# City of Cincinnati

CMZ

An Ordinance No. 85

- 2011

**MODIFYING** Chapter 203, "Employees' Retirement System," of the Cincinnati Municipal Code, by amending Sections 203-43, 203-44 and 203-121 to implement changes to retirees' health care including payment for health insurance and health benefits.

WHEREAS, the increases in the Cincinnati Retirement System retiree healthcare accrued liabilities continue to outpace the growth in plan assets due to challenging financial market events over the past ten years, persistent and excessive increases in healthcare costs, and improvements in life expectancy rates; and

WHEREAS, the current economic climate and the current budgetary issues facing the City of Cincinnati and the Cincinnati Retirement System require appropriate changes to the healthcare benefits for retirees and employees; and

WHEREAS, it is critical to implement appropriate revisions to the health care benefits of the Cincinnati Retirement System in order to ensure the system becomes and remains fiscally sound and solvent for current City retirees as well as for active City employees and future City employees; now, therefore,

Section 1. That Section 203-43 of the Cincinnati Municipal Code is hereby amended to read as follows:

### Sec. 203-43. - Hospital, Surgical and Medical Care Benefits.

- (a) In addition to other benefits provided in this chapter, the health care benefits described in this Section shall be provided to the following persons:
  - (i) A Qualified Member (as defined in paragraph (f)(e) below) who retires with 15 years of creditable service exclusive of any service credit purchased under Sections 203-7-A, 203-7-B, or 203-7-C of this chapter,
  - (ii) A Qualified Member (as defined in paragraph (f) below) who retires after reaching age 60 with 5 years of creditable service exclusive of any service eredit purchased under Sections 203-7-A, 203-7-B, or 203-7-C of this chapter,
  - (iii)(ii) Persons receiving the benefits of a retirement optional allowance under Section 203-63 of this chapter, provided that the member satisfied the requirements of paragraph (i) or (ii) above at the time the member retired,

- (iv)(iii) A surviving spouse, eligible dependent child and orphan, receiving survivor benefits as provided in Section 203-49 of this chapter.
- (b) Except as provided in Section 203-43(e) or (d)(c), the benefits to be provided under this Section are:
  - (i) Hospital, surgical and medical insurance coverage of the type and to the extent as is provided for active city employees by the agreement between the city and licensed insurance underwriter providing such coverage; and
  - (ii) The same basic dental and vision insurance coverage as received by active employees under a policy or policies to be approved by the council and purchased and paid for by the eity retirement system retirees, their surviving spouse, their dependents or orphans, or optionees.

When the hospital, surgical and medical benefits provided by agreement between the city and a licensed insurance underwriter are reduced for retirees, their surviving spouse, their dependents or orphans, or optionees because of their eligibility for the hospital and medical benefits under federal social security laws, the board shall pay such fees as are required by social security legislation to the social security administration, or to the individual, in accordance with the applicable federal statutes and regulations pertaining to the manner in which payment of the cost of Medicare is to be made, and in such an amount that is in accordance with Section 203-121 herein.

When a retired member is not subject to the hospital, surgical and medical insurance coverage provided for by agreement between the city and the licensed insurance underwriter providing such coverage, but is eligible for the hospital and medical benefits under federal social security laws, the board shall pay such fees as are required by social security legislation to the social security administration, or to the individual, in accordance with the applicable federal statutes and regulations pertaining to the manner in which payment of the cost of Medicare is to be made, and in such an amount that is in accordance with Section 203–121 herein.

(iii) To the extent allowable under applicable federal law, coverage for a Qualified Person who is eligible to be covered under Medicare shall be secondary to coverage of such Qualified Person under Medicare. The benefit payable under this Section shall be reduced by the greater of: (a) the amount actually paid by Medicare Part A or Part B; or (b) the amount Medicare would pay if the Qualified Person were enrolled in Medicare Part A and Part B. A Qualified Person is considered eligible for Medicare for these purposes during any period such Qualified Person has coverage under Medicare Part A or Part B or, while otherwise qualifying for coverage under Medicare Part A (premium free) or Part B, does not have such coverage under Medicare Part A or Part B solely because such Qualified Person has refused, discontinued, or failed to make any necessary application or applicable payment for Medicare Part A or Part B coverage.

