

CLERK'S OFFICE
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Submitted by:

Chairman of the
Assembly at the
Request of the Mayor
Employee Relations
October 7, 2003

Prepared by
For reading:

ANCHORAGE, ALASKA
AO NO. 2003-141

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY AMENDING
ANCHORAGE MUNICIPAL CODE CHAPTER 3.87 TO COMPLY WITH INTERNAL
REVENUE SERVICE LEGISLATION REPLACING THE PREMIUM AND RETIREE
MEDICAL EXPENSE REIMBURSEMENT PLAN WITH THE HEALTH
REIMBURSEMENT ARRANGEMENT.

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code Chapter 3.87 is amended to read as follows:

**Chapter 3.87 RETIREE MEDICAL FUNDING PROGRAM FOR POLICE OFFICERS
AND FIREFIGHTERS**

3.87.010		Program established; purpose
3.87.020		Definitions
3.87.030		Retiree medical funding program trust and program administration
3.87.040		Program members
<u>3.87.050</u>	[3.87.060]	Eligibility for active municipal police or fire insurance plan [RETIREE MEDICAL PREMIUM ACCOUNT]
<u>3.87.060</u>	[3.87.070]	Health reimbursement arrangement
<u>3.87.070</u>	[3.87.080]	Amendment and termination of the police and fire retiree medical funding program

3.87.010 Program established; purpose.

This chapter establishes the retiree medical funding program for police officers and firefighters (the program). The purpose of the program is to provide those retirees receiving retirement benefits under the police and fire retirement system and who qualify as members of the program with a health reimbursement arrangement (HRA) to cover the eligible medical expenses of the members, their spouses and eligible dependents. As an alternative to participating in the HRA, members may participate in the then current active municipal police or fire health insurance plan, subject to the terms and conditions of that plan [FLEXIBILITY IN SELECTING THEIR HEALTH INSURANCE COVERAGE AND IN USING THOSE AMOUNTS CREDITED TO THEIR RETIREE MEDICAL PREMIUM ACCOUNTS FOR THE PURCHASE OF SUCH COVERAGE].

[THE RETIREE MEDICAL FUNDING PROGRAM WILL CONSIST OF A RETIREE MEDICAL PREMIUM ACCOUNT FOR EACH MEMBER OF THE PROGRAM. AMOUNTS CREDITED TO A MEMBER'S ACCOUNT MAY BE USED, AT THE

1 DIRECTION OF THE MEMBER, TO PURCHASE ELIGIBLE HEALTH COVERAGE
2 EITHER BY A DIRECT PAYMENT TO THE ENTITY OFFERING SUCH COVERAGE
3 OR BY REIMBURSING THE MEMBER FOR PREMIUMS OR CONTRIBUTIONS THAT
4 THE MEMBER HAS PAID FOR SUCH COVERAGE. ELIGIBLE HEALTH COVERAGE
5 FOR A MEMBER SHALL INCLUDE, AMONG OTHER COVERAGES, COVERAGE
6 UNDER THE ACTIVE MUNICIPAL POLICE OR FIRE HEALTH INSURANCE PLAN
7 AND COVERAGE UNDER THE RETIREE MEDICAL EXPENSE REIMBURSEMENT
8 PLAN, WHICH SHALL BE ESTABLISHED AS PART OF THIS RETIREE MEDICAL
9 PROGRAM.]

10
11 Contributions to the Program will be made solely by the Municipality of Anchorage. The
12 municipality's responsibilities under this funding program are limited to the following: the
13 initial pre-funding contribution and the monthly contributions to the funding program
14 under section 3.87.060A [3.87.050B], and providing funding for up to one technical level
15 as provided in section 3.87.030D. Additionally, the municipality will allow members to
16 participate in the then current active municipal police or fire health insurance plan
17 subject to the terms and conditions of the insurance contract. In the event of termination
18 of the funding program by the assembly, the municipality will be responsible for
19 expenses incurred in accomplishing such termination from an administrative perspective.
20 The municipality has no other obligations to the funding program.

21
22 (AO No. 94-222(S-1), § 1, 12-28-94)

23
24 **3.87.020 Definitions.**

25
26 The following words, terms and phrases, when used in this chapter, shall have the
27 meanings ascribed to them in this section, except where the context clearly indicates a
28 different meaning:

29
30 *Active insurance premium* means the composite dollar amount established at the
31 beginning of the policy year for the appropriate public safety rating group by the
32 insurance carrier which is required to provide the agreed upon coverage to employees,
33 members and their eligible dependents

34
35 *Active municipal police or fire health insurance plan* means, with respect to a particular
36 member at any point in time, the health insurance plan, including any applicable audio,
37 visual and dental coverage, provided by the municipality to active employees employed
38 in the same class of employees in which the member was employed immediately
39 preceding his/her retirement.

40
41 *APDEA* means the municipal police department employees association or any
42 successor bargaining unit authorized to represent employees in the police services
43 bargaining unit.

44
45 *Appointment to retirement* occurs on the date on which the member has requested and
46 the police and fire retirement board has approved and actually commenced the payment
47 of early, normal, deferred vested or permanent disability benefits from the police and fire
48 retirement system. In any case, an individual who has requested retirement with a
49 requested effective date prior to January 1, 1995 shall not be considered to be appointed
50 to retirement on or after January 1, 1995.
51

Board of trustees means the eight-person board appointed pursuant to section 3.87.030.B of this chapter to administer the program.

Children means natural or adopted sons or daughters only.

Dependent means the dependent of a member as such term is defined in section 152 of the United States Internal Revenue Code.

