

ORDINANCE NO. ORD-11-20

First Reading: October 17, 2011

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Public Hearing: November 10, 2011

Effective: November 25, 2011

RETIREE HEALTH CARE BENEFITS PLANS
(Include Negotiated Changes for New Hires in AFSCME
and AAPOA)

An Ordinance to Amend Sections 1:700 and 1:704 of Chapter 21, Retiree Health Care Benefits Plan and Trust, Title I, of the Code of the City of Ann Arbor To Include Negotiated Changes for New Hires in AFSCME and AAPOA.

The City of Ann Arbor Ordains:

Section 1: That Section 1:700 of Chapter 21, Retiree Health Care Benefits Plan and Trust, of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:700. Purpose.

The purpose of the Plan and Trust is to provide health and life insurance benefits or such other benefits approved by the City or approved by collective bargaining agreements for the welfare of certain Retirees of the City who are eligible to receive a retirement benefit from the City of Ann Arbor Employees' Retirement System (the "Retirement Plan") and the eligible Dependents of such Retirees; provided, however, that any Employee with an employment or reemployment commencement date on or after July 1, 2011, into a non-union position with the City or any AFSCME Employee with an employment or reemployment commencement date on or after August 29, 2011, or any Ann Arbor Police Officers Association Employee with an employment or reemployment commencement date on or after January 1, 2012, generally shall not be eligible for City-subsidized coverage under the Plan as further explained in Sections 1:704(22), 1:717 and 1:723.

The Plan and Trust taken as a whole shall constitute a "voluntary employees' beneficiary association" (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and is created for the exclusive purpose of providing benefits through policies issued by duly licensed commercial insurance companies, through a fund of self-insurance, or through any other lawful means of providing group health, and life insurance in accordance with any and all applicable City Personnel Rules and regulations and Collective Bargaining Agreements between the City and applicable Collective Bargaining Associations, for the benefit of the City of Ann Arbor Employees' Retirement System Retirees and beneficiaries who are eligible to participate in accordance with the Plan. The City intends the benefits to be provided by the establishment and maintenance of a trust fund in conformance with all applicable

federal statutes and regulations, state, and local law.

The City reserves the right to enter into insurance agreements, and to modify, alter or amend such agreements from time to time, with commercial insurance carriers, health maintenance organizations, preferred provider organizations or any other qualified entity currently existing or created for the purpose of providing benefits under the Plan.

Section 2,,: That Section 1:704 of Chapter 21, Retiree Health Care Benefits Plan and Trust, of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:704. Definitions.

For the purposes of this chapter, the following words shall have the meanings respectively ascribed to them by this section:

- (1) Base Plan means the benefits in effect at the time of an Employee's retirement as provided by the policy or the comprehensive program in place at the time of the Employee's retirement (exclusive of HMO, PPO and other alternative Plans) or by a substantially equivalent policy or program at the election of the City.
- (2) Child-Dependent means a Participant's or Retiree's unmarried child through the end of the year in which he or she attains the age of 19 years.
- (3) City means the City of Ann Arbor, Michigan.
- (4) Code means the Internal Revenue Code of 1986, as amended. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provision of any legislation which amends or replaces such section or subsection.
- (5) Collective Bargaining Agreements means any written agreement, supplemental agreement, memorandum of understanding, final arbitrator's decision, judicial decision or decision of any public Board or agency, by and between applicable Collective Bargaining Associations and the City, and any amendments, continuations, or renewals, which require the City or any other entity to make payments into group health and life insurance programs for employees who are members of the City of Ann Arbor's Employees' Retirement System.
- (6) Collective Bargaining Associations means those associations which have elected to participate in this Plan and Trust.
- (7) Contributions means the payment required to be made to the Trust by the City under the terms of the Plan and Trust or under any applicable existing

Collective Bargaining Agreements or any future Collective Bargaining Agreements for the purpose of providing group health and life insurance for Retirees and beneficiaries covered by the Plan.

