



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2021-0365

TO: Mayor and City Council Members
FROM: Joe Snyder, Chief Financial Officer, x2534
DATE: September 13, 2021
SUBJECT: Retiree Health Supplemental Plan Ordinance Changes / Reading #1

REQUEST:

The Rochester Hills City Council is requested to approve for first reading, proposed changes to the City’s Retiree Health Benefit Plan and Trust Ordinance. Proposed changes would allow for (a) the retired participant’s spouse to be eligible to receive the monthly health care reimbursement; as well as (b) allow the surviving spouse to have eligibility for their deceased spouse’s supplemental health care benefit reimbursement for the remaining term of the deceased participant.

BACKGROUND:

The City of Rochester Hills implemented a Defined Benefit (DB) Supplemental Retiree Health Care program in 2001. The intent of the Defined Benefit (DB) Supplemental Retiree Health Care program was to provide for long-term employees, whom did not have enough remaining working years to accumulate sufficient monies in their Defined Contribution (DC) Retiree Health Savings account, a specified healthcare benefit in their retirement.

The only employees that were eligible to receive the Defined Benefit (DB) Supplemental Retiree Health Care benefit were those employees who had completed 10-years of service with the City as of March 12, 2001. The Supplemental Retiree Health Care plan is a closed plan, meaning no additional employee beyond those initially eligible are eligible to receive the benefit. The supplemental retiree health care benefit is a fixed monthly benefit amount available for health care reimbursement based upon an employee’s years of service for a fixed benefit period as detailed below:

Years of Service as of March 12, 2001	Fixed Monthly Benefit	Fixed Benefit Period (Years)
10	75	10
11	91	11
12	108	12
13	127	13
14	147	14
15	169	15
16	192	16
17	217	17
18	243	18
19	271	19
20	300	20
21	331	21
22	363	22
23	397	23
24	432	24
25+	469	25

As of December 31, 2020, the City's Supplemental Retiree Health Care program Other Post Employment Benefit (OPEB) Plan is 98.9% funded. The City of Rochester Hills adopted an OPEB Funding Policy in 2019.

City staff administering the Supplemental Retiree Health Care benefit for City retirees have received comments from some retired participants concerned that their spouse's health care premiums are not eligible for reimbursement under the City's existing Supplemental Retiree Health Care Plan Document and Ordinance. Retired participants have commented that once they have become Medicare-eligible, their individual Medicare health care premium amounts have decreased to a level that is less than the monthly Supplemental Benefit amount they are eligible to receive.

Several retired participants have requested of City staff to see if anything could be done to address this matter. They have requested for their spouse's medical costs to be eligible for reimbursement as well, which would enable them to utilize the retiree health care benefit provided by the City, while not still not exceeding their fixed monthly benefit amount.

The City's Retirement Plan attorney confirmed that the existing language does cover only the retired City participant and not the participant's spouse.

There are some inconsistencies in the retired participant's benefit eligibility levels, as there was an agreement made in 2016 by the former Human Resources Director, which included sixteen (16) retired employees allowing for that group to utilize the supplemental health care reimbursement for both the participant and spouse. No other retired participants besides this group of sixteen (16) are eligible to use the supplemental health care reimbursement for their spouse's health care premiums as well.

The City's actuarial services firm (Lauterbach & Amen) stated that expanding the eligibility of the supplemental benefit to include both participant and their spouse would have no impact upon the City's actuarial analysis or on the City's overall OPEB liability, as their actuarial analysis factors in the full amount of the benefit being paid out moving forward regardless of whom is using it.

The other item that is recommended for amendment is the expansion of the eligibility to allow for the spouse of a deceased participant to remain eligible for the benefit for the remainder of the deceased participant's remaining benefit term. Currently the surviving spouse of a participant is only eligible to receive the supplemental benefit for 36-months after the participant passes away.

Lauterbach & Amen stated that expanding the eligibility of the supplemental benefit to allow for the spouse of a deceased participant to continue to receive the supplemental benefit for the remainder of the participant's term would have a minor impact on the City's OPEB liability. Lauterbach & Amen calculated the actuarial impact, stating the City's overall OPEB funding level would decrease slightly from 98.9% to 94.9%. Any additional long-term costs to the City going forward would be minimal and are likely in-line with what is already conservatively planned by the City to be contributed to the OPEB trust on an annual basis.

The Retiree Health Care Board of Trustees unanimously approved the proposed changes to the Retiree Health Supplemental Plan at their annual meeting on July 7, 2021, recommending that the Rochester Hills City Council consider and formally approve the proposed changes.

RECOMMENDATION:

The Rochester Hills City Council is requested to approve for first reading, proposed changes to the City's Retiree Health Benefit Plan and Trust Ordinance. Proposed changes would allow for (a) the retired participant's spouse to be eligible to receive the monthly health care reimbursement; as well

as (b) allow the surviving spouse to have eligibility for their deceased spouse's supplemental health care benefit reimbursement for the remaining term of the deceased participant.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A