Eligible employee benefit coverage means coverage under any employee welfare benefit plan designated by the board of trustees as eligible employee benefit coverage.

Eligible health coverage means health coverage described in section 3.87.060D [3.87.050E] of this chapter.

Gentile class means those individuals certified as class members under John M. Gentile, et al. v. MOA Superior Ct. 3 AN-92-9377 CI.

Health reimbursement account means the bookkeeping account that contributions are credited to on behalf of the member.

Health reimbursement arrangement (HRA) means the flexible spending arrangement governed by Internal Revenue Code pursuant to Internal Revenue Code section 106, and governed by the terms of this chapter.

IAFF means the International Association of Firefighters, Local 1264 or any successor bargaining unit authorized to represent employees in the fire services bargaining unit.

Line-of-duty death means that a police officer or firefighter is killed while performing the assigned duties of a police officer or firefighter with the municipality.

Member means those individuals who qualify as members of the program under section 3.87.040 of this chapter.

Nonrepresented active command officers and *command position* mean individuals or positions in the municipal police department or fire department assigned supervisory or executive level responsibilities and which are not eligible for collective bargaining under chapter 3.70.

Police and fire retirement system means the Anchorage Retirement System for Police Officers and Firefighters established in chapter 3.85 of this Code.

Post-Gentile members means those individuals who retired under the police and fire retirement system following certification of the Gentile class and prior to January 1, 1995.

Premium account means a member's health reimbursement [RETIREE MEDICAL PREMIUM] account as described in section 3.87.060 [3.87.050] of this chapter.

Program means the retiree medical funding program for police officers and firefighters established under sections 3.87.010 - 3.87.060 [3.87.070] of this chapter.

[RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN MEANS THE PLAN ESTABLISHED UNDER SECTION 3.87.070 OF THIS CHAPTER.]

Spouse means the lawful spouse of a member. An unmarried domestic partner shall not be considered a spouse.

(AO No. 94-222(S-1), § 1, 12-28-94; AO No. 96-158(S), § 1, 12-17-96; AO No. 97-104, § 1, 8-19-97)

3.87.030 Retiree medical funding program trust and program administration.

A retiree medical funding program trust will be established to administer the police and fire retiree medical funding program, [WHICH SHALL INCLUDE BOTH RETIREE MEDICAL PREMIUM ACCOUNTS AND THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN] and [A]all amounts held by the trust are to be used to administer and fulfill the obligations arising under the retiree medical funding program. [THE RETIREE MEDICAL PREMIUM ACCOUNTS AND THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN.] The responsibilities and operation of the trust are as follows:

A. *Administration.* The trust shall be administered by an eight-person board of trustees.

B. *Board of trustees.*

1. The board of trustees shall not be subject to the provisions of titles 3, except for this chapter, 4, 6 or 7 of the Anchorage Municipal Code or the Anchorage Municipal Charter.
2. Three of the trustees shall be appointed by the APDEA, and three by the IAFF, Local 1264. The trustees appointed by the APDEA and the IAFF shall be either program members or potential members and shall be determined only by the vote of the members and potential members of the funding program. Two nonvoting trustees shall be appointed by the mayor. Assembly confirmation is required of all appointees. All appointments of member trustees shall be for three-year terms except that the initial terms of the member trustees shall be set at one-year, two-year and three-year terms. The nonvoting trustees appointed by the mayor shall serve at the pleasure of the mayor, subject to assembly confirmation. There shall be no limitation to the number of terms to which a trustee may be appointed.
3. The board of trustees shall meet at least quarterly and shall adopt regular rules of order and rules of procedure governing its meetings and hearings for the administration of this program.
4. Trustees shall serve without compensation from the trust for the performance of trust duties.

C. *Powers and duties of the board of trustees.* The board of trustees shall maintain and administer the police and fire retiree medical funding program set forth in this

chapter and shall be the final authority in all matters pertaining to the program. The board of trustees shall have the following powers and responsibilities:

1. The responsibility to appoint a trustee pursuant to a trust agreement to manage and operate a trust fund and to receive, hold, invest and reinvest contributions received from the municipality, together with interest and other income, and to pay benefits provided under the program. The board of trustees shall determine the form and terms of the trust agreement and may modify or terminate such agreement from time to time and may remove any trustee and select a successor trustee. The board of trustees may request that the retirement board established under section 3.85.040 for the police and fire retirement system amend its trustee and investment management contracts to provide that the system's trustee and investment manager, invest and operate the program trust funds.
2. The authority to engage the services of one or more investment managers and direct the trustee to apportion the trust funds among them for investment purposes.
3. The duty to credit contributions to a health reimbursement account for each eligible member.

[THE DUTY TO MAINTAIN A RETIREE MEDICAL PREMIUM ACCOUNT ON BEHALF OF EACH MEMBER, INCLUDING CREDITING OF CONTRIBUTIONS TO AND PAYMENT OR REIMBURSEMENT OF MEDICAL PREMIUMS FROM EACH MEMBER'S PREMIUM ACCOUNT.]
4. The duty to allocate trust earnings, losses and expenses and forfeitures arising under section[S] 3.87.060 [3.87.050G AND 3.87.070C.4] among the members' accounts, [RETIREE MEDICAL PREMIUM ACCOUNTS AND THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN] in such a manner as the board of trustees shall deem appropriate, including a non-pro rata allocation.
5. The duty to maintain and administer the HRA [RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN] for the [THOSE] members, [WHO ELECT COVERAGE UNDER SUCH PLAN,] including the maintenance of HRA accounts [REIMBURSEMENT ACCOUNTS] and the processing, substantiation, and payment of all eligible covered expenses and premium payments[COVERED MEDICAL EXPENSE REIMBURSEMENT CLAIMS UNDER SUCH PLAN].
6. The duty to pay or reimburse members for medical expenses eligible for reimbursement under Section 213 of the Internal Revenue Code and the Program.
- 7[6]. The authority to design and solicit benefit plans for members, including selection of the pricing structure. The decision to offer or not to offer these additional benefit plans would be at the sole discretion of the board of trustees. The board of trustees shall be responsible for ensuring that any coverages offered qualify for tax-favored treatment and do not jeopardize

