



CITY OF ROCHESTER HILLS
**RETIREE HEALTH
BENEFIT
PROGRAM**

Summary Description

Revised: July 2007

CITY OF ROCHESTER HILLS RETIREE HEALTH BENEFIT PROGRAM

SUMMARY DESCRIPTION

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**CITY OF ROCHESTER HILLS
RETIREE HEALTH SAVINGS PLAN
Employee Groups**

Employee Group: Non-union **RHS Plan Number:** 80-0049
The Effective Date of RHS Plan: March 12, 2001 and as amended January 1, 2003, March 8, 2004, December 16, 2005, and January 1, 2008

Employee Group: AFSCME Local 2491 **RHS Plan Number:** 80-0055
The Effective Date of RHS Plan: March 12, 2001 and as amended January 1, 2003.

Employee Group: AFSCME Local 1917 **RHS Plan Number:** 80-0056
The Effective Date of RHS Plan: March 12, 2001 and as amended January 1, 2003 and January 1, 2008.

Employee Group: IAFF Local 3472 **RHS Plan Number:** 80-0056
The Effective Date of RHS Plan: March 12, 2001 and as amended January 1, 2003

Refer to the Adoption Agreement on file in the Office of the City Clerk and Department of Human Resources for plan specifications for your employee group, or the RHS Plan Overview for your employee group. (Request a copy of from Human Resources, if not attached to this document).

CITY OF ROCHESTER HILLS
RETIREE HEALTH BENEFIT PROGRAM
SUMMARY DESCRIPTION

SECTION 1. INTRODUCTION

The City of Rochester Hills (the “Employer” or “City”) recognizes the efforts of its Employees by establishing the City of Rochester Hills Retiree Health Benefit Program for the exclusive benefit of all participating employees. The primary purpose of this Program is to reward eligible retired employees by providing them with funding to assist with the purchase of health care benefits for the retiree and the retiree’s spouse and qualified dependents.

The City’s **Retiree Health Benefit Program (RHBP)** consists of two parts:

- The **VantageCare Retiree Health Savings (RHS) Plan**, which was originally effective March 12, 2001, is the primary component of the program and is available to eligible employees after six months of full time City service.
- The **Supplemental Benefit**, which is only available to employees who were employed with at least 10 years of credited City service time as of January 1, 2001.

The RHS Plan is the ICMA Retirement Corporation’s employer-sponsored health benefit savings vehicle that allows employees to accumulate assets to pay for medical expenses (e.g., health insurance, co-pays, prescription expenses, etc.) at retirement (or upon meeting other eligibility criteria) on a tax-free basis. The RHS Plan offers tax-deferred accumulation of earnings as well as tax-free withdrawals for reimbursement of qualified medical expenses to retired participants, their spouses, dependents, or beneficiaries.

The Supplemental Benefit is a premium payment made by the City directly to its group insurance carrier. The Supplemental Benefit was implemented along with the RHS Plan as a means of providing additional funding for the health insurance needs of long-term employees who would likely not have sufficient years of service remaining after the effective date of the program to build an adequate account balance for use during retirement.

The RHS Plan is funded by the City and by tax-free mandatory contributions of employee earnings and/or accrued leave. The earnings contributions are deposited monthly into participant accounts. Mandatory contributions of accrued leave are contributed annually. The value of the participant account is affected by contributions as well as the financial performance of its participant directed investments (see Section 3.C.4).

Please read this Summary Description carefully so that you understand the provisions of the City's Retiree Health Benefit Program and the benefits you will receive. The Plan and Trust Documents are on file in the City Clerk's office and can be reviewed by you if you desire. In the event there is a conflict between this Summary Plan Description and the Plan and Trust Documents, the Plan and Trust Documents will control. Also, if there is a conflict between the Summary Plan Description, the Plan, and the Trust Document and the requirements of ICMA Retirement Corporation ("ICMA-RC") or other benefit providers, the latter requirements control.

SECTION 2. PROGRAM ADMINISTRATION

A. Program Information.

The City of Rochester Hills Retiree Health Benefit Program was instituted by a resolution of the Rochester Hills City Council that was passed on October 18, 2000. This Program operates together with an integral part trust agreement, welfare benefit plan document, an administrative service agreement with ICMA-RC, and an adoption agreement. All of these documents are available for your inspection in the City Clerk's office.