- (c) Except as provided in Sections 203-43(d), Qualified Members who retired before September 1, 2007, shall be entitled to the following benefits with no premium costs:
  - (i) For in-network benefits:
    - (A) An annual individual deductible of \$100;
    - (B) A maximum annual individual medical out-of-pocket expense of \$1000;
    - (C) A maximum annual prescription drug out-of-pocket expense of \$1000; and
    - (D) Prescription drug tiers: \$5 for generic; \$15 for brand name; \$30 for non-formulary.
  - (ii) For out-of-network benefits:
    - (A) An annual individual deductible of \$200;
    - (B) A maximum annual individual medical out of-pocket expense of \$2000; and
    - (C) Prescription drug coverage at 50% of cost with no out-of-pocket limit.

Such Qualified Members shall be entitled to the same basic dental and vision insurance coverage as received by active employees under a policy or policies to be approved by the council and purchased and paid for by the city retirement system.

- (d) Qualified Members who retired before September 1, 2007 and who meet the requirements of subsections (i), (ii), (iii), or (iv) below as of January 1, 2010 shall be entitled to the benefits described in subsection (v) below.
  - (i) Qualified Members who have thirty or more years of service credit with the city retirement system are eligible for the benefits described in subsection (v) below if they meet the following requirements:
    - (A) Members are 65 years old or older; and
    - (B) Members receive an annual benefit from the city retirement system of \$30,000 or less.
  - (ii) Qualified Members who have fewer than thirty years of service credit with the city retirement system are eligible for the benefits described in subsection (v) below if they meet the following requirements:

- (A) Members are 65 years old or older; and
- (B) Members establish that their annual total\_income is less than \$30,000 by annually submitting to the city retirement system a copy of their federal income tax return or any other or additional documentation the city retirement system requires to determine annually whether the members' total\_income is less than \$30,000. For purposes of this Section, "total income" shall have the same definition as used by the Internal Revenue Service for the applicable year
- (iii) Qualified Members who were on disability retirement prior to September 1, 2007 are eligible for the benefits described in subsection (v) below if they meet the following requirements:
  - (A) Members have been on disability retirement continuously from the date they were determined to be eligible for disability retirement until January 1, 2010;
  - (B) Members receive an annual benefit from the city retirement system of \$30,000 or less.
- (iv) Qualified Members who have an annual total\_income as of January 1, 2010 that is less than 50% of the median household income for one individual shall be entitled to the benefits described in subsection (v) below. Members must establish that their annual income is less than 50% of the median household income for one individual by submitting to the city retirement system a copy of their federal income tax return and any other or additional documentation required by the city retirement system to determine annually whether the members' total household income is less than 50% of the median household income for one individual.

For purposes of this provision, "median household income" means the median household income as found on the City of Cincinnati's CDBG Income Eligibility Form.

- For Qualified Members who retired before September 1, 2007 and who met the requirements of Section 203-43(d), subsections (i), (ii), (iii), or (iv) as in effect prior July 1, 2011, such Qualified Members as of January 1, 2012, and annually thereafter, must meet the requirements of subsection (i) below in order to be entitled to the benefits described in subsection (ii) below.
  - (i) Members establish that their annual household income is less than \$30,000 by annually submitting to the city retirement system a copy of their federal income tax return or any other or additional documentation the city retirement system requires to determine annually whether the members' household income is less than \$30,000. For purposes of this Section, "household income" shall mean the total income of the member, including

the income of the member's spouse if married, after adding back the nontaxable portion of interest, dividends, pensions, annuities, IRA distributions and social security benefits. Members must submit a copy of their federal income tax return (and that of their spouse, if applicable) for the prior year to the city retirement system no later than September 1st each year, or any other or additional documentation the city retirement system requires. Failure to submit the required documentation as required shall result in the member becoming ineligible for retiree health coverage until all required documentation is submitted to the satisfaction of the retirement system.

