

## RETIREE HEALTH CARE

On June 3, 2008, the voters passed Proposition B that addressed the City's rising retiree health care costs. For employees that were hired on or after January 10, 2009, the Charter Amendment increases the years of service required to qualify for employer-funded retiree health benefits and requires employee contributions to the Retiree Health Care Trust Fund to provide a funding source to defray the cost of the City's obligations to pay for retiree health coverage.

### Retiree Health Care Trust Fund

City employees who commence employment with the City on or after January 10, 2009, must contribute two percent (2%) of compensation into the Retiree Health Care Trust Fund ("Fund"). This includes City employees who worked with the City before January 10, 2009 and return to City employment on or after January 10, 2009, including Prop. F Retirees. This also includes employees who transferred from the San Francisco Superior Court, San Francisco Unified School District and San Francisco Community College District employees to the City on or after January 10, 2009. Employees who return from leave on or after January 10, 2009, including those on a holdover roster do not 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.

Pursuant to Proposition C passed in November of 2011, employees hired on or before January 9, 2009 shall contribute 0.25% of compensation into the Fund beginning in FY16-17. This contribution shall increase to 0.50% in FY17-18, then to 0.75% in FY18-19 and cap out at 1.00% in FY19-20.

### Retiree Health Care Benefit

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

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

- Current employees hired on or before January 9, 2009.
- Employees who separated on or before January 9, 2009 and had 5 or more 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 that were served on or before January 9, 2009.)

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

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 that were 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 have never worked 1040+ 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 that were 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.

Employees that separate employment with the City must elect retirement within 180 days of that separation to maintain eligibility of retiree health coverage.

<b>Additional Notes</b>
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**Holdovers:**

- Involuntary Leave – An employee placed on leave status pursuant to placement on a hold over list on or before 1/9/09 and who is re-employed with the City on or after 1/10/09 will be treated as though no break in service as the employee was on leave pursuant to hold over status. Employee Pays no Contribution and Old Vesting Schedule.

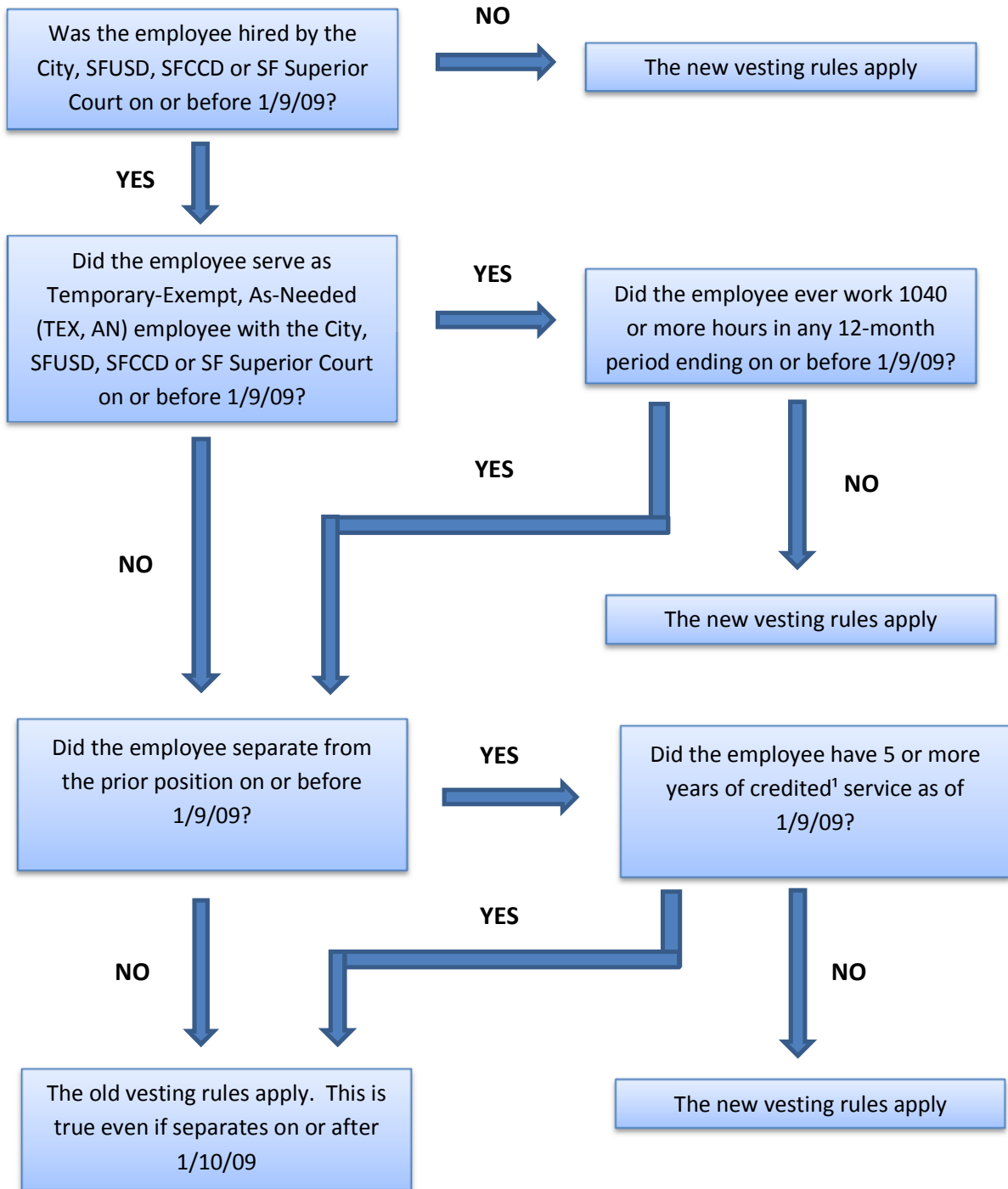
- Involuntary Layoff – However, if employee elects to cash-out his/her vacation and obtain his/her contributions to retirement, the employee is considered to have severed with the City. Employee Pays 2% Contribution and New Vesting Schedule (unless had 5 years of service credit and vested prior to being placed on the hold over roster).

**Multiple Appointments:** As long as an employee maintains continuous employment, addition/subtraction of positions (e.g., having both a PCS and TEX appointment) will not require the employee to pay the 2%.

**Purchase Time:** If separate on or after January 10, 2009 with less than five years of service and then return, if buy back earlier time, you can then also obtain the necessary five years of service to vest under the old rules.

**Refund Balances:** If refund service balance upon separation, also lose access to retiree healthcare under the old rules even if you had previously vested.

**Retiree Health Care Benefit Vesting Flow Chart**



<sup>1</sup> For employee that 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 were served on or before January 9, 2009 are included in the calculation of credited service years for retiree health care vesting calculations.