The records of this program are generally maintained on a 12-month period of time known as the Plan Year. Except for the Plan Year that commenced on March 12 2001, the Plan Year begins on January 1 and ends on December 31. The Plan and related trusts are governed by the laws of the State of Michigan.

B. Employer Information.

Your Employer determines program parameters, enrollment and benefit eligibility and is responsible for submitting contributions to your account. The employer's name and address are:

City of Rochester Hills
1000 Rochester Hills Drive
Rochester Hills, Michigan 48309-3033

C. Employer Administrator Information.

The name, address and telephone number of the Plan Administrators of the Retiree Health Savings Plan are:

Maritain Health, Inc.
P.O. Box 30111

Lansing, MI 48909-7611
1-888-587-9441

Handles all claim related issues once you are eligible to receive benefits.

ICMA-RC (VantageLine, 1-800-669-7400
or VantageLink, www.icmarc.org)

Handles all non-claim related issues pertaining to your account.

The name, address and telephone number of the Administrator of the Supplemental Benefit are:

Human Resources Director
City of Rochester Hills
1000 Rochester Hills Drive
Rochester Hills, Michigan 48309-3033
(1-248-656-4708)

The administrators keep the records for this program and are responsible for its administration. The administrators will also answer questions you may have about the program.

D. Trustee Information.

The Trustees are the City Assessor/Treasurer and the Finance Director of the City of Rochester Hills whose principal place of business is the City of Rochester Hills, 1000 Rochester Hills Drive, Rochester Hills, Michigan 48309-3033.

E. Service of Legal Process.

The name and address of the agents for service of legal process are:

Finance Director
City of Rochester Hills
1000 Rochester Hills Drive
Rochester Hills, Michigan 48309-3033

SECTION 3. RETIREE HEALTH SAVINGS PLAN

A. Definitions

Earnings: Wages as defined in IRC Section 3401(a) and all other payments of compensation by the Employer for which the Employer is required to furnish the Participant a written statement under Code Sections 6041(d), 6051(a)(3) and 6052. Compensation means the total compensation that is paid to you each year for which tax reporting is required, including longevity, overtime and other premium pay. Compensation also includes your elective contributions made, if any, to the Section 457 (deferred compensation) and Section 125 (flexible benefit) Plans.

Eligible Dependent: While you, the participant are alive, eligible dependents include individuals that meet all of the following requirements:

- The person is related to you (see below) or lived with you for the entire year as a member of your household AND
- The person is a U.S. citizen (or a resident of Canada or Mexico) for some part of the calendar year in which your tax year began AND
- You provided over half of the person's total support for the calendar year.

A person will be considered to be "related to" you if he or she falls within one of the following classifications:

- Your son or daughter (or a descendent of either);
- Your stepson or stepdaughter;
- Your brother, sister, stepbrother, or stepsister;
- Your father or mother (or an ancestor of either);
- Your stepfather or stepmother;
- Your nephew or niece;
- Your aunt or uncle; or
- Your son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law.

Note that there is no age limit on the definition of dependent while you are living. As long as the requirements outlined above are met (e.g. you provided one-half of the support for the person), the expenses can be covered regardless of age while you are living.

After your death, an individual that qualified as a dependent during your life will continue to be considered a dependent, and will remain

eligible for medical benefits until he/she reaches age 19 (or 24, if a full-time student). The age requirement is waived if a dependent is incapable of self-sustaining employment for reasons of mental or physical handicap and the incapacitation occurred prior to your death. Coverage will continue as long as the individual remains incapacitated.

Eligible Spouse: The Participant's lawful spouse as of the date of retirement or separation.

Retirement: Separation from employment of an eligible vested participant.

Total and permanent disability: A physical or mental condition of a participant resulting from bodily injury, disease, or mental disorder which renders him/her incapable of continuing any gainful occupation and which condition constitutes a total disability under the Federal Social Security Act.

Vested Participant: A Participant whose combined age and years of service equal 70 or the Participant has attained age 55 with 5 years of service.

Vesting: The establishment of a participant's non-forfeitable rights to the City's and/or employee's portion(s) of the participant's account balance under the current program. Vesting does not mean that the current program could not be suspended, withdrawn, amended or modified by the City.

B. Participation Requirements

All active full-time employees are eligible to participate in the Retiree Health Savings Plan upon completion of the probationary period as an employee.