- (v) (ii) Qualified Members who meet the requirements of subsections subsection (i), (iii), or (iv) above shall receive hospital, surgical and medical insurance with no premium cost with the following benefits:
  - (A) For in-network benefits:
    - (I) An annual deductible of \$0;
    - (II) A maximum annual medical out-of-pocket expense of \$500;
    - (III) A maximum annual prescription drug out-of-pocket expense of \$500; and
    - (IV) Prescription drug tiers: \$5 for generic; \$15 for brand name; \$30 for non-formulary.
  - (B) For out-of-network benefits:
    - (I) An annual deductible of \$0;
    - (II) A maximum annual medical out-of-pocket expense of \$1000; and
    - (III) Prescription drugs covered at 50% of cost with no out-of-pocket limit.

Qualified Members who meet the requirements of subsections subsection (i), (ii), (iii), or (iv) above also shall receive the same basic dental and vision insurance coverage as received by active employees under a policy or policies to be approved by the council and purchased and paid for by the eity retirement system retirees, their surviving spouse, their dependents or orphans, or optionees.

(d) Qualified Members shall be responsible for establishing their eligibility for the benefits provided by Sections Section 203-43(d) or (e)(c) and must provide all documentation required by the city retirement system to confirm the members' eligibility for those benefits.

- (e) For purposes of this Section, a Qualified Member is a member who was a member in service on or before January 9, 1997. The following rules shall apply for purposes of determining whether a member was a member in service on or before January 9, 1997:
  - (i) If the member terminates membership due to a withdrawal of accumulated contributions (as provided in Section 203-11(d)) or a transfer of service credit and accumulated contributions to a State Retirement System (as provided in Sections 203-8 and 203-7-A), the member shall not be considered to have been a member in service for any period attributable to the withdrawn or transferred contributions, irrespective of whether the member is subsequently granted credit for such period of service pursuant to Section 203-29, Section 203-8 or any similar provisions of this Retirement System.
  - (ii) A member shall not be considered to have been a member in service for any period of creditable service of a member that is attributable to State Retirement System Service Credit, Out of State and Federal Service Credit, or Unpaid Authorized Leave of Absence Service Credit.
  - (iii) If a member ceases (or ceased) to be an employee, the member shall not be considered to have been a member in service for any period of employment that precedes the date he ceases (or ceased) to be an employee, unless the member does not withdraw all or any part of his accumulated contributions and one of the following requirements is met:
    - (A) The member had fifteen years of creditable service (exclusive of any creditable service that is attributable to State Retirement System Service Credit, Out of State and Federal Service Credit, or Unpaid Authorized Leave of Absence Service Credit) at the time he previously ceased to be an employee.
    - (B) The member did not have fifteen years of creditable service (exclusive of any creditable service that is attributable to State Retirement System Service Credit, Out of State and Federal Service Credit, or Unpaid Authorized Leave of Absence Service Credit) at the time he previously ceased to be an employee, and the following requirements are met:
      - (I) the member was reemployed prior to the date of this Ordinance.
      - (II) the member was granted membership service for the prior period of employment pursuant to Section 203-11(c),
      - (III) the member is an employee as of the date of this Ordinance, and

- (IV) the member does not cease to be an employee after the date of this Ordinance with less than fifteen years of creditable service (exclusive of any creditable service that is attributable to State Retirement System Service Credit, Out of State and Federal Service Credit, or Unpaid Authorized Leave of Absence Service Credit).
- (iv) Notwithstanding the foregoing, if a member is granted service credit for a period of military absence pursuant to Sections 203-27 or 203-27A, to the extent required by federal law, the member shall be considered to have been a member in service during the period of military absence.
- (f) The director of finance retirement or his or her designee shall adopt rules and policies necessary to implement this Section.
- Section 2. That Section 203-44 of the Cincinnati Municipal Code is hereby amended to read as follows:

