

**RETIREE HEALTH CARE***Last Updated on 8/29/19*

On June 3, 2008, San Francisco voters passed Proposition B, amending provisions of the City Charter regarding retiree health benefits to address the City's rising retiree health care costs. For employees hired on or after January 10, 2009, the Proposition B Charter amendment increased the years of service required to qualify for employer-funded retiree health benefits and required employee contributions to a newly established Retiree Health Care Trust Fund (the "Fund"), to provide a funding source to defray the cost of the City's obligations to pay for retiree health coverage. On November 8, 2011, the voters passed Proposition C, which made further amendments to the City Charter provisions regarding funding for retiree health care benefits.

**Contributions to the Retiree Health Care Trust Fund**

City employees who start employment with the City on or after January 10, 2009, must contribute two percent (2%) of compensation into the Fund. This includes City employees who worked with the City before January 10, 2009, separated from City employment, and then returned to City employment on or after January 10, 2009, including Prop. F Retirees. This also includes employees who transferred to City employment from employment with the San Francisco Superior Court, San Francisco Unified School District, or San Francisco Community College District on or after January 10, 2009. Employees who returned from leave on or after January 10, 2009, including those on a holdover roster, are not required to contribute the 2% as long as they were working and/or on approved leave continuously from on or before January 9, 2009, until their return from leave.

Unlike employee pension contributions that are made to individual accounts, contributions to the Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Under Proposition C passed in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Fund beginning in FY16-17. This contribution increased to 0.50% in FY17-18, 0.75% in FY18-19, and then reached the maximum contribution of 1.00% in FY19-20.

**Retiree Health Care Benefits**

The City provides healthcare for its retired employees and half the cost of health care benefits for the first dependent based upon when an employee was hired and the employee's years of City service.<sup>1</sup>

**Old Rules** – Applies to the following employees:

- Current employees hired on or before January 9, 2009.

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<sup>1</sup> For employees who separated from City service on or before June 30, 2001, and who retired on or after January 7, 2012, the City does not make any contributions for retiree dependent health care.

- Employees who separated from City service on or before January 9, 2009 and had 5 or more years of credited service with the San Francisco Employees’ Retirement Fund (the “SFERS”) as of January 9, 2009 (which, for this group, may include years of service at CalPERS and certain other California public retirement systems that provide reciprocal retirement benefits as determined by SFERS, which the employee served on or before January 9, 2009.)

Years of Credited Service at Retirement	Percentage of Employer Contribution to Retiree Health Care Costs Under Charter §A8.428(b)(3)
Less than 5 years	No Retiree Medical Benefits Coverage
At least 5 years	100% employer contribution

Years of service at CalPERS and certain other California public retirement systems that provide reciprocal retirement benefits as determined by SFERS, which the employee served on or before January 9, 2009, are included in the calculation of credited service years for retiree health care vesting calculations.

**New Rules** – Applies to the following employees:

- Employees hired on or after January 10, 2009.
- Temporary exempt, as-needed employees who had never worked 1040 or more hours in a rolling 12 month period on or before January 9, 2009.
- Employees who separated from the City on or before January 9, 2009, and had less than 5 years of credited service with SFERS as of January 9, 2009 (which, for this group, may include years of service at CalPERS and certain other California public retirement systems that provide reciprocal retirement benefits as determined by SFERS, which the employee served on or before January 9, 2009.)

Years of Credited Service at Retirement	Percentage of Employer Contribution to Retiree Health Care Costs Under Charter §A8.428(b)(3)
Less than 5 years	No retiree medical benefits coverage
At least 5 years but less than 10 years	Access to coverage, but no employer contribution
At least 10 years but less than 15 years	50% employer contribution
At least 15 years but less than 20 years	75% employer contribution
At least 20 years; persons who retired for disability; surviving spouse/domestic partner of active employee who died in the line of duty	100% employer contribution

Years of service at CalPERS and certain other California public retirement systems that provide reciprocal retirement benefits as determined by SFERS are not included in the calculation of credited service years for retiree health care vesting calculations for those employees first hired with the City on or after January 10, 2009, regardless of when the employee accrued that service. For purposes of retiree health benefits, City service includes service with the four employers participating in the City’s Health Service System (“HSS”): the City, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Superior Court (collectively, the “Participating Employers”). The required years of City service is cumulative, i.e., the service need not be continuous. An employee can have

breaks in service and cumulatively add up all of the employee's years of service with one or more Participating Employers to meet the required thresholds listed above.

Employees first hired with the City on or after January 10, 2009, who separate employment with the four HSS Participating Employers, must retire within 180 days of that separation to maintain eligibility of retiree health coverage. If an employee doesn't retire in that time period, the employee may regain eligibility for retiree health coverage from HSS if the employee is reemployed with a Participating Employer.