the nontaxable benefits offered by the medical funding program. The premium charged for participation in trust-offered programs would be determined by the board of trustees and/or the insurance company underwriting the coverage.

8[7]. The authority to refuse to offer or to cease to offer a benefit plan should the board of trustees determine that the coverage or benefits under such plan constitutes taxable income to the recipient.

9. The authority to report payments made that are determined by the trust to be taxable as taxable income to the recipient of payments.

10[8]. The authority to engage the services of qualified professionals (including third party administrators) to assist in the administration and operation of the trust, and the Program including the HRA accounts [THE RETIREE MEDICAL FUNDING PROGRAM, THE RETIREE MEDICAL PREMIUM ACCOUNTS, AND THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN]. All expenses of such services shall be borne by the program.

11[9]. The authority to [OBTAIN FUNDS FROM THE TRUSTEE TO] pay any costs reasonably incurred in connection with the administration of the program in accordance with this chapter.

12[10]. All powers available to a trust under AS 13.36.010 et seq. and the trust agreement entitled the Municipality of Anchorage Retiree Medical Funding Program Trust for Police Officers and Firefighters.

D. *[POLICE AND FIRE RETIREE MEDICAL FUNDING] Program administration.* The municipality shall fund a [UP TO ONE] professional administrative generalist to assist in the administration of the police and fire retiree medical funding program. The selection of such employee shall be subject to the approval of the board of trustees, which approval will not be unreasonably withheld.

E. *Federal tax treatment.* The income of the trust is intended to be exempt from taxation under section 115(1) of the United States Internal Revenue Code.

F. *Termination.* The trust shall terminate after payment of all [PREMIUMS AND/OR REIMBURSEMENTS DUE TO OR ON BEHALF OF] members has been made. After payment of any final administrative expenses of the trust has been made, any amounts remaining in the trust shall revert to the municipality to be used for any lawful purpose.

AO No. 94-222(S-1), § 1, 12-28-94; AO No. 95-183, 9-12-95)

3.87.040 Program members.

A. Eligibility.

1. An individual who retires under the police and fire retirement system with a normal, early or permanent disability retirement benefit and who is

included in at least one of the categories set forth in this section shall become a member of the program on the first day of the month following appointment to retirement. Appointment to retirement may be retroactive.

2. An individual who terminates employment covered by the police and fire retirement system with a deferred vested benefit and who is included in at least one of the categories set forth in this section shall become a member in the program on the first day of the month following appointment to retirement.

B. *Membership criteria.*

1. Represented individuals who are members of the police and fire retirement system and who are appointed to retirement on or after January 1, 1995.
2. Members of the police and fire retirement system who are appointed to a nonrepresented command officer position on or after January 1, 1995.
3. Nonrepresented active command officers who are eligible for retiree medical coverage under AO No. 77-257, and command officers who retired prior to January 1, 1995, and are receiving retiree medical coverage under AO No. 77-257, who make an irrevocable election to participate in the program. Such election may be made at any time, shall be made in the manner specified by the municipality, and shall be effective as of the first day of the month following the date that such election is submitted to the municipality.
4. The municipality, in its sole discretion, may allow Gentile class members, post-Gentile members or deferred vested members who separated from service prior to January 1, 1995, to, by irrevocable election, become eligible members of the police and fire retiree medical funding program. Such election shall be effective as of the first day of the month next following the date of such election.

- C. *Loss of eligibility.*** If an individual who is a member because he/she is receiving a disability retirement benefit ceases to receive the disability retirement benefit because the police and fire department board determines that such individual is no longer eligible to receive the benefit, such individual shall cease to be a member with the month in which such disability retirement benefits cease to be paid. The individual may requalify as a member if and when normal, early or disability retirement benefits subsequently commence for such individual.

(AO No. 94-222(S-1), § 1, 12-28-94; AO No. 97-104, § 2, 8-19-97)

3.87.050 [3.87.060] Eligibility for active municipal police or fire health insurance plan.

- A.** Within 31 days of appointment to retirement, a member may elect to continue participation in the active police or fire health insurance plan. If a member elects to continue participation at such time, proof of insurability shall not be required

and preexisting condition clauses shall not apply. The required active insurance premium for such coverage must be paid from the member's [PREMIUM] HRA account as a qualified payment. To the extent that the amount credited to the member's premium account is not sufficient to pay the full required active insurance premium, the member shall be required to contribute the balance of the required active insurance premium to the active municipal police or fire health insurance plan by assignment or other instrument from the member's retirement benefit from the police and fire retirement system.

1. In the event that a member's permanent disability benefits are awarded retroactively, the member shall have 31 days from the date of the police and fire retirement board's decision to grant permanent disability benefits to elect to participate in the active police or fire health insurance plan without being subject to proof of insurability or preexisting condition clauses. However, such participation will be effective on the first of the month following such election; coverage is not retroactive.

