

The Retirement Board Benefits Committee has reviewed Council Document #200801414 (Securing the Future of the Cincinnati Pension System) dated November 24, 2008 regarding Health Care benefits for re-employed City Retirees. The Retirement Board believes that this motion can not be implemented in a manner that will provide cost savings for the Cincinnati Retirement System (CRS) primarily based on the included "hold harmless" clause. The motion was as follows:

***WE MOVE** that the Administration implement the following eligibility criteria for retirement health care benefits:*

- 1. If a city retiree or their spouse is employed after retiring, the retiree or their spouse must enroll in that employer's health plan if the employer offers a health plan to other employees in similar positions.*
- 2. The city will coordinate benefits as secondary payer with the retiree or spouse's employer healthcare insurance, in order to hold their benefits harmless.*
- 3. If the employer offers health care coverage and the retiree or their spouse does not enroll in it, then the Cincinnati Retirement health benefits will be suspended as long as the retiree or their spouse refuses to enroll in the employer's health coverage plan.*

The Benefits Committee has reviewed this Motion with Mr. Chuck Haas, City Risk Manager and the Retirement Division. We assume that the purpose of the "hold harmless" clause is to assure that the re-employed retirees would not have to pay any additional out of pocket cost for their medical benefits. This would be accomplished by having their current employer be the primary provider and the CRS would become secondary. For example, if the retiree does not pay a monthly premium under their current CRS Health Care Plan but pays \$100 (for example) per month premium for the employer provided plan then the CRS would have to reimburse the retiree the \$100 per month. The monthly reimbursements would effectively negate any cost savings of the CRS being the secondary health care plan.

Other State pension plans have established programs or rules requiring their re-employed retirees to pick up a larger portion of their health care costs by requiring their employers to be the primary insurer or allowing them to participate in the pension plan provided health care based on the average annual cost. This annual cost will vary based on the plan and family members covered. In this case, the state re-employed retirees are not "held harmless" and they are very likely to pick up a greater share of their health care costs since they are employed and offered health care. This arrangement provides cost savings for the state pension plan since the employer or retiree is required to pick up a greater portion of the health care cost.

Since the cost structure of health care plans are significantly different it is difficult to develop a policy that is fair to all re-employed retirees. A few of the questions raised by the Benefits committee that should be considered in policy revisions for health care benefits for re-employed retirees are as follows:

- Should less than full time re-employed retirees be excluded (especially when health care cost is proportionally higher than for full time employees)?
- Should there be an exclusion for low wage earners?
- What about two retired spouses and one re-employed?
- Clarify the intent of the "hold harmless" provision in the Council motion?

Health care policy changes could be implemented for re-employed retirees that would provide cost savings to the CRS but ultimately these policies would require the re-employed retirees to pick up a greater portion of their health care costs. The Board is willing to look further at changes to re-employed retiree health care but we would appreciate City Council providing further direction based on the issues raised above.