

HUMAN RESOURCES MEMORANDUM

#09-02

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: William Simmons, City Manager *WAS*
Paula Jensen, Director of Management Services *PJ*

DATE: February 12, 2009

SUBJECT: Retiree Medical Insurance Reimbursement Plan

RECOMMENDATION:

Attached to this memorandum is a Resolution, which, if approved, would replace the Post Retirement Health Coverage plan now offered to "qualified" retirees at the City of Northglenn with the Retiree Medical Insurance Reimbursement Plan. Staff recommends approval of this resolution.

BACKGROUND:

At the January 15, 2009 Study Session, staff presented actuarial analysis on three possible alternative scenarios regarding retiree health coverage. Council gave staff final direction to implement Scenario 2 (*stated below*), replacing the current plan.

Scenario #2

Grandfather the current participants in the retiree health insurance program as of today (maintaining the current contribution from the City, and continuing to blend rates with Active employees.) Then, change the eligibility for future retirees as follows: Provide a monthly stipend to full time employees with at least 20 years of employment, at least 55 years old and is no longer an employee, until they are eligible for Medicare benefits. The stipend amount depends on the years of service starting at \$200 for 20 years of service and increasing by \$20 for each additional year to a maximum of \$400 with 30 or more years of service. (Defined Contribution)

IMPLEMENTATION:

Upon approval of the attached Resolution, which includes establishing an effective date, Human Resources will be responsible for the implementation of the Retiree Medical Insurance Reimbursement Plan and the day to day tracking. The Finance Department will ensure proper funding and financial reporting of the plan.

STAFF REFERENCE:

If Council members have any comments or questions they may contact Paula Jensen at 303.450.8877 or pjensen@northglenn.org.

RETIREE MEDICAL INSURANCE REIMBURSEMENT PLAN

The City of Northglenn (hereinafter referred to as the "Employer") originally established a Retiree Medical Insurance Plan in 1998.

The Employer hereby amends and restates the Retiree Medical Insurance Plan as of _____, 2009, as the Retiree Medical Insurance Reimbursement Plan, for the exclusive benefit of its Eligible Retirees.

Participants in the current Retiree Medical Insurance Plan will be grandfathered, maintaining the current benefits as described below:

The Retiree can remain on the City's medical insurance plan as an early retiree. If the Retiree selects this option, the City will pay 50% of the cost of the premium for single coverage on behalf of the Retiree. The Retiree is responsible for paying the remainder of the single premium, as well as 100% of the cost of continuing coverage for Dependents.

Continuation of the Retiree Medical Insurance Plan and the Retiree Medical Insurance Reimbursement Plan is subject to annual budget appropriation.

DEFINITIONS:

COBRA: means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by Congress in 1986, 1989 and 2008 and further amended by the Health Insurance Portability and Accountability Act (HIPAA) of 1996. This Act allows eligible persons who lose coverage under their employer sponsored group health plan due to certain qualifying events to elect continued coverage at their own expense.

Dependent: means the lawful spouse (including common-law and Domestic Partner) of the Retiree.

Employee: means a full-time employee who worked for the Employer and was hired to work in a continual, year-round position for a minimum of 2,080 hours in a calendar year (or proportionately less for an employee hired during the calendar year). Part-time and temporary employees are not included in this definition.

Employer: means the City of Northglenn, a municipal government.

Participant: means a Retiree who has commenced participation in the Plan in accordance with the section titled "Eligibility and Commencement of Participation."

Plan: means the Retiree Medical Insurance Reimbursement Plan.

Plan Year: means every August 1 through July 31.

Qualified Medical Insurance Policy: means a health insurance policy issued by a licensed insurance company to the Retiree, not including Medicare. This would also include the Retiree's or Dependent's participation in continuation insurance under COBRA sponsored by the Employer.

Qualified Medical Insurance Premium: means premiums for a Qualified Medical Insurance Policy issued by a licensed insurance company.

EXHIBIT 1

Retiree: means a person who (1) has worked for the Employer as a full-time employee for at least 20 years, and (2) is at least 55 years of age, and (3) is no longer an Employee.

ELIGIBILITY AND COMMENCEMENT OF PARTICIPATION:

A Retiree who worked full-time for the Employer for at least 20 years, who is at least 55 years old, and who is no longer an Employee is eligible to receive a monthly reimbursement amount for Qualified Medical Insurance Premium payments. Each Retiree shall become a Participant on the later of the Effective Date of this Plan or the first day of the month following the date the Employee becomes a Retiree. However, Retirees who do not purchase a Qualified Medical Insurance Policy until after their date of eligibility will be reimbursed effective the month following the purchase of the policy. Retirees are responsible for submitting claims of reimbursement to the Employer. The Employer will not send reminder notices.