B. A member who does not elect to participate in the active municipal police or fire health insurance plan at the time of retirement shall be eligible to commence participation at other times in accordance with the following:

1. A member may elect to enroll himself/herself, his/her spouse, and his/her dependents during an annual enrollment period. However, such enrollment is subject to the member and his/her spouse and dependents submitting proof of insurability. The requirement that proof of insurability be submitted shall be waived during the sixth annual enrollment period following a member's appointment to retirement, and during every fifth annual enrollment period thereafter.

2. Special open enrollment periods may be scheduled periodically and a member may elect to enroll himself/herself, his/her spouse, and his/her dependents during such an enrollment period. Such enrollment is not subject to the member and his/her spouse and dependents submitting proof of insurability.

3. A member and his/her spouse and dependents who enroll during an open or annual enrollment period shall be subject to the terms and conditions of the active municipal police or fire health insurance plan, including for example any pre-existing condition provisions of such plan.

4. A member and his/her spouse and dependents who declined coverage when initially eligible because other coverage was available to him/her may elect to enroll in the plan within 31 days of losing such coverage, and having exhausted all COBRA rights, without being subject to the requirement to submit proof of insurability. This late entrant enrollment is subject to the terms and requirements of the municipality's insurance contract, however, no pre-existing conditions limitation will apply to such enrollees.

C. If the spouse and dependents of a member are participating in the active municipal police or fire health insurance plan upon the death of the member, the

surviving spouse and dependents may continue participation in the plan until funds in the member's account are exhausted [TO THE EXTENT THAT AMOUNTS SUFFICIENT TO PAY THE REQUIRED ACTIVE INSURANCE PREMIUM REMAIN IN THE MEMBER'S PREMIUM ACCOUNT].

- D. If the spouse and dependents of a member are not participating in the active municipal police or fire health insurance plan upon the death of the member, the surviving spouse and dependents may enroll in such plan during the annual open enrollment period immediately following the member's date of death, provided that there are funds in the member's account and [AMOUNTS SUFFICIENT TO PAY THE FULL REQUIRED ACTIVE INSURANCE PREMIUM REMAIN IN THE MEMBER'S PREMIUM ACCOUNT AND PROVIDED THAT] the surviving spouse and/or dependent submit proof of insurability. A surviving spouse or dependent who is unable to submit proof of insurability at that time shall be permitted to enroll in the plan during the sixth annual open enrollment period following a member's appointment to retirement, and during every fifth annual open enrollment period thereafter, provided that the surviving spouse and/or dependent can submit proof of insurability at such times.
- E. Members who elect to participate in the active municipal police or fire health insurance plan shall be included in the public safety employee rating group, unless state or federal law requires the use of another rating methodology. Members shall be required to pay the active insurance premium amount. In the event that either public safety bargaining unit is removed, or removes itself, from the municipal insurance plan, the active insurance premium rate charged to members will be a rate computed as if the active group continued to participate in the municipal insurance plan.
- F. Should the active insurance premium established by the insurance carrier for the coming year be questioned by APDEA, IAFF or the board of trustees, then the municipality and APDEA or IAFF or the board shall jointly select and utilize the services of a third party consulting firm, qualified to review and determine appropriate insurance premiums, to assist in a review of the established rate. The review conducted by the third party shall be limited to a review of the submission of the parties. Following the report of the independent consulting firm, any unresolved issues shall be submitted to the municipal internal auditor for resolution. Costs incurred in connection with the third party consulting services shall be shared equally by the parties participating in the review.

(AO No. 94-222(S-1), § 1, 12-28-94; AO No. 97-104, § 4, 8-19-97)

3.87.060 [3.87.050/3.87.070]

Health reimbursement arrangement [RETIREE MEDICAL PREMIUM ACCOUNTS].

A[B]. *Contributions by the municipality.*

1. The Municipality of Anchorage shall make a monthly contribution for the benefit of each member beginning with the first month in which the member becomes a member as described in section 3.87.040 of this chapter. Contributions shall end with the month in which the member dies. In the case of a member who is receiving a permanent disability

retirement benefit under the police and fire retirement system, monthly contributions shall end with the earlier of the month in which the member dies or the month in which such disability retirement benefit ceases to be paid because the individual has been determined by the police and fire retirement board as no longer eligible to receive disability benefits. If and when such individual again qualifies as a member under section 3.98.040 of this chapter, monthly contributions will again commence under this subsection.

- 2[3]. The initial monthly contribution for the benefit of a member shall be \$490.00. The municipality's monthly contribution for a member shall be adjusted each January 1, beginning with January 1, 1996, depending on the member's retirement age or service at appointment to retirement, whichever results in the greater annual adjustment, as provided in subsection A.4. [B.5.] of this section.

[EACH MONTHLY CONTRIBUTION FOR THE BENEFIT OF A MEMBER SHALL BE CREDITED TO SUCH MEMBER'S PREMIUM ACCOUNT.]

- 3[4]. For individuals who become members after January 1, 1995, the monthly contributions for the first year of membership in the program shall be determined as follows:

- a. For a member who retires with a normal, early or disability retirement, the monthly contribution for the first year of membership shall be equal to:
 - (i) The monthly contribution [CONTRIBUTES] that would have applied had the member retired on January 1, 1995, plus
 - (ii) The applicable annual adjustment factors for the period beginning on January 1, 1995, and ending the first day of the calendar year in which the individual becomes a member.
- b. For a member who terminates employment with a deferred vested retirement benefit, the monthly contribution in the first year of membership shall be equal to the monthly contribution that was in effect for an employee with the same age who was appointed to retirement in the year that the deferred vested member separated from municipal service.

