

Historical Summary

Retiree Health Care

I. Retiree Health Care Account -- Lump Sum Payment – January 1989

- As part of the City moving from PERA to the Employee's Money Purchase Pension Plan (401(a) Defined Contribution Plan) PERA returned between \$70K +/- -- \$80K +/- to be used for lump sum payments that would be made to retirees who had participated in PERA and rolled their money over to the 401 plan. This was to assist in replacing the retiree health benefit they would have received had they remained with PERA. Those few that kept their money in PERA were not eligible for this lump sum because they would continue to be eligible for the PERA retiree health benefit when they retired.

“One percent (1%) of the amount of the City’s contribution (independent of the employee’s share) returned to the City from PERA will be used to initially fund the Retiree Health Fund Benefit. The amount will range from \$70,000 to \$80,000. This money will only be used for PERA employees.”¹

Additionally, the Plan Document for the Lakewood Employees Money Purchase Pension Plan and Trust Agreement, which was approved by the City Council through Resolution 88-147, effective on January 1, 1989, indicates that all employees hired after 1/1/89 and who participated in the 401 plan would also receive a lump sum payment once they met certain “retirement” criteria. The funding source for these lump sum payments were general fund fringe benefit dollars.

“Utilize the .2 percent that will no longer be paid to PERA to help subsidize the retiree health care costs.”²

The City also agreed to pay lump sum payments to sworn personnel who were hired prior to 1/1/89.

“Fifteen thousand (\$15,000) will be requested from the money allocated for fringe benefits for 1989. This request for initial funding will be on a one-time basis. This money will be used to fund the sworn employees”³

¹Retiree Health Care Policy Report

²Retiree Health Care Policy Report

³Retiree Health Care Policy Report

Treatment of sworn personnel hired after 1/1/89 is not addressed in the policy report or plan documents.

- A recommendation was made by the committee working on the PERA transition that the lump sum payment would be up to \$1,000, depending on years of service, plus interest earned. Currently the maximum lump sum payment is approximately \$2,725.

NOTE: Following a review of the PERA withdrawal document files, it is difficult to determine: the exact amount of money returned to the City by PERA, where the money was allocated in the City's budget, and the specific amount that was dedicated to the Retiree Health Care Account.

II. Retiree Health Care Plan – Monthly Premium Contribution – April 2000

- Originally the City allowed retirees to stay on the City's medical plan and pay 100% of the premium.
- 1998: The City was notified by PacifiCare and Kaiser, the City's medical insurance companies at the time, that they would no longer allow the City to offer retirees on our plan(s) unless the City contributed toward the premium. Their rationale was that because the retiree was paying the whole premium, which was expensive, they would only take our insurance if they were high-risk. Low-risk individuals could go elsewhere and get less expensive coverage.
- The Director of Employee Relations convened a committee to look at the various options of a City-sponsored Retiree Health Care Plan. This committee consisted of 4 Department Directors and 1 Police Captain as well as a consultant from the Segal Company, the City's benefits consultants at the time.
- A variety of options were looked at with the following criteria:
 - a plan that would not continue to get more expensive as medical insurance rates increased.
 - access to an insurance plan for those retirees who did not have it available to them elsewhere.
 - a benefit that attracted older workers who would not necessarily be able to work for the City for 20 years.
 - a benefit that met the qualifications from our insurance providers.

“Based on an actuarial study conducted in August 1999, The Segal Company recommended establishing a fund that the City was to contribute to annually in an amount equivalent to .47% - .52% of payroll.”⁴

⁴ Retiree Health Care Plan Actuarial Study

- April 1, 2000: The City of Lakewood Retiree Health Care Plan was implemented.
- Additional funds were to be added to the fund each year. The City has made the following contributions:
 - 2000 - \$164,262
 - 2001 - \$185,943
 - 2002 - \$257,914
 - 2003 - \$231,975
 - 2004 - \$229,000
 - 2005 - \$229,000
 - 2006 - \$229,000
 - 2007 - \$229,000
 - 2008 - \$229,000

Plan Summary Retiree Health Care

The **Retire Health Lump Sum Payment**, which began January 1, 1989, is a one-time payment made at the time of retirement. The purpose of this payment is to provide the retiree with funds to transition into paying their medical insurance premiums. The benefit is \$1,000 (\$50 less for each service year under 20) plus income earned on such benefit from January 1, 1989 to the date of the payment of the funds. Currently, this benefit is approximately \$2,725.00.

The **Retiree Health Care Plan**, which began April 1, 2000, allows eligible employees and their dependents to remain on the City's medical insurance plan. The City will make a contribution toward the insurance premiums of \$10/month for each year of full-time service (\$5/month for part-time service) with a maximum contribution of \$200/month. This benefit continues until the employee reaches age 65.