## Sec. 203-44. - Hospital, Surgical and Medical Care Benefits For Service Commenced On and After January 9, 1997.

- (a) In addition to other benefits provided in this chapter, the health care benefits described in this Section shall be provided to the following persons:
  - (i) A member who:
    - (A) retires under this Retirement System, and
    - (B) has 15 years of creditable service at the time the member retired or otherwise ceased to be a member in service, and
    - (C) is not entitled to benefits under Section 203-43.
  - (ii) Persons receiving the benefits of a retirement optional allowance under Section 203-63 of this chapter, provided that the member satisfied the requirements of clause (i) above at the time the member retired.

For purposes of clause (a)(i) above, years of creditable service shall be determined without regard to any creditable service purchased under Section 203-7-A, Section 203-7-B, or Section 203-7-C.

Except as provided in Section 203-43, a retired member who has less than 15 full years of creditable service at the member's retirement date, regardless of age shall not be eligible for any payment of hospital, surgical, medical, dental or vision insurance coverage under this chapter. Accordingly, the provisions of Section 203-33 of this Chapter, which provide for <u>service</u> retirement allowances after vesting, shall not entitle persons so vested to the payment of hospital, surgical,

medical, dental or vision insurance coverage under the provisions of this Section unless such persons are members who also qualify for such benefits under the provisions of this Section.

Each surviving spouse, eligible dependent child and orphan of a retired member receiving survivor benefits as provided in Section 203-49 of this chapter shall be entitled to the benefits set forth in Section 203-43 of this chapter, even if this section would have applied to the deceased member.

- (b) The benefits to be provided under this Section are:
  - (i) Hospital, surgical and medical insurance coverage of the type and to the extent as is provided for city employees by the agreement between the city and licensed insurance underwriter providing such coverage to the extent and only to the extent set forth below; and
  - (ii) The same basic dental and vision insurance coverage as received by active employees under a policy or policies to be approved by the council and purchased and paid for by the eity retirement system retirees, their surviving spouse, their dependents or orphans, or optionees.
  - (iii) To the extent allowable under applicable federal law, coverage for a Qualified Person who is eligible to be covered under Medicare shall be secondary to coverage of such Qualified Person under Medicare. The benefit payable under this Section shall be reduced by the greater of: (a) the amount actually paid by Medicare Part A or Part B; or (b) the amount Medicare would pay if the Qualified Person were enrolled in Medicare Part A and Part B. A Qualified Person is considered eligible for Medicare for these purposes during any period such Qualified Person has coverage under Medicare Part A or Part B or, while otherwise qualifying for coverage under Medicare Part A or Part B, does not have such coverage under Medicare Part A (premium free) or Part B solely because such Qualified Person has refused, discontinued, or failed to make any necessary application or applicable payment for Medicare Part A or Part B coverage.
- (c) Except as provided in Section 203-44(d), members who retired before September 1, 2007, shall be entitled to the following benefits with no premium costs:
  - (i) For in-network benefits:
    - (A) An annual individual deductible of \$100;
    - (B) A maximum annual individual medical out-of-pocket expense of \$1000;
    - (C) A maximum annual prescription drug out-of-pocket expense of \$1000; and

- (D) Prescription drug tiers: \$5 for generic; \$15 for brand name; \$30 for non-formulary.
- (ii) For out-of-network benefits:
  - (A) An annual individual deductible of \$200;
  - (B) A maximum annual individual medical out of pocket expense of \$2000; and
  - (C) Prescription drug coverage at 50% of cost with no out-of-pocket limit.

Such members shall be entitled to the same basic dental and vision insurance coverage as received by active employees under a policy or policies to be approved by the council and purchased and paid for by the city retirement system.