C. Contribution Sources And Amounts

1. Employer Contributions

The City shall contribute amounts specified in the Adoption Agreement (or refer to the RHS Plan Design Overview) for the employee group, to each Participant to account, subject to vesting provisions, pursuant to Section 3.D.

2. Mandatory Employee Contributions

The City shall deduct mandatory pre-tax contributions of earnings and/or leave for Participants as specified in the Adoption Agreement for the employee group.

4. Investment of Contributions

VantageCare contributions are invested by you in ICMA-RC Vantagepoint Funds. These funds consist of actively managed and index funds, including Model Portfolios and Milestone Funds.

You should receive a welcome letter from ICMA-RC once you have been enrolled as a participant in the Plan. Upon initial enrollment, your investment allocation is automatically established as the Vantagepoint Money Market Fund. However, once you receive your welcome letter you can begin reallocating investments in your participant account. You may change the investment allocation for future contributions at any time through ICMA-RC's VantageLine (a toll free automated service line), VantageLink (ICMA-RC's Web site), or an ICMA-RC Customer Services Representative. Additionally, existing balances can be transferred among the Vantagepoint Funds at any time through VantageLine, VantageLink, or an ICMA-RC Customer Services Representative.

Since employees self-direct their investments, the City does not participate in your investment decisions. However, ICMA provides a Retirement Plans Specialist to assist you with investment and other retirement planning decisions (see Human Resources for contact information).

If you should die while participating in the VantageCare Plan, your account balance will automatically be transferred into the Vantagepoint Money Market Fund. Your spouse/dependents may transfer the account balance from the Money Market Fund into the investments of their choice.

In the event that there are no living spouse or dependents upon the death of the participant, the account balance will revert to the City.

It is very important that you make the investment choices carefully, based on the amount of risk you determine is most appropriate for you.

D. Vesting Schedule

- All employee contributions of pre-tax earnings, annual and vacation contributions (if applicable) are immediately 100% vested.
- Employer contributions to Participant's account will be 100% vested upon separation from employment provided the Participant has

achieved a total of age and years of service equal to 70 or has attained the age of 55 with 5 years of service.

E. Forfeiture Provisions

- Upon separation from service or upon reversion to the Trust of a Participant's account assets remaining upon the Participant's death (as outlined in Section 3.I.), a Participant's non-vested funds shall revert to the employer.
- When a participant converts to part time status with the City, a non-vested account balance will be forfeited after one year. If restored to full time status within one year, contributions will resume per Section 3.F.

F. Rehire Provisions

If you separate from employment or convert to part time status prior to vesting and are later rehired full time, prior service time will be restored once you satisfactorily complete your probationary period. Your total service time will then be used to determine whether you have satisfied the vesting requirement with respect to future contributions.

G. Eligibility Requirements to Receive Medical Benefit Payments from the Retiree Health Savings Plan.

1. A Participant is eligible to receive medical benefit payments for qualified expenses from his/her vested account balance as of the first of the month following separation from service.
2. A Participant who separates from service prior to vesting in employer contributions will be eligible to receive benefits based on employee contributions only. Benefit eligibility will cease upon rehire by the City until subsequent retirement/separation from service.
3. A Participant who dies or becomes totally and permanently disabled will become 100% vested and immediately eligible to receive medical benefit payments from his/her RHS account balance.

H. Qualified Medical Benefit Expenses

Benefits eligible for payment from your RHS account balance include of all Medical Expenses eligible under IRC Section 213 (refer to IRS Publication 501), other than direct long-term care expenses, including:

- Medical Insurance Premiums
- Medical Out-of-Pocket Expenses*
- Medicare Part B Insurance Premiums
- Medicare Part D Insurance Premiums
- Medicare Supplement Insurance Premiums
- Prescription Drug Insurance Premiums
- COBRA Insurance Premiums
- Dental Insurance Premiums
- Dental Out-of-Pocket Expenses*
- Vision Insurance Premiums
- Vision Out-of-Pocket Expenses*
- Qualified Long Term Care Insurance Premiums
- Non-Prescription medications allowed under IRS guidance*

I. Payment of Benefits

Payments from RHS plan participant accounts are remitted by Meritain Health, Inc., a third party claims administrator hired by ICMA-RC effective June 1, 2007. Premiums for non-City sponsored medical benefits will be paid by the retiree and reimbursed by Zenith.

