q. Will the City pay the minimum plus the Medicare supplement?

A. No, the Medicare supplement comes out of your Social Security check when you turn 65.

Q. Which employee bargaining group am I in, the one I retired from or the one that I worked the longest under?

A. The one you retired from.

Q. When is the medical reimbursement going to be paid out to retirees?

A. Currently, the City is working with PERS. Legislatively, CALPERS can only pay what the City's contract states; the City is responsible for paying CALPERS the PEMHCA minimum. So the other amount the City would be responsible to pay the retiree. It is the City and RCORE's understanding that other agencies who have gone through this have had great success and coordinated the reimbursement to the retiree prior to the retirement check from PERS so that there is no lapse in the dollar amounts received by employees. Ideally, the retirement checks would be a seamless process, and retirees would get one check from PERS and one from the City. The payment process is still a work in progress and has not yet been decided on; some things will change and we will communicate as much as we can.

A request was made for the use of direct deposit; this would be a preference for the City as well.

There were several questions regarding Medicare reimbursement and supplement; the City will look at addressing these concerns in a special session with the correct subject matter experts.

Q. Can a Pros/ Cons sheet be put together to help those that are still unsure to help them with their decision?

A. This would be difficult to put together - there are too many factors that go into this decision and to list them all would make the exercise more complicated. What would be good for some does not work for others.

Q. Why did the city come up with this second option?

A. RCORE answered: Five years ago a group of retirees were asking for options on retiree medical and the discussion started. With concerns over the economy and cities in particular changing, retirees wanted to reduce their liability for medical expenses, which was a big issue because they didn't want to lose medical coverage. The ordinance does protect that; it allows retirees to choose to stay with or separate from what the unions might negotiate. As Tier 3 goes to the bargaining table, there really isn't anything that ties retirees to the union if they wanted to drop medical for retirees to give bigger pay raises to Tier 3 employees. This happened in Southern CA; it went to court and lost. The MOU process changes constantly and there is no way to put anything in place that is concrete for retirees. So, what the City tried to do was structure an ordinance so the city was accommodating to retirees' desire for a choice. The City will also give a 60 day notice if a change to this ordinance is proposed; it will take a majority vote from the City Council to pass.

Q. If the union votes to drop benefits for the retirees and MOU/Agreement is passed, do the retirees lose their benefits?

A. Yes, which is why the irrevocable option was introduced. If you sign the irrevocable election to move away from your bargaining unit and go with the flat rate amount of \$1,298 with a 2% escalation and make that decision prior to September 30, 2016, you would still be covered even in the event that retiree medical is dropped in an MOU/agreement.

Q. A request was made for statistical information about making a better decision as opposed to making an “emotional” decision on “what feels right.” It was suggested that the City put together some historical reference to past MOU’s and decisions that have been made for the retirees prior to the deadline for making the decision so they can look at data a make an informed decision.

A. The City indicated that there is 10 years of data that has been gathered in terms of the dollar amounts that have been negotiated for medical benefits. It was at the meeting and the City will make it available, as well as post it on the RCORE website. It was also suggested that it be included in the next RCORE communication that is scheduled to go out.

A few more people then asked for more information to make a more informed decision; RCORE then agreed to put together a very general Pro/Con list to help retirees and perhaps discuss it at their next meeting.

Q. If for whatever reason a member does NOT make a choice by the September 30, 2016 deadline, where will the City place the retiree?

A. They would stay tied to the MOU, so no change would be made.

Q. A member stated that he didn’t see anywhere in the ordinance as to how this was to be funded. Is this coming from a general fund, “pay as you go”?

A. RCORE responded that YES, this will be a pay as you go. The trust has been established and currently has just over \$55 million dollars.