- (d) Members who retired before September 1, 2007 and who meet the requirements of subsections (i), (ii), (iii), or (iv) below as of January 1, 2010 shall be entitled to the benefits described in subsection (v) below.
  - (i) Members who have thirty or more years of service credit with the city retirement system are eligible for the benefits described in subsection (v) below if they meet the following requirements:
    - (A) Members are 65 years old or older; and
    - (B) Members receive an annual benefit from the city retirement system of \$30,000 or less.
  - (ii) Members who have fewer than thirty years of service credit with the city retirement system are eligible for the benefits described in subsection (v) below if they meet the following requirements:
    - (A) Members are 65 years old or older; and
    - (B) Members establish that their annual total\_income is less than \$30,000 by annually submitting to the city retirement system a copy of their federal income tax return or any other or additional documentation the city retirement system requires to determine annually whether the members' total\_income is less than \$30,000. For purposes of this Section, "total income" shall have the same definition as used by the Internal Revenue Service for the applicable year.
  - (iii) Members who were on disability retirement prior to September 1, 2007 are eligible for the benefits described in subsection (v) below if they meet the following requirements:

- (A) Members have been on disability retirement continuously from the date they were determined to be eligible for disability retirement until January 1, 2010;
- (B) Members receive an annual benefit from the city retirement system of \$30,000 or less.
- (iv) Members who have an annual total\_income as of January 1, 2010 that is less than 50% of the median household income for one individual shall be entitled to the benefits described in subsection (v) below. Members must establish that their annual income is less than 50% of the median household income for one individual by submitting to the city retirement system a copy of their federal income tax return and any other or additional documentation required by the city retirement system to determine annually whether the members' total\_income is less than 50% of the median household income for one individual.

For purposes of this provision, "median household income" means the median household income as found on the City of Cincinnati's CDBG Income Eligibility Form.

- (c) For Members who retired before September 1, 2007 and who met the requirements of Section 203-44(d), subsections (i), (ii), (iii), or (iv) as in effect prior July 1, 2011, such Members as of January 1, 2012, and annually thereafter, must meet the requirements of subsection (i) below in order to be entitled to the benefits described in subsection (ii) below.
  - (i) Members establish that their annual household income is less than \$30,000 by annually submitting to the city retirement system a copy of their federal income tax return or any other or additional documentation the city retirement system requires to determine annually whether the members' household income is less than \$30,000. For purposes of this Section, "household income" shall mean the total income of the member, including the income of the member's spouse if married, after adding back the nontaxable portion of interest, dividends, pensions, annuities, IRA distributions and social security benefits. Members must submit a copy of their federal income tax return (and that of their spouse, if applicable) for the prior year to the city retirement system no later than September 1st each year, or any other or additional documentation the city retirement system requires. Failure to submit the required documentation as required shall result in the member becoming ineligible for retiree health coverage until all required documentation is submitted to the satisfaction of the retirement system.
  - (v) (ii) Members who meet the requirements of subsections subsection (i), (ii), (iii), or (iv) above shall receive hospital, surgical and medical insurance with no premium cost with the following benefits:

- (A) For in-network benefits:
  - (I) An annual deductible of \$0;
  - (II) A maximum annual medical out-of-pocket expense of \$500;
  - (III) A maximum annual prescription drug out-of-pocket expense of \$500; and
  - (IV) Prescription drug tiers: \$5 for generic; \$15 for brand name; \$30 for non-formulary.
- (B) For out-of-network benefits:
  - (I) An annual deductible of \$0;
  - (II) A maximum annual medical out-of-pocket expense of \$1000; and
  - (III) Prescription drugs covered at 50% of cost with no out-of-pocket limit.

Members who meet the requirements of subsections subsection (i), (ii), (iii), or (iv) above also shall receive the same basic dental and vision insurance coverage as received by active employees under a policy or policies to be approved by the council and purchased and paid for by the eity retirement system retirees, their surviving spouse, their dependents or orphans, or optionees.