Upon your retirement/separation, if you qualify for benefits, you will receive an application form for the Retiree Health Benefit Program. If you wish to enroll in City sponsored insurance plans, you must make your election within 60 days of separation.

If you elect to enroll, you must determine an amount to be reimbursed directly to the City from your RHS account and establish monthly electronic payment of any amount not covered by RHS or Supplemental Benefit funds (see Section 4).

The Human Resources Department will provide the necessary enrollment forms and procedures.

J. Death Benefit

In the event of a Participant's death, the following shall apply:

Account Transfer: The surviving spouse and/or surviving eligible dependents of the deceased Participant are immediately eligible to maintain

the account and utilize it to fund qualified medical expenses specified in Section 3.G. above.

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund.* The account balance may be reallocated by the surviving spouse or dependents.

**Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.*

If a Participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits of eligible dependents. Upon the death of all eligible dependents, the balance will revert to the Plan to be applied as specified in Section 3.E.

K. Operating Provisions of the Plan:

1. Employer Responsibilities

a. The City submits all Retiree Health Savings Plan contribution information via electronic data interchange.

b. Participant status updates and/or changes or personal information updates and/or changes (Participants' termination dates, Participants' benefit eligibility dates, etc.) will be provided via electronic data interchange.

2. Participant Account Fees

RHS account fees are calculated as follows:

a. Asset-based Fee: An annual asset-based fee of 30 basis points (0.30%) will be assessed to your account on a quarterly basis.

For example, if your account balance as of the close of the prior quarter was \$10,000, the asset-based fee charged to your account for the quarter will be \$7.50 ($\$30 \div 4$).

b. Account Fee: Effective only when you obtain benefit eligibility (see Section III.G.), an annual account fee of \$30 will be charged to your account on a quarterly basis (\$7.50/quarter),

RHS fees are subject to change with appropriate prior notification.

3. Payments to an alternate payee

Payments to a payee other than a Participant are not permitted. Reimbursement of health insurance premiums paid by the employer is permitted.

4. Changes to Participant Accounts

Changes to account information (e.g. name, address, and beneficiary designation) can be made via the VantageCare Retiree Health Savings Plan Employee Change Form, available from the Human Resources Department or ICMA-RC using the VantageLine (ICMA's 24-hour automated service line). Call 1-800-669-7400 to access VantageLine.

Quarterly account statements will include confirmations of benefit payments, address changes, investment allocation changes and fund-to-fund transfers.

After you become eligible for qualified medical benefits, changes in your account information should also be communicated to Meritain Health, Inc. at 888-587-9441.

Investment allocation changes for future contributions and fund-to-fund transfers of existing account balances can be made through VantageLine, VantageLink (www.icmarc.org), or an ICMA-RC Customer Services representative (call VantageLine and press "0" or remain on the line to speak to an associate).

SECTION 4: SUPPLEMENTAL RETIREE HEALTH BENEFIT (A Closed Plan)

A. Eligibility

1. Employee Eligibility

The City will pay or reimburse a specified amount toward health insurance premiums on behalf of an eligible retiree and his/her spouse and/or other eligible dependants. To be eligible, the employee must have been actively employed on with at least 10 years of credited City service time as of January 1, 2001. No employees will qualify for the Supplemental Retiree Health Benefit after that date.

Eligible employees were provided written notice of benefit eligibility when the RHBP was originally implemented. A copy of the notice is retained in the personnel file.

Employees who satisfy the 70 point (combined age and years of service) requirement are eligible for the supplemental benefit and must enroll in a City-sponsored health insurance plan or individual Medicare Advantage plan within 45 days of retirement/separation from employment. Failure to do so will forfeit any entitlement to the City's sponsored health insurance. However, employees who forfeit eligibility for the supplemental benefit may continue to use their RHS account to purchase eligible medical benefits from a source other than a City-sponsored plan.

An eligible employee who becomes totally and permanently disabled will be immediately eligible to receive his/her supplemental benefit upon separation from employment with the City.

2. Spouse and Dependent Eligibility

Only the employee's spouse and/or other dependents who are eligible on the date of retirement/separation may participate in the supplemental benefit.

B. Payment Of Benefits

1. Benefits for Eligible Employees

If you are eligible for the supplement, once you retire, the City will pay up to the specified amount for which you are eligible directly to an insurance carrier providing benefits as part of the City's group medical insurance benefit programs, or effective January 1, 2007, reimburse the cost of an individual Medicare Advantage plan premium payment (up to your eligible supplemental

benefit amount) to you. This reimbursement will be transferred directly to a checking or savings account specified by you. To obtain reimbursement, you must provide the City with annual proof of coverage (subject to periodic audit) and notify the City immediately if you terminate or change the coverage.

