



**City of Cincinnati Retirement System
Benefits Committee**

**March 5, 2009 10:00 AM
Centennial II – Meeting Room A
AGENDA**

Members:

Michael Rachford – Chair
Michael Fehn – Vice Chair
Don Beets
Brian Pickering
Bryan Schmitt

Call to Order

Guests

Approval of Minutes:

New Business:

- Loans

Pending Business:

- Update: Michael Perkins case
- Review IceMiller response to *Retiree Health Coverage*
- CRS Health Insurance Benefits for Eligible Retiree Family Members:
 - D. Beets follow-up re: SSDI
- Proposed Ordinance for Motion #200801414 –
(*Retiree/spouse employer health-care*)
- Pending List

Disability Report

- Joy Garner: Application Denied

Adjournment

Next Meeting: March 26, 2009: 12:00PM / City Hall – Committee Room B

CRS Health Insurance Benefits for Eligible Retiree Dependant Family Members

Enrollment for Health Insurance by the Effective Date of Retirement

1. If you are eligible to receive a monthly age and service or disability benefit, only the following Dependents as defined and in accordance with the Ohio Administrative Code 145-4-09, Ohio Revised Code 3109.19, and Internal Revenue Code Section 152 may be enrolled for health insurance purposes by effective date of retirement:
 - a. Your legal spouse: this must be a person of the opposite gender and you must have a valid marriage certificate recognized by Ohio law;
 - b. Your biological or legally adopted pre-retirement children.
2. In order for a child to be eligible for coverage the child must be under 19 or under age 25, never married and attending an accredited school on a fulltime basis for at least 7 months of the calendar year.
3. Coverage shall be extended if the child is permanently and totally disabled (as per Social Security Disability Definition – 42 U.S.C. 416i(1) prior to the limiting age listed above and maintains his/her residence within the household of the retiree. The term “disability” means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months. Evidence of the incapacity shall be required, and shall be subject to approval by the CRS Board.

Enrollments for Health Insurance After Effective Date of Retirement

4. You may enroll the retiree’s biological child/ren born after the effective date of retirement subject to paragraphs 2 and 3 of this document and paying 100 % of the full Premium.
5. A legal spouse: this must be a person of the opposite gender and you must have a valid marriage certificate recognized by Ohio law: may be added by paying 100 % of the full cost of the Premium.
6. Legally adopted child/ren, stepchild/ren, and /or minor grandchild if the minor grandchild is born to an unmarried, un-emancipated minor child of the Retiree may be added by paying 100 % of the full cost of the Premium.

For All Children

7. You must be allowed to claim this child as a dependent on your federal tax return in accordance with 152 of the Internal Revenue Code. The child cannot provide more than 50% of his or her own support for the calendar year. The child must reside with you for more than 50% of the calendar year (unless residing at school) with the following exceptions:
 - a. You are divorced, legally separated, separated under a written separation agreement, or are living apart at all time during the last 6 months of the calendar year and you are the parent;
 - b. The child is in the custody of you and his/her parent for more than 50% of the calendar year;
 - c. You provide over 50% of the child's support, subject to the provisions of section 152 of the Internal Revenue Code regarding multiple support agreements.

Additional Items

8. If you receive a monthly benefit as an optionee of a deceased retiree of the CRS, you may enroll only the biological children of the retiree, subject to paragraphs 2 and 3 of this policy.
10. If you have not selected a payment option that covers dependants, CRS Medical Insurance coverage for your dependant spouse and eligible biological or legally adopted dependant children terminates upon death of Retiree.
11. It is your responsibility to notify the CRS, in writing, within 30 days of the date your dependent fails to meet eligibility requirements. Failure to notify CRS may result in overpaid health care claims for which you shall be responsible.
12. The CRS maintains the right to conduct compliance-related audits of dependent eligibility and to impose penalties for non-compliance. Penalties for non-compliance with the rules for health insurance eligibility may include termination of retiree's health insurance.

12/7/08 DRAFT

**CRS Health Insurance Benefits for Eligible Retiree
Dependant
Family Members**

Questions

1. Starting on the effective date of approval for new retirees only. Is this only choice?
2. Retro-active to all retirees as of the effective date of approval i.e. must respond to compliance audit for dependence as outlined in this document and comply with new policy from this day forward. Can we legally do this ?
3. Do we need to wait 365 day before implementation so that one open enrollment cycle passes for people who choose to get into another health plan have time to do so?
4. Please check for compliance with CMC Sections 203-43,44,49, and 63 and any other relevant Sections, rule, and /or regulations.

