

## Q and A For Retiree Informational Session #1

July 22, 2015

**Q:** For actives in the current system, what is the percentage that is negotiated for actives?

**A:** It's a negotiated percent and could be 2%, 4% or more year to year. Last year, it was \$24 which was about two (2) percent. It was stated that retirees can opt to stay with what they have or elect to change over to a set dollar amount plus that 2%.

Tier 1 – for those hired prior to 2004, pays 100% of medical.

Tier 2 – Depends on years of service, hired after 2005, under vesting schedule.

The selection is irrevocable. Once changed, you cannot go back.

**Q:** With all of the bargaining units, who is the negotiator on the management side?

**A:** All of bargaining and what is offered by the City is the responsibility of the City Manager.

**Q:** How will this be paid? Is it still going to be paid by CalPERS or through another method?

**A:** The City is actually working on that right now. They are hoping to work with CalPERS to allow the City to pay the bill so that it can remain the way it is.

When the City implemented a Cafeteria Plan, a Tier 3 was put into place with respect to how it pays retiree medical, which then initiated a change in the method of payment. The way that the City's contribution is paid may change, but the City is holding off on a final decision until we have more details to share.

Right now the City is paying CalPERS directly and with this change, the City is going to pay the retiree, who will then pay CalPERS.

One of the things talked about in depth is the City's commitment to ensure the retirees will receive payment from the City timely and have no financial hardship.

**Q:** In the future, will the retiree potentially need to write a check to CalPERS?

**A:** That process is currently in place and the City is working to see what its options are regarding reimbursement.

### **RCORE comments:**

Lori Benitez, RCORE president, stated that her understanding is that CalPERS will take the money from retirement checks and the City will reimburse the retiree the same day.

**A:** That change was set to start in 2016, but the City has put that off until 2017 to see if it can change the process.

**Q:** Can RCORE speak in the support of this process? Why is RCORE interested in supporting this City Ordinance?

RCORE response: Our concern is that when employees that are in Tier 3 negotiate contracts with the City, those employees could say something along the lines of, "Well, sorry for the retirees, but if I can get a 5% increase in salary for my bargaining unit, the retirees are on their own." This has happened elsewhere in the state; we did not want that to happen to us. We wanted to secure our retiree medical reimbursement and not lose it. It is a gamble, yes, as the City may negotiate with a union to put 5-10% into medical, but we don't see that happening. If medical costs skyrocket, we are stuck at \$1,296 with a 2% escalator but that is set. We don't have to take it but it's an option, which is huge for us.

Paul Finley, RCORE Board Member, clarified that as people age and reach 65, once on Medicare (Part B), expenses go down substantially. RCORE thought this ordinance was a way to secure medical premiums for retirees.

**Q:** Will the money that we get from the City be taxed?

**A:** So far, it will not. If the Federal Government changes the law, then that could change.

**Q:** If 5-10 years down the road, the City Council decides to change this process, how would that effect the retirees?

**A:** Should the Ordinance be changed or a proposed change be recommended, there will need to be a 4/5 vote of support by the Council. Additionally, all retirees will be notified 60 days prior to any changes. If it were to happen for some reason, all retirees would be re-attached to the MOUs if they had chosen the Irrevocable Election.

**Q:** Does the City reimburse for Medicare Part A?

**A:** No.

**Q:** Is the \$1,296 in place and a set amount?

**A:** Yes. This is what the City was asked to do, provide a set schedule. The group was reminded that they in no way had to take advantage of this option; it is completely voluntary.

**Q:** Did the PEHMCA minimum change that is cited in the ordinance?

**A:** That changed in MOUs several years ago. The PEHMCA minimum has been designated as the equal contribution, and was one of the quirky things that the City needed to deal with when addressing ways to cap the OPEB liability.

**Q:** Regarding the tax issue - will the reimbursement amount be paid back to retiree be taxable?

**A:** Not at this time, the reimbursement will not be taxable. But if federal laws change, there will be no option but to follow the federal laws.

**Q:** If for some unknown reason this ordinance was ever rescinded all together, would ALL of the retirees go back to the system of being attached to MOUs?

**A:** Should the ordinance be changed, it will have to go to City Council and receive a 4/5 vote to pass. It would also be posted in advance so all concerned will have option to come in and discuss the change.

*A discussion of Medical Part A and reimbursement for Medical Part B ensued.*

**Q:** Is there a conflict in setting the schedule for ordinance v.s. MOUs?

**A:** No, that was what the City was requested to do - to set the schedule. If you are not in agreement, then your option is to stay with what you have and not opt to change to a schedule plan.

With the current or the new schedule options, the City will not be cutting the checks.

**Q:** Attendees asked if there was a document that gives a history of the increases over the past 10 years.

**A:** The answer was affirmative, and it will be posted along with the video-taped meetings.

*There will be ONE chance to make this change, and no decision can be made until September 30, 2016. There is one year to gather information on what plan is best for each retiree. Please be aware once an election is made there is NO changing it.*