- 4[5]. For the years after the first year of membership, the contribution amount shall be the member's initial contribution amount adjusted annually in accordance with the CPI factors described below:

TABLE INSET:

<u>Retirement Age</u>	<u>OR</u>	<u>Service at Retirement</u>	<u>Annual Adjustment</u>
60 or older		25 years	75 percent of medical CPI
55—59			50 percent of medical CPI
50—54		20—24 years	50 percent of medical CPI, with a maximum of 6 percent
Less than 50		0—19 years	25 percent of Medical CPI, with a Maximum of 3 percent

"Medical CPI" means the annual percentage change in the medical components of the national consumer price index-W as measured by the index released for the end of the third calendar quarter by the Bureau of Labor Statistics.

The annual adjustment formula described above shall not be changed. Except as described in section 3.87.070 [3.87.080], at no time shall the monthly contribution for the benefit of a member be less than the monthly contribution that was or would have been in effect with respect to the member on January 1, 1995.

5[6]. The municipality shall make an initial prefunding contribution to the trust of \$2,000,000.00.

6[7]. If upon reaching the age of Medicare eligibility, a member is not eligible to participate in Medicare without paying the Medicare Part A Premium, the municipal contribution to the trust on behalf of that member will be increased by an amount equal to 50 percent of the Medicare Part A Premium that the member is required to pay for part A coverage, upon submission of proof of enrollment in Medicare.

B[A]. HRA account [ESTABLISHMENT]. A bookkeeping [RETIREE MEDICAL PREMIUM] account shall be established for each member of the program. Each member's [PREMIUM] account shall be credited with the following amounts:

1. The contribution by the municipality for the benefit of the member;
2. A share of investment gains and losses of the trust described in section 3.87.030 of this chapter in such amounts as the board of trustees shall determine;
3. A share of forfeitures arising under section[S] 3.87.060G. [3.87.050G. AND 3.87.070C.4.] of this chapter in such amounts as the board of trustees shall determine;

4. A share of the expenses incurred by the board of trustees in the administration of the trust in such amounts as the board of trustees shall determine; and
5. A share of any prefunded contributions to the trust made by the municipality in such amounts as the board of trustees shall determine.
6. COBRA premiums.

A member's account shall be reduced by amounts used to pay for eligible medical expenses.

[A MEMBER'S PREMIUM ACCOUNT SHALL BE REDUCED BY THOSE AMOUNTS USED AT THE DIRECTION OF THE MEMBER TO PAY OR REIMBURSE PREMIUMS OR CONTRIBUTIONS FOR ELIGIBLE HEALTH COVERAGE OR ELIGIBLE EMPLOYEE BENEFIT COVERAGE FOR OR ON BEHALF OF SUCH MEMBER. ALSO, A MEMBER'S PREMIUM ACCOUNT SHALL BE REDUCED FOR FORFEITURES AND ADJUSTMENTS AS PROVIDED IN SUBSECTION G. OF THIS SECTION. SUBSECTION H OF THIS SECTION SETS FORTH SPECIAL RULES FOR INDIVIDUALS WHO QUALIFY AS MEMBERS AND WHO ARE TOTALLY AND PERMANENTLY DISABLED IN THE LINE OF DUTY.]

- C. *Contributions, income, gains and assets to be held in trust.* All contributions by the municipality, all income and gains on such contributions, and all other income, gains, and other assets funding the program shall be held in trust as described in section 3.87.030.
- D. Eligible medical expense [HEALTH COVERAGE]. The term "eligible medical expenses [HEALTH COVERAGE]" means those medical expenses eligible under section 213 of the Internal Revenue Code, but [COVERAGE UNDER A HEALTH PLAN] only to the extent that such coverage is eligible for the exclusion from income under section 106 of the United States Internal Revenue Code and benefits and reimbursements provided under such coverage are excludable from income under section 105(c)(B) of the United States Internal Revenue Code. Expenses are [HEALTH COVERAGE IS] not eligible [HEALTH COVERAGE] unless they are incurred by the [IT PROVIDES COVERAGE ONLY TO THE] member, the member's spouse, and/or the member's dependents, as defined under section 152 of the United States Internal Revenue Code. Notwithstanding the preceding, expenses are [HEALTH COVERAGE IS] not eligible [HEALTH COVERAGE] to the extent that the member or member's spouse or dependents is/are not eligible for such coverage on account of the terms and conditions of such coverage and/or the entity providing such coverage. [IN ADDITION, HEALTH COVERAGE IS ELIGIBLE HEALTH COVERAGE ONLY TO THE EXTENT THAT IT PROVIDES COVERAGE FOR A PERIOD DURING WHICH THE MEMBER, THE MEMBER'S SURVIVING SPOUSE, AND/OR THE MEMBER'S SURVIVING DEPENDENTS ARE ELIGIBLE TO REQUEST QUALIFIED PAYMENTS.] To the extent that the various conditions of this subsection are satisfied, eligible expenses [HEALTH COVERAGE] shall include, but shall not be limited to, the following:

1. The cost of c[C]overage in [UNDER] the active municipal police or fire health insurance plan. Enrollment in such plan shall be subject to the restrictions in section 3.87.050 [3.87.060] of this chapter.

2[3]. The cost of c[C]overage under a health plan available on the open market, including for example a Medicare supplemental plan.

[COVERAGE UNDER THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN DESCRIBED AND SUBJECT TO THE RESTRICTIONS IN SECTION 3.87.070 OF THIS CHAPTER.]

