



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2014-0408

TO: Mayor and City Council Members
FROM: Keith Sawdon, Finance Director Ext 2535
DATE: September 22, 2014
SUBJECT: Repeal of Ordinance Article VII Retiree Health Care Implicit Rate Subsidy Chapter 82, Personnel of the Code of Ordinances

REQUEST:

We are requesting that City Council Repeal Ordinance Article VII Retiree Health Care Implicit Rate Subsidy Chapter 82, Personnel of the Code of Ordinances.

BACKGROUND:

The Implicit Rate Subsidy Trust was established to account for an implied subsidy created when retired City employees are allowed to purchase the City’s health care insurance at City rates. Following Government Accounting Standard Board (GASB) rules, when retirees are allowed to purchase health care from the City at City rates a subsidy is created since retiree’s health care insurance rates would generally be larger if purchased on their own.

You may recall during our budget presentation review, we did indicate that the City has been able to separate out health care plan into two sub-plans, one for active employees and one for retired employees. With that separation, the City is no longer creating a subsidy since the rate paid by the retiree group reflects a insurance premium rate related to them.

At its August 19th Trustee meeting, the Board of Trustees for the Retiree Health Care Implicit Rate Subsidy Trust voted to terminate the Retiree Health Care Implicit Rate Subsidy Trust and return amounts in the Trust, after final settlement of liabilities, to the contributing Funds of City. A copy of the adopted Trust Resolution is attached.

RECOMMENDATION:

See attached resolution.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		