- (8) Dependent means a Participant's or Retiree's Child-Dependent, Family Dependent (F-Rider), Sponsored Dependent or Spouse.
- (9) Domestic Partner means a Participant's or Retiree's domestic partner by legal partnership provided that in the case of a surviving partner such partnership status exists on the Participant's or Retiree's date of death.
- (10) Effective date means the date of City Council adoption of this ordinance upon which the terms and conditions of this Plan and Trust shall become effective.
- (11) Employee means a person employed by the City.
- (12) Family Dependent (F-Rider) means an unmarried child of a Participant or Retiree, who has attained the age of 19 through the end of the year in which they attain the age of 25; or an unmarried child who is (1) is totally and permanently disabled (mentally or physically) and incapable of self-support, provided the disability arose before the child attained the age of 19 years and the Participant or Retiree has submitted satisfactory proof of such Dependent's incapacity not later than 31 days after the end of the year in which such Dependent attains the age of 19, (ii) receives over half of his or her support from the Participant or Retiree or surviving Spouse in accordance with the United States Internal Revenue Code's definition of "Dependent," and (iii) the disability has been certified at enrollment and thereafter at reasonable intervals in accordance with the Plan by a licensed physician.
- (13) Insurance Agreement means the health insurance Plan(s) and any amendment(s) thereto, including any substitute insurance agreement with a commercial insurance carrier, health maintenance organization, preferred provider organization, or any other qualified entity currently existing or created for the purpose of providing benefits under the Plan. The term "insurance agreement" shall include the plural where applicable.
- (14) Health Care Benefits means group health care benefits as currently provided and any other future health care related benefits as may be determined to be part of the Plan pursuant to City personnel rules and regulations and/or Collective Bargaining Agreements.
- (15) Insurance Carrier means a commercial health insurance carrier, health maintenance organization, preferred provider organization or other qualified entity designated by the City to provide benefits under the Plan.

- (16) Major Life Event Changes means marriage, birth of a child, legal adoption, legal separation, divorce, legal guardianship, death, or marriage of a Dependent child.
- (17) Participant means an Employee who meets the following requirements:
- (a) Who is an Employee or officer of the City except as provided in subparagraph (c), and whose participation has not terminated under other applicable provisions of the Plan.
 - (b) Who is an Employee granted health coverage under a separation agreement, settlement or court order.
 - (c) No person shall be considered a Participant of the Plan who:
 - 1) Is a member of the Ann Arbor City Council.
 - 2) Is compensated for services to the City on a fee or contractual basis.
 - 3) Received an average of less than \$400.00 per year for 3 consecutive years.
 - 4) Is employed as a school crossing guard.
 - 5) Is employed on a temporary, seasonal, casual, or contractual basis, or a permanent part-time employee working fewer than twenty (20) hours per week.
 - 6) Is the city administrator, police chief, or mayor's secretary and has elected not to be a member of the retirement system, unless the respective individual has a contractual agreement with the City for the provision of health benefits at retirement.

In all cases of doubt, the Trustees shall decide who is a participant within the meaning of the provisions of this Plan and Trust provided such decision is consistent with the City personnel rules and regulations and/or Collective Bargaining Agreements.

- (18) Plan means the Retiree Health Care Benefits Plan of the City as described in this document and any subsequent amendments, and any insurance agreement(s), Collective Bargaining Agreements, or other applicable insurance policy documents incorporated by reference into the Plan. A description of the health and life benefits provided to Retirees, Spouses

and Dependents under this Plan is maintained by the Plan Administrator. The Plan is the Plan provided for in Part B of this chapter.