- (ed) Members shall be responsible for establishing their eligibility for the benefits provided by Sections 203-44(d)(c) and must provide all documentation required by the city retirement system to confirm the members' eligibility for those benefits.
- (de) Except for supplemental dental and vision insurance coverage, the percentage of cost, or premiums, to be paid by the city retirement system on behalf of the retired member or other persons entitled to benefits under this Section shall be based on a formula consisting of the sum of (i) the number of the member's full years of membership service, and (ii) the member's age at the earlier of his retirement date or the date that he ceased to be a member in service, with each such full year of membership service and each such year of age at retirement date counting as one point each. Years of age at retirement shall mean years of age at the birthday immediately preceding the earlier of his retirement date or the date that he ceased to be a member in service. The number of full years of membership service and the years of age at retirement date shall be added together and shall result in the payment of hospital, surgical and medical insurance coverage in the following percentage amounts:

100% of full cost or full premiums for 90 points
75% of full cost or full premiums for 80 to 89 points
50% of full cost or full premiums for 70 to 79 points

25% of full cost or full premiums for 60 to 69 points

25% of employee portion of cost or employee portion of premiums if less than 60 points

For the purpose of determining the points of a member under this subsection (e)(e), years of membership service shall include purchased prior service credit purchased under the provisions of Sections 203-7, 203-7-A, 203-7-B, 203-7-C, 203-8, 203-23, 203-27, 203-27A, 203-28, and 203-29 of this chapter, Nno other purchased prior service credit shall be eligible for inclusion in the calculation of points under the provisions of this subsection (e)(e).

- (gf) If a member leaves the city service prior to retirement and is entitled to a deferred retirement allowance upon reaching age 60, if such member is entitled to benefits under this Section, no benefits shall be provided to the member until the member reaches age 65 or the Medicare eligibility age in effect on such member's 65th birthday, if such Medicare eligibility age is greater than 65 years at that time.
- (hg) When the hospital, surgical and medical benefits provided by agreement between the city and a licensed insurance underwriter are reduced for retirees, the retiree's widow, widower, dependents or orphans, or optionees because of their eligibility for the hospital and medical benefits under federal social security laws, the board shall pay such fees, in such proportion as set forth in this section for such retirees as to whom this section applies, as are required by social security legislation to the social security administration or to the individual, in accordance with the applicable federal statutes and regulations pertaining to the manner in which payment of the cost of Medicare is to be made.

When a retired member is not subject to the hospital, surgical and medical insurance coverage provided for by agreement between the city and the licensed insurance underwriter providing such coverage, but is eligible for the hospital and medical benefits under federal social security laws, the board shall pay such fees as are required by social security legislation, in such proportion as set forth in this section for such retirees as to whom this section applies, to the social security administration or to the individual in accordance with the applicable federal statutes and regulations pertaining to the manner in which payment of the cost of Medicare is to be made, and in such an amount that is in accordance with Section 203-121 herein.

(ih) The director of finance retirement or his or her designee shall adopt rules and policies necessary to implement this Section.

Section 3. That Section 203-121 of the Cincinnati Municipal Code is hereby amended to read as follows:

### Sec. 203-121. - Funding of Medical Benefits.

(a) The Board shall establish a "Qualified Medical Benefits Account" within the fund of the Retirement System for the purpose of funding the payment of Qualified Medical Benefits.

Effective as of December 31, 1997, funding for the Qualified Medical Benefits Account shall be in an amount equal to 30.4% of the assets of the trust fund for the Retirement System. Thereafter, the Board shall credit to the Qualified Medical Benefits Account all or a portion of the employer contribution that is payable to the Fund for such year pursuant to Sections 203-85 and 203-93; provided, however, that the amount credited to the Qualified Medical Benefits Account after December 31, 1997 shall not exceed an amount which will cause the aggregate amount of the employer contributions to the Retirement System since January 1, 1998 for the purposes of providing Qualified Medical Benefits and "Chargeable Death Benefits" to exceed 25% of the sum of the "Section 401(h) Contribution Bases" for all calendar years beginning on or after January 1, 1998.