3[4]. The cost of c[C]overage under a health plan available to the member through another employer.

4[5]. The cost of c[C]overage under a health plan available to the member's spouse or dependents through such spouse's or dependents' employer(s).

5[6]. The cost of c[C]overage under Medicare Part A and B.

6[7]. The cost of c[C]overage under any other health plan that the board of trustees may decide to make available under the program.

7. The cost of COBRA coverage for qualified beneficiaries.

8. The cost of long-term care premiums.

E. Qualified reimbursements [PAYMENTS].

1. Reimbursements to the member (or surviving spouse or dependents) may be made only upon submission to the administrator of information adequate to substantiate that the member (or surviving spouse or dependent) has actually incurred and/or paid for expense, including a premium payment or contribution for the eligible coverage.

[QUALIFIED PAYMENTS ARE PAYMENTS MADE WITH RESPECT TO AMOUNTS CREDITED UNDER A MEMBER'S PREMIUM ACCOUNT TO PAY PREMIUMS AND/OR MAKE CONTRIBUTIONS FOR ELIGIBLE HEALTH COVERAGE OR ELIGIBLE EMPLOYEE BENEFIT COVERAGE. AMOUNTS CREDITED TO A PREMIUM ACCOUNT MAY NOT BE USED FOR ANY OTHER PURPOSE, INCLUDING FOR EXAMPLE THE REIMBURSEMENT OF NONPREMIUM AND NONCONTRIBUTION MEDICAL EXPENSES.]

2. The amounts paid for eligible medical expenses shall be deducted from the member's account.

[IN ADDITION, QUALIFIED PAYMENTS INCLUDES PAYMENTS WITH RESPECT TO AMOUNTS CREDITED UNDER A MEMBER'S PREMIUM ACCOUNT EITHER DIRECTLY TO THE ENTITY PROVIDING THE ELIGIBLE HEALTH COVERAGE OR ELIGIBLE EMPLOYEE BENEFIT COVERAGE (E.G., AN INSURANCE COMPANY, MEDICARE, AN

EMPLOYER GROUP HEALTH PLAN SPONSOR, AND THE MUNICIPALITY) OR TO THE MEMBER (OR, IF THE MEMBER HAS DIED, THE MEMBER'S SURVIVING SPOUSE OR SURVIVING DEPENDENTS, AS APPROPRIATE) AS REIMBURSEMENT FOR PREMIUMS OR CONTRIBUTIONS PAID BY THE MEMBER (OR SURVIVING SPOUSE OR SURVIVING DEPENDENTS) FOR ELIGIBLE HEALTH COVERAGE OR ELIGIBLE EMPLOYEE BENEFIT COVERAGE. REIMBURSEMENTS TO THE MEMBER (OR SURVIVING SPOUSE OR DEPENDENTS) MAY BE MADE ONLY UPON SUBMISSION TO THE TRUSTEE OF INFORMATION ADEQUATE TO SUBSTANTIATE THAT THE MEMBER (OR SURVIVING SPOUSE OR DEPENDENT) HAS ACTUALLY PAID THE PREMIUM OR CONTRIBUTION FOR THE ELIGIBLE HEALTH COVERAGE OR ELIGIBLE EMPLOYEE BENEFIT COVERAGE.]

- 3[5]. If a member ceases to receive a disability retirement benefit under the police and fire retirement system because the member is considered no longer eligible, such member will continue to be treated as a member solely for purposes of requesting qualified payments to the extent that amounts remain credited under the premium account.

[THE AMOUNTS CREDITED TO A MEMBER'S PREMIUM ACCOUNT SHALL BE REDUCED BY ALL QUALIFIED PAYMENTS MADE FOR THE BENEFIT OF THE MEMBER, THE MEMBER'S SURVIVING SPOUSE, AND/OR THE MEMBER'S SURVIVING DEPENDENTS.]

- 4[6]. If a member dies while amounts remain credited under the member's premium account, the member's surviving spouse may request that qualified payments be made on his/her behalf to the extent that amounts remain credited under the premium account. However, the surviving spouse shall cease to be eligible to request qualified payments at such time as the surviving spouse is no longer eligible to receive benefits under the police and fire retirement system.

[A MEMBER MAY REQUEST THAT QUALIFIED PAYMENTS BE MADE ON HIS/HER BEHALF TO THE EXTENT THAT AN AMOUNT IS CREDITED TO HIS/HER PREMIUM ACCOUNT.]

- 5[7]. If the member dies without a surviving spouse or if both the member and the surviving spouse die while amounts remain credited under the member's premium account, the member's eligible surviving dependents may request that qualified payments be made on his/her/their behalf to the extent that amounts remain credited under the premium account. However, surviving dependents shall cease to be eligible to request qualified payments at such time as the surviving dependents are no longer eligible to receive benefits under the police and fire retirement system.

- 6[8]. In the event that a member's permanent disability benefits are awarded retroactively, and the member enrolled in eligible health coverage (including municipal COBRA coverage) following separation from

municipal employment, the member may claim reimbursement for any past premium payments from the funding program.

F. *Eligible employee benefit coverage.* The term "eligible employee benefit coverage" shall mean coverage under any employee benefit plan, other than a health plan, that the board of trustees may, in its sole discretion, elect to treat as eligible employee benefit coverage under the program. However, in no case may the board of trustees cause coverage under any employee benefit plan to be treated as eligible employee benefit coverage unless such coverage and any reimbursements and benefits provided under such coverage are excludable from income under the United States Internal Revenue Code. An example of employee benefit coverage that the board of trustees may elect to treat as eligible employee benefit coverage is coverage and benefits under a group term life insurance plan that are excludable from income under sections 79 and 101 of the United States Internal Revenue Code.