### Additional Notes

#### Holdovers:

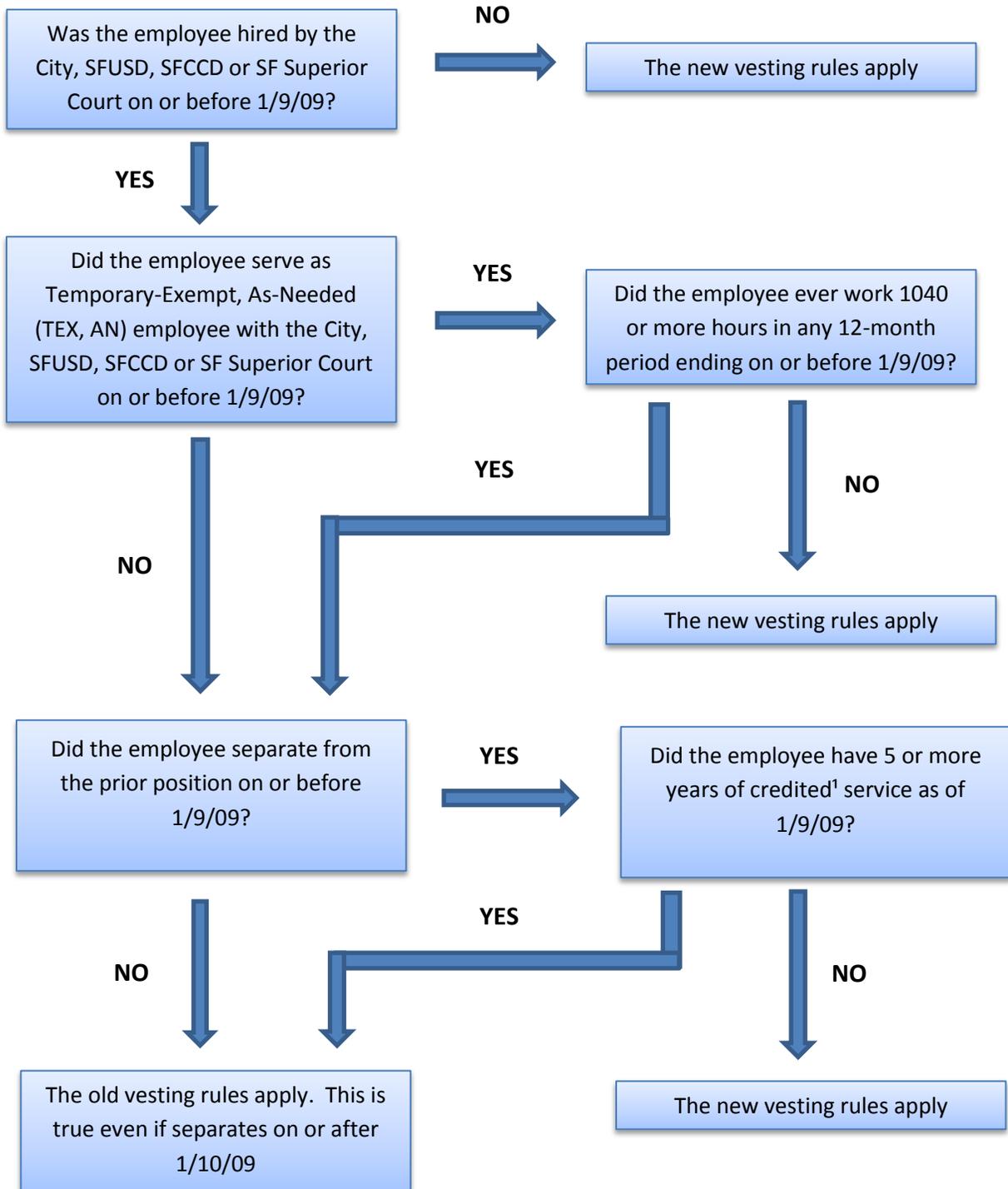
- Involuntary Leave – An employee placed on leave status based on placement on a hold over list on or before January 9, 2009, who is re-employed with the City on or after January 10, 2009, is treated as though there is no break in service, as the employee was on leave based on the hold over status. In this circumstance, the employee pays the 1% contribution to the fund and old vesting schedule.
- Involuntary Layoff – If an employee elects to cash-out the employee's vacation and withdraw the employee's contributions to SFERS, the employee has severed service with the City. In this circumstance, if the employee is re-employed by the City on or after January 10, 2009, the employee pays the 2% contribution to the Fund and the new vesting schedule applies (unless the employee had 5 years of service credit and vested before being placed on the hold over roster).

**Multiple Appointments:** As long as an employee who was hired on or before January 9, 2009 maintains continuous employment, the addition/subtraction of multiple positions – for example, having both a PCS and TEX appointment – will not require the employee to pay the 2% contribution into the Fund.

**Purchase Time:** If an employee separates from City employment on or after January 10, 2009, with less than five years of service and then returns to City service and buys back the employee's prior service, the employee can then obtain the necessary five years of service to vest under the old rules.

**Refund Balances:** If an employee receives a refund of the employee's retirement account, the employee is no longer eligible to retire with SFERS and therefore the employee is no longer eligible for retiree health care coverage under either the old or new rules unless the employee subsequently redeposits these contributions with SFERS.

**Retiree Health Care Benefit Vesting Flow Chart**



<sup>1</sup> For an employee who separated from the City on or before January 9, 2009, years of service at CalPERS and certain other California public retirement systems that provide reciprocal retirement benefits as determined by SFERS that the employee served on or before January 9, 2009 are included in the calculation of credited service years for retiree health care vesting calculations.