The Supplemental Benefit amount is calculated according to the following formula, based on years of service as of January 1, 2001: $(\text{years of service})^2 \times .05 \times 15$. The formula is designed to provide a proportionately greater benefit as years of service increase. The maximum number of years of service that is used in the formula to calculate the amount of the supplement is 25.

For example, an employee who had completed ten years of credited City service time as of January 1, 2001 would be eligible to receive a monthly Supplemental Benefit of \$75.00. They would receive \$169 for 15 years of credited service time, \$300.00 for 20 years, and \$469 for 25 years.

The Supplemental Benefit is payable for a maximum period equal to your total years of credited City Service time as of the January 1, 2001.

For example, an employee who had 28 years of service January 1, 2001 would be eligible to receive \$469 for a maximum period of 28 years.

The amount of the Supplemental Retiree Health Benefit may never exceed the actual cost of the applicable insurance premiums.

2. Benefits for Surviving Spouse

A surviving spouse and/or dependent is eligible to receive the participant's supplemental benefit for the remainder of the period during which the retiree would have received the supplemental benefit to a maximum of 36 months after the death of the retiree. If a surviving spouse and/or dependent become totally and permanently disabled during the life of the participant, they may receive the full Supplemental Benefit for which the retiree is entitled.

3. Benefits for Employed Spouses

Employment of both spouses by the City does not impact the payment of the supplemental benefit. If both spouses qualify for the supplemental benefit, the combined Supplemental Benefits may be used for qualified medical insurance premiums.

If both spouses qualify for the supplemental benefit and retire at different times, the first spouse who vests and retires can remain as a dependent on the second spouse's health insurance until the second spouse vests and retires. At that time, both spouses would be entitled to their respective

supplemental benefit amounts for the duration that was originally specified based on years of service as of January 1, 2001.

C. Payment of Group Medical Insurance Premiums under the RHBP

You may use any combination of your RHS participant account (see Section 3), your supplemental benefit (if any), and money from any other source to pay retiree health insurance premiums for yourself, your spouse and any eligible dependants. For example, if your RHS account exhausts and/or your supplement terminates, you may use other personal resources to continue to purchase the City's group medical insurance. However, the City will not make payments on your behalf if you fail to designate sufficient funds from your RHS account or fail to pay timely any premium balance remaining after the Supplemental Benefit and RHS funds have been applied.

Any payments due to cover premium costs beyond RHS plan account allocations and supplemental benefits must be made using the City's electronic payment system. This system will automatically debit your savings or checking account on a monthly basis when the payments are due. Failure to maintain adequate balances for timely payment may lead to termination of your participation in the City's group health insurance.

D. Forfeiture of City Sponsored Group Medical Insurance

The employee has 45 days after retirement/separation to enroll in the City's retirement group health insurance plans. Failure to enroll within the required timeframe will result in forfeiture of eligibility for group insurance and the Supplemental benefit.

E. Rehire

Your right to the Supplemental Retiree Health Benefit was determined as of January 1, 2001. Therefore, future years of service will not qualify toward the supplemental benefit. However, if you are later separated from service, your eligibility for the supplement will be reinstated if you are rehired on or prior to December 31, 2006.

SECTION 5: GENERAL INFORMATION ABOUT THE RETIRE HEALTH BENEFIT PROGRAM

1. Will the City continue to match employee contributions to the ICMA-RC Section 457 plan?

City employees may continue to participate in the Section 457 Deferred Compensation Plan. However, employees hired on or after January 1, 2001 are not eligible to receive any matching 457 contributions from the City.

2. Because of this program, do retirees lose any rights they may have under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)?

No. Although it is anticipated that most if not all retirees will choose to participate in the City's Retiree Health Benefit Program, retirees maintain their rights under COBRA and will be offered COBRA coverage consistent with applicable law.

3. Can the City of Rochester Hills Retiree Health Benefit Program be modified or terminated?

Yes. Although the City has no plans to change or eliminate this program, there can be no guarantee that it will remain unchanged. Therefore, the City reserves the right to terminate, suspend, withdraw, amend or modify the Retiree Health Benefit program at any time.