Please find included my research documents

Thank you

Mike Fehn 352-1911 office
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There are five (5) sections of CMC 203 that contain reference to “loans”. I have attached the header of each such section as reference, and have provided you with either the relevant paragraph or the section language as is appropriate.

Section 203-111 Loans to Members, provides the greatest detail with regards to making and repayment of an actual loan...

The preliminary discussions and comments have been very helpful as clarification of some direction this might all take.

For a matter of clarification I have also started to insert a change from the word “member” to be replaced with the words “active employee” as a simple point of clarification.....

Sec. 203-8. State Retirement System Service Credit Transfer.

.....Notwithstanding the foregoing, no ~~member~~ **active employee** or former ~~member~~ **active employee** who has an outstanding **loan** shall be permitted to transfer service credit to a State Retirement System under ~~this Section~~ **CMC 203** unless and until such **loan** is repaid in full, with interest.

(Ordained by Ord. No. 352-2001, eff. Oct. 31, 2001)

Sec. 203-33. Service Retirement Allowance; Vesting.

.....If said ~~member~~ **active employee** has a retirement **loan** outstanding at the time of leaving service, the **loan** must be paid in full ~~prior to reaching age 60, or within one year of leaving city service, whichever comes first.~~ If **loan** repayment is not as stipulated herein, the following options exist:

- (i) the member can have the balance of **employee** contributions refunded directly as specified in Section 203-57, **after the loan and all interest to date have been paid in full;**
- (ii) the member can have the balance of **employee** contributions rolled over into another qualifying plan, including the Public Employees Retirement System as specified in Section 203-59, **after the loan and all interest to date have been paid in full**

Sec. 203-65. Management of Fund and Duties of Trustees.

.....(j) Nothing herein or in Section 203-66 shall be construed as in any way limiting the authority of the board to make **loans** to ~~member~~ **active employee** pursuant to Section 203-11 of this code.

Sec. 203-66. Prohibited Transactions.

.....(b) For purposes of subsection (a)(1) above, a bond, debenture, note, or certificate or other evidence of indebtedness (hereinafter in this section referred to as "obligation") of the city shall not be treated as a **loan** made without the receipt of adequate security if:

(1) Such obligation is acquired:

(A) On the market, either at the price of the obligation prevailing on a national securities exchange which is registered with the Securities and Exchange Commission; or if the obligation is not traded on such a national securities exchange, at a price not less favorable to the trust than the offering price for the obligation as established by current bid and asked prices quoted by persons independent of the issuer;

(B) From an underwriter, at a price not in excess of the public offering price for the obligation as set forth in a prospectus or offering circular filed with the Securities and Exchange Commission; and at which a substantial portion of the same issue is acquired by person independent of the issuer; or

(C) Directly from the issuer, at a price not less favorable to the trust than the price paid currently for a substantial portion of the same issue by persons independent of the issuer;

(2) Immediately following acquisition of the obligation:

(A) Not more than 25% of the aggregate amount of obligations issued in such issue and outstanding at the time of acquisition is held by the trust; and

(B) At least 50% of the aggregate amount referred to in subsection (a) is held by persons independent of the issuer; and

(3) Immediately following acquisition of the obligation, not more than 25% of the assets of the trust is invested in obligations of persons described in division (d).

(c) Except as otherwise provided herein, the board shall not purchase or sell any securities from, to or through any party in interest. The board shall not hire an investment manager who is a party in interest.

Sec. 203-111. Loans to Members.

On and after July 1, 1967, **loans** may be made to any member who has had at least three years of service as a member. The aggregate amount of **loans** outstanding to any member shall never exceed the lesser of the following amounts:

- (a) 50 percent of the amount of the ~~member's~~ **active employee's** accumulated contributions.
- (b) An amount which, together with interest thereon, can be repaid prior to the member's 65th birthday by deduction from the member's compensation at the rate of **no more than** 20 percent of the compensation.
- (c) \$50,000, reduced by the highest outstanding balance of **loans** made to the member under this retirement system during the one year period preceding the date of the **loan**.