TERMINATION OF PARTICIPATION:

A Retiree shall cease to be a Participant in the Plan on the earliest of the following:

1. The date the Retiree dies, or
2. The date the Retiree becomes eligible for Medicare benefits, or
3. The date the Plan is terminated.

A Dependent shall cease to be eligible in the Plan on the earliest of the following:

1. The date in which the Retiree ceases to be eligible under this Plan, or
2. The date the Retiree dies, or
3. The date the Retiree becomes eligible for Medicare benefits, or
4. The date the Plan is terminated.

PARTICIPATION UPON REGAINING COVERAGE/ELIGIBILITY:

A Retiree or Dependent shall become eligible on the first day of the month following the date he or she regains coverage/eligibility.

NO GUARANTEE OF TAX CONSEQUENCES:

The Employer does not make any commitment or guarantee that any amounts paid to the Retiree will be excludable from the gross income of the Retiree for federal or state income purposes, or that any federal or state tax treatment will apply to or be available to the Retiree. It shall be the obligation of each Retiree to determine whether any payment under this Plan is excludable from the gross income of the Retiree for federal or state income tax purposes, and to take appropriate action if the Retiree has reason to believe that any payment is not excludable. The Employer is not liable for any taxes or penalties owed by the Retiree with respect to such amounts.

PLAN AMENDMENTS:

The Employer reserves the right to amend the Plan at any time.

EXHIBIT 1

PLAN TERMINATION:

The Employer reserves the right to terminate the Plan at any time.

CLAIM FOR REIMBURSEMENT:

A Retiree may apply for reimbursement of Qualified Medical Insurance Premiums once per month. The Retiree must provide a copy of the Qualified Medical Insurance Policy and proof of premium costs paid to the Employer's Human Resources Division. Maximum monthly limits for reimbursement amounts are based on the number of years of full-time service as listed below. The name of the Retiree and/or the Dependent must appear on the Qualified Medical Insurance Policy to be eligible for reimbursement.

DEADLINE FOR REIMBURSEMENT:

The Retiree must submit claims for reimbursement within sixty days of the end of the Plan Year in which the premium charges were incurred. Any claims for reimbursement filed after this period shall be denied.

PAYMENT FOR REIMBURSEMENT:

Reimbursement will be made directly to the Retiree, and not directly to the insurance company.

RIGHT OF RECOVERY:

If the Employer makes any payment that according to the terms of the Plan should not have been made, the Employer may recover that incorrect payment, regardless of the reason for the incorrect payment, from the Retiree. The Employer reserves the right to deduct the amount of the overpayment from future payments.

MONTHLY LIMITS:

YEARS OF FULL-TIME SERVICE	MONTHLY REIMBURSEMENT AMOUNT
20 years, but less than 21 years	Up to \$200
21 years, but less than 22 years	Up to \$220
22 years, but less than 23 years	Up to \$240
23 years, but less than 24 years	Up to \$260
24 years, but less than 25 years	Up to \$280
25 years, but less than 26 years	Up to \$300
26 years, but less than 27 years	Up to \$320
27 years, but less than 28 years	Up to \$340
28 years, but less than 29 years	Up to \$360
29 years, but less than 30 years	Up to \$380
30 years or more	Up to \$400

SPONSORED BY: MAYOR NOVAK

COUNCILMAN'S RESOLUTION

RESOLUTION NO.

No. CR-22
Series of 2009

Series of 2009

A RESOLUTION ESTABLISHING THE AMENDED AND RESTATED RETIREE MEDICAL INSURANCE REIMBURSEMENT PLAN

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. The City of Northglenn hereby establishes the Retiree Medical Insurance Reimbursement Plan (the "Amended Plan"), attached hereto as **Exhibit 1**, and incorporated herein by this reference, which Amended Plan shall apply to all City of Northglenn employees who meet eligibility requirements and elect to participate in such Amended Plan on or after _____, 2009.

Section 2. The City of Northglenn further determines as part of the establishment of the Amended Plan that those participants in the original Retiree Medical Insurance Plan (the "Previous Plan") as described in **Exhibit 1** as of _____, 2009 shall maintain the benefits provided by the Previous Plan.

Section 3. The continuation of the benefits provided by both the Amended Plan and the Previous Plan is and shall remain subject to annual appropriation

DATED at Northglenn, Colorado, this ____ day of _____, 2009.

KATHLEEN M. NOVAK
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney