

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: Teresa L. Highsmith
City Attorney

Date: October 6, 2009

Re: Introduce an Ordinance to Amend Ordinance No. 2497, New Series, by Amending Subsection 19(a) (Medical Insurance) and by Amending Subsection 19(b) (Dental) of Section 19 (PERS Pension Fund) Regarding Public Safety Employees Hired After November 1, 2009

BACKGROUND

In 1953 the City of Alameda created a Police and Fire Pension Fund for public safety employees hired prior to 1953; the Pension Fund was created pursuant to Ordinance 1079. In 1977, the City provided a Pension Fund for public safety employees hired after 1953, pursuant to Ordinance Number 1082.

In 1990, public safety members of the 1082 Plan were permitted to transfer their pension benefits to the California Public Employees Retirement System (PERS); at this time, the City also created fully-paid retiree medical and dental benefits for public safety pension members. These retiree benefits are sometimes referred to as "Other Post-Employment Benefits," or "OPEB." The City's public safety OPEB benefits are summarized as follows:

- The medical benefit is paid for by the City at its full cost at the one or two party rate until that retiree is eligible for Medicare. At the point in time when Medicare becomes the primary insurance, the City provides a Medicare supplement insurance benefit. These retiree medical benefits are also extended to the employee's spouse (at the time of retirement), and these benefits continue to the surviving unmarried spouse upon the death of the retiree.
- The dental benefit is paid for by the City at its full cost at the one or two party rate for any qualified dental plan on file with the City. This benefit is also extended to the employee's spouse (at the time of retirement), and this benefit continues to the surviving unmarried spouse after the death of the employee.

DISCUSSION

The current annual cost of public safety OPEB benefits is estimated to be \$2.1 million. This estimated cost will increase as existing and future employees retire; in fact,

City Council
Report Re:
Agenda Item #4-H
10-6-09

according to the City's latest actuarial report (December 2007), the OPEB liability will exceed \$75 million over the next 30 years. A higher liability is likely to be reflected in the City's next actuarial report, which is not anticipated until early 2010 and would cover the period ending in December 2009. One way to reduce the rising costs of the OPEB is to change the medical and dental retirement benefit for future employees, e.g., those not yet hired by the City.

Both the Alameda Police Officers Association (APOA) and the International Association of Firefighters (IAFF) have agreed in their respective current Memorandum of Understanding to participate in a labor/management committee to develop mutually agreeable alternative provisions for retiree medical benefits for future employees. Adoption of the proposed Ordinance will initiate this process and serve as notice to future employees that they will only be eligible for any medical and dental retirement benefits as developed through the meet and confer process.

Adoption of the Ordinance to initiate this process is not subject to the meet and confer requirements of the Meyers-Milias-Brown Act (Government Code Section 3500 et seq.) because it does not impact existing represented employees, and any medical and dental retiree benefits for future employees will be subject to meet and confer requirements.

FINANCIAL IMPACT

The present annual cost to the City for these medical and dental retiree benefits is \$2.1 million. This amount will increase as existing and future employees retire. Based on the City's December 2007 actuarial report, the liability for retiree medical and dental benefits ("Other Post Employment Benefits," or "OPEB") is \$75 million over the next 30 years.

Adoption of the Ordinance will initiate the process which is intended to result in a decrease in these City costs.

RECOMMENDATION

Introduce an Ordinance to amend Ordinance No. 2497, New Series, by amending Subsection 19(a) (Medical Insurance) and by amending Subsection 19(b) (Dental) of Section 19 (PERS Pension Fund) regarding public safety employees hired after November 1, 2009.

Respectfully submitted,



Teresa L. Highsmith
City Attorney

Approved as to Form

William P. Hysmith
City Attorney

CITY OF ALAMEDA ORDINANCE NO. _____
New Series

AMENDING ORDINANCE NO. 2497, NEW SERIES, BY AMENDING
SUBSECTION 19(a) (MEDICAL INSURANCE) AND BY AMENDING
SUBSECTION 19(b) (DENTAL) OF SECTION 19 (PERS PENSION FUND)
REGARDING PUBLIC SAFETY EMPLOYEES HIRED
AFTER NOVEMBER 1, 2009

BE IT ORDAINED by the Council of the City of Alameda that:

Section 1. Subsection 19(a) of Section 19 of Ordinance No. 2497 is hereby amended to read as follows:

a. Medical Insurance

For 1082 retirees and future Public Safety retirees who are currently members of one of the City sponsored health plans, the City shall contribute the health plan costs, at the one party or two party rate as the case may be, for that plan until the retired employee is eligible for Medicare coverage. If and when the retiree becomes eligible for Medicare coverage, Part A and Part B, then the City shall provide the retiree a Medicare supplementary program as provided for in Government Code Sections 22819 and 22859. In place of the above described rates, the City will pay the full cost of such Medicare Supplement Program. Any of the above mentioned retirees who currently are not enrolled in a City sponsored health plan may elect to receive a monthly contribution by the City, equal to the average of the one party or two party rates, whichever is appropriate, paid by the City, to a qualified health care plan (on record with the City) for the purpose of purchasing health care. Retired employee dependent eligibility for City health plan contribution is conditional upon the active enrollment of the retired employee. For an employee of the City, who was married at the time of retirement and who dies during retirement, the surviving unmarried spouse of the retiree will have his or her medical insurance paid by the City at the single party rate. If a retired employee remarries, the retiree may add the retiree's spouse to the medical insurance coverage at the retiree's expense.

For all public safety employees hired in any capacity after November 1, 2009, their retiree medical benefit, if any, shall be determined solely based upon the meet and confer process (Government Code Section 3500 et. seq.) between the City and the respective labor organizations.

Section 2. Subsection 19(b) of Section 19 or Ordinance No. 1082 is hereby amended to read as follows:

b. Dental

1082 retirees and future Public Safety retirees may elect to receive a monthly contribution by the City, equal to the one party or two party rate, as the case may be, paid by the City, to a qualified dental care plan (on record with the City) for the purpose of purchasing dental care. For an employee of the City, who was married at the time of retirement and who dies during retirement, the surviving unmarried spouse of the retiree will have his or her dental insurance costs paid by the City at the single party rate. Should the City provide a dental benefit plan covering retired employees at a later date, the City shall provide the retiree and the surviving spouse the option of joining said plan at City cost at the appropriate rate. If a retired employee remarries, the retiree may add the retiree's spouse to the dental insurance coverage at the retiree's expense.

For all public safety employees hired in any capacity after November 1, 2009, their retiree dental benefit, if any, shall be determined solely based upon the meet and confer process (Government Code Section 3500 et. seq.) between the City and the respective labor organizations.

Section 3. All former ordinances or parts thereof conflicting or inconsistent with the provisions of this ordinance hereby adopted, to the extent of such conflict only, are hereby repealed.

Section 4. This ordinance and the rules, regulations, provisions, requirements, orders and matters established and adopted hereby shall take effect and be in full force and effect 30 days after the date of its final passage and adoption.

Presiding Officer of the Council

Attest:

Lara Weisiger, City Clerk
City of Alameda

* * * * *

I, the undersigned, hereby certify that the foregoing Ordinance was duly and regularly adopted and passed by Council of the City of Alameda in regular meeting assembled on the _____ day of _____, 2009, by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the official seal of said City this _____ day of _____, 2009.

Lara Weisiger, City Clerk
City of Alameda