G. *Forfeitures and account adjustments.*

1. Upon a member's death without a surviving spouse or surviving dependents, the member's HRA account balance shall be forfeited to the trust [ANY AMOUNTS THAT REMAIN CREDITED TO HIS/HER PREMIUM ACCOUNT AT THE TIME OF HIS/HER DEATH SHALL BE FORFEITED AND THE PREMIUM ACCOUNT SHALL BE TERMINATED]. If, after a member's death, the member's surviving spouse and/or surviving dependents are eligible to request qualified payments under the program, any amounts remaining in the member's HRA [CREDITED UNDER THE MEMBER'S PREMIUM] account when neither the surviving spouse nor any surviving dependent remains eligible to request qualified payments, whether by death or otherwise, shall be forfeited to the trust [AND THE PREMIUM ACCOUNT SHALL BE TERMINATED].
2. The aggregate of all amounts forfeited shall, at the discretion of the board of trustees, either be used to pay the administrative expenses of the trust or be applied to pay for benefits [ALLOCATED AMONG THE PREMIUM ACCOUNTS].

H. *Special rule for members disabled in the line of duty.*

1. Any person meeting the definition of totally and permanently disabled as defined herein may irrevocably elect to a member of this program or may elect to be covered under subsections H.2. through 4 of this section.
2. If the qualified member elects to be covered under subsections H.2. through 4 of this section, [A RETIREE MEDICAL PREMIUM ACCOUNT WILL NOT BE ESTABLISHED AND] the monthly contributions described in subsection C of this section shall not be made for the benefit of a member who is totally and permanently disabled during the performance of his/her duties with the municipality. An employee of the municipality who is determined to be totally and permanently disabled by the state worker's compensation board shall presumptively be considered to have

1 been totally and permanently disabled in the performance of his/her
2 duties.

3
4 3. In lieu of [A RETIREE MEDICAL PREMIUM ACCOUNT AND] making
5 monthly contributions described in subsection C of this section on behalf
6 of members disabled in the line of duty, the municipality shall continue
7 coverage for such members in the active police or fire health insurance
8 plan and be responsible for paying the full premium cost for the member
9 and the member's spouse and dependents.

10
11 4. The municipality shall make the first premium payment for the month
12 following appointment to retirement under the police and fire retirement
13 system and ending with the month in which the member dies or the month
14 in which the member is determined by the state worker's compensation
15 board to be no longer totally and permanently disabled. If the member is
16 receiving or becomes eligible for a normal, early or disability retirement
17 benefit, he/she may requalify as a member in accordance with the rules of
18 subsection A of this section. Should the member die with a surviving
19 spouse and/or dependents, the municipality shall continue to make health
20 plan premium payments on their behalf as long as they are eligible to
21 receive a benefit from the police and fire retirement system.

22
23 I. *Special rule for the spouse and dependents of a member suffering a line-of-duty*
24 *death.*

25
26 1. In the event of a member's line-of-duty death, the municipality shall
27 continue to provide the member's spouse with coverage in such
28 member's active police or fire health insurance plan and shall pay the full
29 cost of the health plan premium [COST] for the member's spouse and the
30 member's eligible dependent children. The municipality shall make the
31 first premium payment for the month following the member's line-of-duty
32 death and shall continue to make premium payments as long as the
33 spouse is eligible to receive a benefit from the police and fire retirement
34 system.

35
36 2. In the event of a member's line-of-duty death, the municipality shall
37 continue to provide the member's eligible dependent children with
38 coverage in such member's active police or fire health insurance plan and
39 shall pay the full premium cost for those eligible dependent children. The
40 municipality shall make the first premium payment for the month following
41 the member's line-of-duty death and shall continue to make premium
42 payments as long as such dependent children are eligible to receive a
43 benefit from the police and fire retirement system.

44
45 (AO No. 94-222(S-1), § 1, 12-28-94; Ord. No. 96-158(S), § 2, 1-1-96; AO No. 97-104, §
46 3, 8-19-97)

47
48 **[3.87.070 RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN.]**

49
50 [THERE SHALL BE ESTABLISHED A RETIREE MEDICAL EXPENSE
51 REIMBURSEMENT PLAN TO PERMIT MEMBERS WHO PURCHASE COVERAGE

1 UNDER SUCH PLAN TO RECEIVE REIMBURSEMENTS FOR MEDICAL EXPENSES
2 INCURRED BY THE MEMBER AND HIS/HER SPOUSE AND DEPENDENTS THAT
3 ARE NOT OTHERWISE REIMBURSED UNDER OTHER HEALTH PLANS OF THE
4 MEMBER. THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN SHALL BE
5 FUNDED AND ADMINISTERED UNDER THE TRUST BY THE BOARD OF
6 TRUSTEES. THE PLAN YEAR OF THE PLAN SHALL BE THE CALENDAR YEAR.
7