The Section 401(h) Contribution Basis attributable to any calendar year beginning on or after January 1, 1998 shall equal the sum of (i) the employer contributions for such year for the purpose of funding <u>service</u> retirement allowances and disability allowances (other than for past service credits), (ii) the employer contributions for such year for the purpose of funding "Chargeable Death Benefits," and (iii) the employer contributions for such year for the purpose of funding of Qualified Medical Benefits.

"Chargeable Death Benefits" shall include any benefit under the Retirement System that is payable with respect to a member or retired member as a result of such member's death, to the extent that such payment would exceed the amount of the reserve needed to provide for the <u>service</u> retirement allowance of the member or retired member existing at his or her death.

Assets credited to the Qualified Medical Benefits Account may, but need not, be invested in a segregated fund within the fund of the Retirement System. If the assets of the Qualified Medical Benefits Account are not so segregated, the Account shall participate on a reasonable basis in the income, gains and losses of the fund (or of any portion of such fund to which the Qualified Medical Benefits Account may be assigned by the Board).

Except to the extent applicable law requires otherwise, in no event shall any amounts credited to the Qualified Medical Benefits Account revert to the City, or be diverted to purposes other than the payment of Qualified Medical Benefits (which term may be amended from time to time to include any medical expenses permitted to be paid under the terms of Section 401(h) of the IRC) and any necessary or appropriate expenses

attributable to the payment of Qualified Medical Benefits and the maintenance of the Qualified Medical Benefits Account, prior to the satisfaction of all liabilities of the Retirement System for such Qualified Medical Benefits. Any amounts credited to the Qualified Medical Benefits Account following the satisfaction of all such liabilities shall be returned to the City (except to the extent applicable law requires otherwise).

#### (b) As referred to in this Section:

- (i) An "Eligible Person" is a retired member, widow, eligible dependent child, or orphan or other individual who, pursuant to Section 203-43 or Section 203-44: (A) is eligible for hospital, surgical and medical benefits, (B) has enrolled to be covered under one of the medical benefit programs made available to such persons, and (C) if required, is making the monthly retiree contributions required for such coverage (either for that person alone or for that person and any eligible dependent for whom he or she has elected such coverage).
- (ii) The "Qualified Medical Benefits" of an Eligible Person at any time shall be the benefits for which, pursuant to Section 203-43 or Section 203-44, the Eligible Person and his or her dependents (if any) are eligible at any time, and for which he or she has paid all required monthly retiree contributions specified for such coverage.
- (iii) The "Qualified Coverage" of an Eligible Person shall be the medical benefit programs that are made available to such person pursuant to Section 203-43 or Section 203-44 (as amended from time to time).
- (iv) A "Premium Payment Program" is a medical benefit arrangement maintained through an insurance contract, health maintenance organization, or similar prepaid arrangement. The term Premium Payment Program shall <u>not</u> include the reimbursement of an Eligible Person's Base Rate "Part B Premium" under Medicare.
- (v) A "Direct Cost Program" is a medical benefit arrangement that is either fully self-insured by the Retirement System and/or the City or partially self-insured by the Retirement System and/or the City with individual and/or aggregate stop loss insurance coverage.
- (vi) The "Base Rate" of an Eligible Person's Medicare Part B Premium shall be the minimum annual premium set by applicable federal statute for Medicare Part B, as defined under the Social Security Administration's Means Testing model.
- (c) Subject to the terms and limitations of this Section and Sections 203-43 and 203-44, the Retirement System shall provide the Qualified Medical Benefits of each Eligible Person as follows:

- (i) If the Qualified Coverage of the Eligible Person is under a Premium Payment Program, the Retirement System shall provide the Qualified Medical Benefits solely by paying the relevant Base Rate monthly premium for the Qualified Coverage (in excess of the required retiree contributions) to the provider of the Qualified Coverage.
- (ii) If the Qualified Coverage of the Eligible Person is under a Direct Cost Program, the Retirement System shall provide the Qualified Medical Benefits by paying for the cost of such benefits from the fund of the Retirement System, either directly to the health care provider or through a provider of administrative services.

