

CITY OF SAN DIEGO RETIRED EMPLOYEES' ASSOCIATION (CSDREA)
SDCERS POST-RETIREMENT HEALTH BENEFIT
(City of San Diego General, Safety and Legislative Members)

DATE UPDATED BY CSDREA: Sept. 23, '08 and Feb. 10, 2009
DATE REVIEWED BY SDCERS: April 27, 2009

HEALTH ELIGIBLE RETIREE

DEFINITION:

A health eligible retiree is a member who:

1. was on the active payroll of the City of San Diego on or after 10/5/80, and
2. retired on or after 10/6/80, and
3. was hired before February 16, 2007, and
4. is eligible for and is receiving a retirement allowance from SDCERS.

BENEFIT:

Health eligible retirees may participate in any City-sponsored health insurance plan or any other health insurance plan of their choice.

The maximum monthly premium or reimbursement amount for health eligible retirees through 7/31/03 was the City-sponsored PPO (Preferred Provider Organization) premium. Specifically, non-Medicare eligible retirees were reimbursed a maximum of \$489.16 per month and Medicare eligible retirees were reimbursed a maximum of \$460.67 per month. SDCERS pays health insurance premiums for health eligible retirees enrolled in a City-sponsored health plan directly to the plan on behalf of the retiree. SDCERS reimburses retirees for other health insurance plan premiums based on proof of payment to SDCERS. The City funds these payments, but SDCERS pays them.

After Fiscal Year 2003, the maximum payment or reimbursement level for health eligible retirees was adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services, Office of the Actuary, for the full-year period ending January 1 before each plan year. No adjustment may exceed 10% for any plan year. **For members retiring prior to July 1, 2009:**

| | Maximum Payment or Reimbursement Level | |
|---------|---|--------------------------|
| | Non-Medicare eligible | Medicare eligible |
| FY 2004 | \$523.40 | \$492.92 |
| FY 2005 | \$561.08 | \$528.41 |
| FY 2006 | \$602.04 | \$566.98 |
| FY 2007 | \$645.99 | \$608.37 |
| FY 2008 | \$694.44 | \$654.00 |
| FY 2009 | \$740.27 | \$697.16 |
| FY 2010 | \$780.98 | \$780.98 |

For members retiring after June 30, 2009, the above levels are frozen for two years for those with approved MOU'S and are under discussion for those members with imposed MOU's.

Or actual premium, whichever is less.

BENEFIT, continued:

The Medicare Part B premium of the health eligible retiree will be reimbursed by SDCERS. Reimbursements for health insurance and or Medicare Part B premiums will be included in normal monthly retirement checks.

Medicare Part B premiums

| | | | |
|---------------|-------------|----------------|--|
| Calendar year | 2003 | \$56.70 | |
| | 2004 | \$66.60 | |
| | 2005 | \$78.20 | |
| | 2006 | \$88.50 | |
| | 2007 | \$93.50 | or higher, depending on income and filing status. |
| | 2008 | \$96.40 | or higher, depending on income and filing status. |
| | 2009 | \$96.40 | or higher, depending on income and filing status. |

Premiums for dependent coverage or for surviving spouse coverage are not paid by SDCERS.

If you paid a premium higher than the \$96.40, you must contact SDCERS about the documentation required to receive the full reimbursement, or refer to the Form provided on page 43 of the SDCERS health insurance "Open Enrollment" booklet for 2008.

The following information about premiums was not verified by SDCERS. If you have questions, contact Medicare at 1-800-633-4227 or <http://www.medicare.gov>.

As of January 1, 2007, Part B Premiums are based on your income. As of January 1, 2008, if you income is above \$82,000 (single) or \$164,000 (married couple), Social Security will use the income reported two years ago on your IRS income tax return to determine your premium (if unavailable, SSA will use data from three years ago). For example, the income reported on your 2007 tax return will be used to determine your monthly Part B premium in 2009. If your income has decreased since 2007, you can ask that the income from a more recent tax year be used to determine your premium. At the end of 2008, Social Security will send you a letter if your Part B premium will increase based on the level of your income and tell you what you can do if you disagree. For more information about premiums based on income, call Social Security at 1-800-772-1213. TTY users should call 1-800-325-0778, or <http://www.socialsecurity.gov>

Starting January 1, 2009, your Part B premium will be based on your income for 2007.

| You Pay | If Your Yearly Income Is | |
|----------------|---------------------------------|-----------------------|
| | Single | Married Couple |
| \$96.40 | Under \$85,000 | Under \$170,000 |
| \$134.90 | \$85,001 - \$107,000 | \$170,001 - \$214,000 |
| \$192.70 | \$107,001 - \$160,000 | \$214,001 - \$320,000 |
| \$250.50 | \$160,001 - \$213,000 | \$320,001 - \$426,000 |
| \$308.30 | Above \$213,000 | Above \$426,000 |

Medicare Part B premiums, continued

The charts in the previous papers were for single tax filers and those who filed married joint returns. The chart below show the premiums for Married – filing separate tax returns.

| You Pay | If Your Yearly Income Is |
|----------------|---------------------------------|
| | Married filing separate returns |
| \$96.40 | Under \$85,000 |
| \$250.50 | \$85,001 - \$128,000 |
| \$308.30 | above 128,000 |

If your income in 2008 came down compared to 2007, and the lower level income puts you in a lower premium bracket, contact Social Security for the method and forms to apply for a reduced premium. For further information, contact Social Security at <http://www.socialsecurity.gov/pub/101160.pdf> for an information sheet and <http://www.socialsecurity.gov/online/ssa-44.pdf> for FormSSA-44 requesting a lower premium.