The interest rate on **loans** shall be a per annum rate to be set by the board from time to time, which rate shall cover the **loan** insurance established under Section 203-113. The principal amount, together with the interest, shall be repaid to the retirement system in equal installments payable at least quarterly over a repayment period that does not exceed:

- (1) For a **loan** which is used to acquire a dwelling unit which, within a reasonable period of time, is to be used as the principal residence of the member, the repayment period may not exceed 15 years; and
- (2) For all other **loans**, five years **from the date of the loan**.

Loan repayments shall be made by deduction from the compensation of the member at the same time and in the same manner the member's contributions to the retirement system are deducted. **Such installments shall be at least equal to 5 percent of the member's compensation, and not in excess of 20 percent.**

Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this chapter applies or shall apply, the additional deductions required to repay the **loan** shall be made.

No member ~~or former member~~ who has an outstanding **loan** shall be permitted to transfer service credit to a State Retirement System under Section 203-8 unless and until such **loan** is repaid in full, with interest.

The board of trustees of the retirement system shall promulgate rules and regulations consistent with the provisions of this chapter governing the making of **loans** to members; and if the principal amount of a **loan** will exceed \$7,500.00 and the member is married at the time of the **loan**, the ~~loan will~~ **shall** not be made unless the spouse of the member provides a written consent to the **loan**, on a form or forms provided by the ~~the~~ **Board of Trustees** for such purpose.

(C.O. 203-63; a. Ord. No. 86-1958, eff. Apr. 18, 1958; a. Ord. No. 14-1961, eff. Feb. 10, 1961; a. Ord. No. 205-1967, eff. June 16, 1967; renumbered to C.M.C. 203-111, eff. Jan. 1, 1972; a. Ord. No. 52-1976, eff. Feb. 11, 1976; a. Ord. No. 300-1979, eff. Aug. 4, 1979; a. Ord. No. 545-1983, eff. Dec. 23, 1983; a. Ord. No. 341-1995, eff. Nov. 17, 1995; a. Ord. No. 264-2000, eff. June 28, 2000; a. Ord. No. 352-2001, eff. Oct. 31, 2001)

Sec. 203-113. Loan Insurance. *This section has absolutely no reference to "Loan Insurance". Furthermore it makes no sense... How do you deduct from the "benefit"..... There is no relationship to the employees accumulated contribution which is the only asset the active employee "owns", and the retirement benefit they or their survivor receives!!*

If the employee has contributed \$100,000 across 30 years, and has an outstanding loan for \$20,000 their asset is \$80,000....If they died 50 days after taking the loan, I would then write off as a loss \$2,000 and then deduct a loan amount of \$18,000 from their \$80,000

Only in the instance that someone requests the payment of the active employee's contributions does this make any some sense!! The write offs make no sense!!

I would recommend that the cost of "insurance" without collateral be included in the repayment amount the same as it would be if a "private" loan had been obtained from a private bank....

I further recommend that any money loans above some arbitrary amount be secured with collateral....

In case of the death of a ~~member~~ **active employee** who executes a **loan** on or after July 1, 1967, any unpaid balance of a **loan** at the time any benefit becomes payable shall be deducted from the benefit otherwise payable, provided, however, that:

- (a) If a benefit is payable by reason of the death of the member after the 30th and before the 60th day after making a **loan**, 25 percent of the amount of the **loan** outstanding not in excess of \$2,000 shall not be deducted from the benefit.
- (b) If a benefit is payable by reason of the death of a member on or after the 60th but before the 90th day after the making of a **loan**, 50 percent of the **loan** outstanding not in excess of \$2,000 shall not be deducted from the benefit.
- (c) If a benefit is payable by reason of the death of a member on or after the 90th day after the making of a **loan**, no part of the **loan** outstanding not in excess of \$2,000 shall be deducted from the benefit.

For the purposes of this section, the term "benefit" shall include the return of accumulated contributions.

Effective January 1, 1978, for purposes of ~~this section~~ **CMC 203**, the term "member" shall be defined to include both active and retired members of the Cincinnati Retirement System.

(C.O. 203-64; ordained by Ord. No. 205-1967, eff. June 16, 1967; renumbered to C.M.C. 203-113, eff. Jan. 1, 1972; a. Ord. No. 96-1978, eff. Mar. 15, 1978; a. Ord. No. 545-1983, eff. Dec. 23, 1983; a. Ord. No. 341-1995, eff. Nov. 17, 1995)