- (19) Plan Administrator means the person, persons, firm, corporation or insurance company or companies, appointed by the City to administer the Plan. The Plan Administrator shall be responsible for the day to day operations of the Plan who shall carry out the directives of the City.
- (20) Qualified Beneficiary means any person satisfying the benefit eligibility requirements of the Plan and shall be in accordance with the resolutions and decisions of the Trustees, so long as the right of any such persons to participate and/or to be eligible for benefits from the Plan is not prohibited by the insurance laws and regulations of the State of Michigan, the United States Internal Revenue Code, any applicable federal law, and the rules, regulations and court decisions governing those statutes.
- (21) Plan year means the period commencing on July 1 and ending on June 30 of each year, or the period commencing on January 1 and ending on December 31 of each year, as specified by City policy or collective bargaining agreements.-
- (22) Retiree means:
 - (a) a Subsidized Retiree or Non-Subsidized Retiree (as described in subparagraphs (b) and (c) below) who retired from employment with the City and is receiving a retirement benefit allowance from the City of Ann Arbor Employees' Retirement System, but shall not include:
 - (i) any individual with less than five (5) years of service or ten (10) years of service dependant on hire or rehire date and employee group (as defined under the Retirement Plan) as a participant, unless specifically stipulated in the Retirement Plan; or
 - (ii) any individual receiving a retirement benefit allowance as a deferred Retiree under the Retirement Plan,
 - (b) Subsidized Retiree means an individual:
 - (i) who is considered a Retiree actively receiving coverage under the Plan as of July 1, 2011;
 - (ii) whose employment is covered under a-the Command Officers Association of Michigan collective bargaining agreement, or the

Local 693 Fire Fighters collective bargaining agreement, or the Teamsters Local 214 Civilian Supervisors collective bargaining agreement, or the Teamsters Police Deputy Chiefs collective bargaining agreement, or the Teamsters Police Professional Assistants collective bargaining agreement, or the Police Service Specialists collective bargaining agreement and retires from employment with the City receiving a retirement benefit allowance from the Retirement Plan; or

(iii) who is actively employed in a non-union position with the City on June 30, 2011, or in an AFSCME position on August 28, 2011, or in an Ann Arbor Police Officers Association position on December 31, 2011, and thereafter retires from employment with the City receiving a retirement benefit allowance from the Retirement Plan.

In no event shall a Subsidized Retiree include any individual who is hired or reemployed into a non-union position with the City on or after July 1, 2011, or into an AFSCME position with the City on or after August 29, 2011, or into an Ann Arbor Police Officers Association position with the City on or after January 1, 2012 (unless such individual is a Subsidized Retiree covered by this Plan as of his/her date of reemployment with the City).

(c) Non-Subsidized Retiree means an individual who is hired or reemployed into a non-union position with the City on or after July 1, 2011, or who is hired or reemployed into an AFSCME bargaining unit position with the City on or after August 29, 2011, or who is hired or reemployed into an Ann Arbor Police Officers Association position with the City on or after January 1, 2012 (unless such individual is a Retiree covered by this Plan as of his/her date of reemployment with the City).

(23) Retirement Plan means the City of Ann Arbor Employees' Retirement System, as provided in Chapter 18, Title I of the Ann Arbor City Code, as amended.

(24) Sponsored Dependent means an individual not eligible as a family Dependent who is related to the Retiree by blood, marriage, or legal adoption and who is a member of the Retiree's household and receives over half of his or her support from the Retiree or surviving Spouse in accordance with the United States Internal Revenue Code's definition of "Dependent."

(25) Spouse means a Participant's or Retiree's Spouse by legal marriage

provided that in the case of a surviving Spouse such marriage status exists on the Participant's or Retiree's date of death.

- (26) Trust means the declaration of Trust of the City of Ann Arbor Health Care Benefits Plan as provided for in Part C of this chapter.
- (27) Trust Administrator means the person, persons, firm, corporation or insurance company or companies, appointed by the Trustees to administer the Trust. The Trust Administrator shall be responsible for the day to day operations of the Trust and who shall carry out the directives of the Trustees.
- (28) Trustee(s) means the Retiree health care Board of Trustees or a member of the Retiree Health Care Board of Trustees of the Trust as provided for in this Part C of this chapter.

Section 3: This Ordinance shall take effect on the tenth day following legal publication.

CERTIFICATION

I hereby certify that the foregoing ordinance was adopted by the Council of the City of Ann Arbor, Michigan, at its regular session of November 10, 2011.

Jacqueline Beaudry, City Clerk

Date

John Hieftje, Mayor

I hereby certify that the foregoing ordinance received legal publication on the City Clerk's Webpage on November 15, 2011.

Jacqueline Beaudry, City Clerk