The above paragraph and chart is from the Medicare web site – Frequently Asked Questions – for 2009. The following is a response from Medicare about “Income”: “Only Medicare beneficiaries with modified adjusted gross income will be affected. Modified adjusted gross income is adjusted gross (taxable) income and tax exempt interest income.”

NON-HEALTH ELIGIBLE RETIREE

DEFINITION:

A non-health eligible retiree is a member who retired or terminated employment as a vested member from the City of San Diego prior to 10/6/80 and is eligible for and receiving a retirement allowance from SDCERS, or who was hired on or after February 16, 2007.

BENEFIT:

Non-health eligible retirees, their surviving spouse and or their dependents are not eligible for their health insurance premiums to be paid for by SDCERS, but the non-health eligible retiree is entitled to a reimbursement of up to a maximum of \$1,200 per year for health expenses they incur. Receipts for proof of payments need to be submitted to SDCERS. Reimbursements will be through normal monthly retirement checks.

A non-health eligible retiree may purchase any City-sponsored health insurance for themselves and their dependents from SDCERS with the premiums coming from their monthly retirement check or by paying a monthly fee.

SURVIVING SPOUSE AND OTHER DEPENDENTS:

A surviving spouse and or other eligible dependents of a health eligible or non-health eligible retiree receiving a pension check from the System may continue their health coverage by contacting the SDCERS staff to pay the premium by either paying a monthly fee or through payroll deduction. A surviving spouse or dependents under age 21 of a City employee member killed in the line of duty by external violence or physical force is entitled to receive health benefits in an amount equivalent to the annual Flexible Benefits Allotment as defined in the City's annual Salary Ordinance. Surviving spouses should contact SDCERS staff for clarification.

LEGAL AUTHORITY

City Resolution R-255320, adopted November 2, 1981 established the intent of the City of San Diego to provide medical insurance for retired General Members on the same basis as is provided to City employees.

City Ordinance 0-15758 N.S., adopted June 1, 1982 provided for City-sponsored health insurance coverage as a permanent benefit for eligible General Member retirees in lieu of Social Security participation. Subsequent ordinances have amended the health benefit to include all retirees receiving a retirement allowance from SDCERS who were on the City payroll on or after October 5, 1980 and retired on or after October 6, 1980.

City Ordinance 0-18392 N.S., adopted March 31, 1997 directs that the Retirement System will reimburse the Medicare Part B premium for health eligible retirees enrolled in Medicare and established a \$600 annual benefit for those who retired before October 6, 1980 (pre-'80 Retirees) reimbursement rates are shown above.

City Ordinance 0-18962 N.S., adopted July 23, 2001 sets the reimbursement rate for health insurance expenses for non-health eligible retirees at \$1,200 per year (Medicare Part B premiums are considered a health insurance expense).

City Ordinance 0-19121 N.S., adopted November 18, 2002 sets the reimbursement levels for health eligible retirees for Fiscal Year 2003 at the cost of the Medicare eligible or Non-Medicare eligible retiree premium for the City-sponsored Preferred Provider Organization (PPO) plan. The ordinance goes on to state that no adjustment may exceed 10% for any plan year and that the maximum payment or reimbursement level will be based on projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services, Office of the Actuary, for the full-year period ending January 1 before each plan year.

City Ordinance 0-19567 N.S., adopted February 16, 2007, provides that retirees hired or assuming office on or after July 1, 2005, are non Health Eligible.

Municipal Code Chapter 2, Article 4, Division 12 contains the above Ordinances. (NOTE: A City Attorney presentation was given to the Pension Reform Commission on

May 18, 2004 and it was stated that the Health Insurance Benefit given a retiree was limited by the MOU in effect when the person retired.)

FUNDING SOURCE:

San Diego Municipal Code Section 24.1203 and 24.1204 established an Internal Revenue Code section 401 (h) fund within the Retirement System for the payment of post retirement health benefits, and lists the specific requirements for this type of fund to pay health benefits. The benefits are paid from the following sources in descending order of availability:

1. from the 401 (h) Trust Fund, until exhausted and
2. from any other source of funds available to the City.

NOTE 1: The City Retirement Board on November 16, 2001 authorized the creation of an Internal Revenue Code section 115 trust fund for the payment of retirement health benefits. The 115 trust fund had more flexibility than the previous 401(h) fund.)

FUNDING SOURCE continued:

NOTE 2: In late 2004 all funding for Retiree Health Insurance was assumed by the City. The 401(1 Health Benefit trust fund has been eliminated.)

The City is now required to annually report the accrued liability of the Health Insurance Benefit in its financial statements and also the status and funding level to meet this obligation.

VESTED RIGHT

Over the past few years many questions have arisen about whether retiree health insurance is a vested right. The usual answer is that it depends upon what MOU you retired under. Requests for clarification of this issue have been made to the City Attorney's Office, but no response has been received.

ADMINISTRATION

The health insurance benefits are administered by the SDCERS staff in cooperation with the City of San Diego's Risk Management Department.

Changes in selecting a group health insurance plan may be made by the retiree or their surviving spouse during an open enrollment period generally held mid-June to mid-July. The effective date for all changes and or additions for new dependents will be August 1 of each year.

Because health insurance is prepaid any impact on pension checks will be reflected on pension checks dated July 31 of the year changes are requested.

For information about Health Insurance Benefits, contact SDCERS staff at (619) 525-3600 or Toll Free at (800) 774-4977.

This information is provided as a service of the City of San Diego Retired Employees Association. The purpose of the above summary is to provide useful information about your health insurance benefits. The facts surrounding your eligibility for reimbursement and subsequent payments may change from time to time. Do not rely on the above information for decision making but contact the SDCERS staff for assistance. Should you find erroneous information in any of the above statements please contact a member of the City of San Diego Retired Employees' Association who will research your concern and make appropriate adjustments.