No member or Eligible Person has an individual interest in the qualified Medical Benefits Account and, therefore, there are no individual interests that may be forfeited and applied to reduce City employer contributions.

- (d) Monthly contributions required of an Eligible Person under a "Premium Payment Program" may be paid by the Eligible Person directly to the insurance company, health maintenance organization or other provider of the Qualified Medical Benefits; provided that the Board may instead direct that such contributions be paid directly to the Retirement System (or deducted from the payment of a service retirement allowance or other benefit payable to the Eligible Person under the Retirement System) and credited to the Qualified Medical Benefits Account provided for in this Section. A monthly contribution required of an Eligible Person under a Direct Cost Program shall be paid to the Retirement System (or deducted from the payment of a service retirement allowance or other benefit payable to the Eligible Person under the Retirement System) and credited to the Qualified Medical Benefits Account provided for in this Section.
- (e) No member, retired member, Eligible Person or other person shall have any individual right or interest in the assets of the Qualified Medical Benefits Account, and such persons shall be entitled to Qualified Medical Benefits only to the extent provided by the terms and conditions of this Section, Sections 203-43 and 203-44, and the medical benefit program by which such person is covered. Payments by the Retirement System of premiums under Premium Payment Programs and costs under Direct Cost Programs (all such payments being hereinafter referred to as "Qualified Medical Benefits Payments") shall be subject in all respects to the following terms and restrictions:
  - (i) All Qualified Medical Benefits Payments shall be made exclusively from the balance credited to the Qualified Medical Benefits Account. If the balance credited to the Qualified Medical Benefits Account is inadequate at any time to provide all of the Qualified Medical Benefits Payments due and payable, the Board shall pay, on such equitable and non-discriminatory basis as the Board shall determine in its sole discretion, such portion of the Qualified Medical Benefits payments as may be

provided from the available balance of the Qualified Medical Benefits Account.

- (ii) The Retirement System shall pay or otherwise provide Qualified Medical Benefits Payments only to the extent that such payment or provision is neither prohibited by, nor otherwise in violation of, law (including, without limitation, the requirements of Sections 401(a) and 401(h) of the IRC which are applicable to the Federal tax qualification of the Retirement System).
- (iii) The Qualified Medical Benefits provided under the medical benefit programs are subject to reduction, increase, modification or elimination in whole or in part by amendment of such programs by any insurance company, health maintenance organization or other provider of benefits. Such Qualified Medical Benefits and the level of Qualified Medical Benefits payments payable by the Retirement System are also subject to reduction, increase, modification or elimination by the City. In the event of elimination of all Qualified Medical Benefits, the balance credited to the Qualified Medical Benefits Account on the date thereof shall be applied, to the extent sufficient, to provide all premiums due to such date under premium payment programs and any Qualified Medical Benefits payable under direct cost programs for which Eligible Persons (and their eligible dependents) have incurred expenses prior to such date, subject nevertheless to the terms of clauses (i) and (ii) above.
- (iv) An Eligible Person (and his or her eligible dependents) shall cease to have Qualified Medical Benefits and Qualified Coverage at the start of any period for which he or she fails to make the contributions required for such coverage. All required contributions are subject to increase (or reduction) at any time by action of the City.

Section 4. That existing Sections 203-43, 203-44 and 203-121 are hereby repealed.

Section 5. That this ordinance shall take effect and be in force from and after July 1,

2011.

Mayor

HEREBY CERTIFY THAT ORDINANCE No. \_ WAS PUBLISHED IN THE CITY BULLETIN

IN ACCORDANCE WITH THE CHARTER ON 3-29-201/