



Legislation Text

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An Ordinance to Amend Section 1:734 of Chapter 21, Retiree Health Care Benefits Plan and Trust, of Title I of the Code of the City of Ann Arbor (Ordinance No. ORD-09-21)

Attached for your review and approval is an amendment of Chapter 21, which is the Retiree Health Care Benefits Plan and Trust (VEBA) ordinance. The Ordinance currently provides that the City shall appropriate an amount sufficient to maintain the Trust. The City Attorney's Office recommends that the ordinance be amended to more specifically detail the level of the appropriation necessary. This amendment conforms with Internal Revenue Service requirements related to the funding of the Trust. Prepared by: Nancy Niemela, Senior Assistant City Attorney; Mary Joan Fales, Senior Assistant City Attorney

Reviewed by: Stephen K. Postema, City Attorney; Tom Crawford, CFO/Finance and Administrative Services Area Administrator

Approved by: Roger W. Fraser, City Administrator

ORDINANCE NO. ORD-09-21

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RETIREE HEALTH CARE BENEFITS PLAN AND TRUST

An Ordinance To Amend Section 1:734 Of Chapter 21, Retiree Health Care Benefits Plan and Trust, Of Title I Of The Code Of The City Of Ann Arbor

The City of Ann Arbor Ordains:

Section 1. That Section 1:734 of Chapter 21 of Title 1 of the Code of the City of Ann Arbor be amended to read as follows:

1:734. Funding. For the purpose of creating and maintaining the Plan and Trust for the payment of benefits payable as provided in this chapter, the City shall appropriate an amount sufficient to maintain the Trust subject to the provisions of 1:734(1) and Part C of this chapter.

(1) *Applicable Minimum Cost Requirement.* During the City's tax year in which a Qualified Transfer pursuant to Section 1:595(1) of the retirement ordinance occurs after December 17, 1999, and for the following four tax years, the City shall pay for retiree health care costs an amount which is not less than the higher of the Applicable Employer Retiree Health Cost for each of the two years immediately preceding the year of the Qualified Transfer.

(a) *Cost Maintenance Period.* For purposes of this section, the term "Cost Maintenance Period" means the period of five taxable years beginning with the taxable year in which the Qualified Transfer occurs.

(b) *Applicable Employer Retiree Health Cost.* For purposes of this section, the term

“Applicable Employer Retiree Health Cost” with respect to any taxable year means the amount determined by dividing --

- (i) the Qualified Current Retiree Health Liabilities as defined in Code Section 420(e)(1)(A) for the year, by
- (ii) the number of individuals who (immediately before the Qualified Transfer or, if there was no Qualified Transfer, as of the end of the taxable year) were entitled to retiree health care benefits.

(2) Election to Compute the Applicable Employer Retiree Health Cost Separately. The City may elect to apply the Applicable Employer Retiree Health Cost requirement described in (1)(b) above separately with respect to Retirees and other Qualified Beneficiaries who are eligible for Medicare and those Retirees and other Qualified Beneficiaries who are ineligible.

(3) Applicable Minimum Health Benefit Requirement. During the City’s tax year in which a “Qualified Transfer” pursuant to Section 1:595(1) of the retirement ordinance occurred before December 17, 1999, and for the following four tax years, the City’s retiree health benefits provided during the Health Benefit Maintenance Period shall be substantially the same but in no event less than the retiree health benefits provided during each of the two taxable years immediately preceding the year of the Qualified Transfer.

For purposes of this section the term “Health Benefit Maintenance Period” means the period of five taxable years beginning with the taxable year in which the Qualified Transfer occurs.

(4) Election to Apply the Applicable Retiree Health Benefit Separately. The City may elect to apply the Applicable Retiree Health Benefit requirement separately with respect to Retirees and other Qualified Beneficiaries who are eligible for Medicare and those Retirees and other Qualified Beneficiaries who are ineligible.

Section 2. In the event any court of competent jurisdiction shall hold any provision of this Ordinance invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision thereof.

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