8 A. COVERAGE. BEFORE THE BEGINNING OF THE PLAN YEAR, A MEMBER
9 MAY ELECT A COVERAGE AMOUNT UNDER THE RETIREE MEDICAL
10 EXPENSE REIMBURSEMENT PLAN FOR THE PLAN YEAR. THE MEMBER
11 MAY ELECT ANY COVERAGE AMOUNT FOR THE YEAR, BUT IN NO CASE
12 MAY THE MAXIMUM COVERAGE AMOUNT EXCEED THE AMOUNT
13 PERMITTED BY THE BOARD OF TRUSTEES, CONSISTENT WITH LAW, FOR
14 THE YEAR. THE COVERAGE AMOUNT FOR A PLAN YEAR SHALL EQUAL
15 THE MAXIMUM AMOUNT OF REIMBURSEMENT AVAILABLE FOR MEDICAL
16 EXPENSES INCURRED DURING THE PLAN YEAR.
17

18 B. PURCHASE OF COVERAGE. IN GENERAL, THE ANNUAL PREMIUM
19 REQUIRED FOR A PARTICULAR COVERAGE AMOUNT FOR A PLAN YEAR
20 UNDER THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN WILL
21 EQUAL THE ANNUAL COVERAGE AMOUNT FOR THE PLAN YEAR. A
22 MEMBER IS REQUIRED TO PAY THE APPLICABLE PREMIUM FOR A
23 COVERAGE AMOUNT FOR A PLAN YEAR UNDER THE RETIREE MEDICAL
24 EXPENSE REIMBURSEMENT PLAN ON A MONTHLY, PRO RATA BASIS BY
25 DIRECTING THAT QUALIFIED PAYMENTS BE MADE ON A MONTHLY BASIS
26 OUT OF THE AMOUNTS CREDITED UNDER THE MEMBER'S PREMIUM
27 ACCOUNT TO THE BOARD OF TRUSTEES.]
28

29 J[C]. Eligible Expense reimbursements. The health reimbursement arrangement
30 [RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN] shall reimburse
31 members (and, as applicable, surviving spouses and dependents) for medical
32 expenses eligible under Section 213 of the Internal Revenue Code, including
33 eligible long-term care premiums, [THAT HAVE BEEN INCURRED DURING
34 THE PLAN YEAR OF COVERAGE] only if such expenses are not reimbursed
35 under any other health plan [AND ONLY IF THE MEMBER PROVIDES SUCH
36 SUBSTANTIATION AS THE BOARD OF TRUSTEES MAY REQUIRE TO
37 EVIDENCE THAT THE MEMBER HAS INCURRED THE EXPENSE DURING
38 THE PLAN YEAR AND HAS NOT RECEIVED AND WILL NOT RECEIVE
39 OTHER REIMBURSEMENT FOR SUCH EXPENSE]. The Program will not
40 reimburse an expense incurred before the date the HRA is in existence, nor
41 reimburse an expense that is incurred before the date an employee first becomes
42 enrolled in the HRA. The maximum dollar amount reimbursable for a plan year
43 shall not exceed \$5,000. Members may request additional amounts on a case by
44 case basis.
45

46 K[1]. Maximum amount of reimbursement available. A member may be reimbursed for
47 medical expenses incurred while the member was enrolled in the HRA account
48 up to the \$5,000 maximum. Members may request additional amounts on a case
49 by case basis [RECEIVE A YEAR UP TO THE MAXIMUM COVERAGE
50 AMOUNT FOR THE YEAR REGARDLESS OF THE AMOUNT OF PREMIUMS

1 THAT THE MEMBER HAS YET PAID FOR THE COVERAGE UNDER THE
2 RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN].

3
4 L[2]. *Carry Forward.* Any remaining amounts in the HRA account at the end of the
5 plan year shall be carried forward to subsequent plan years.

6
7 [MEDICAL EXPENSES. ONLY THOSE MEDICAL EXPENSES THAT ARE
8 ELIGIBLE FOR DEDUCTION BY THE MEMBER AS MEDICAL EXPENSES
9 UNDER SECTION 213 OF THE UNITED STATES INTERNAL REVENUE CODE
10 MAY BE REIMBURSED UNDER THE RETIREE MEDICAL EXPENSE
11 REIMBURSEMENT PLAN. THE MEDICAL EXPENSES MAY BE INCURRED BY
12 THE MEMBER, THE MEMBER'S SPOUSE, OR THE MEMBER'S
13 DEPENDENTS.]

14
15 [3 PREMIUMS. THE RETIREE MEDICAL EXPENSE REIMBURSEMENT
16 PLAN SHALL NOT REIMBURSE MEMBERS (OR THEIR SURVIVING
17 SPOUSES OR DEPENDENTS) FOR PREMIUMS AND/OR
18 CONTRIBUTIONS FOR ANY HEALTH COVERAGE.]

19
20 [4. YEAR-END FORFEITURES. IF A MEMBER (OR HIS/HER SPOUSE OR
21 DEPENDENTS) DOES NOT INCUR MEDICAL EXPENSES DURING A
22 PLAN YEAR AT LEAST EQUAL TO THE MAXIMUM COVERAGE
23 AMOUNT PROVIDED UNDER THE RETIREE MEDICAL EXPENSE
24 REIMBURSEMENT PLAN FOR THE YEAR, ANY REMAINING
25 AMOUNTS AND ANY REMAINING COVERAGE UNDER THE PLAN
26 FOR THE YEAR SHALL BE FORFEITED. ANY UNUSED AMOUNTS
27 CREDITED UNDER THE PLAN ON THE MEMBER'S (OR SPOUSE'S
28 OR DEPENDENT'S) BEHALF MAY NOT BE USED BY THE MEMBER
29 (OR SPOUSE OR DEPENDENT) FOR ANY OTHER PURPOSE,
30 INCLUDING THE REIMBURSEMENT OF MEDICAL EXPENSES
31 INCURRED IN A SUBSEQUENT PERIOD. SUCH UNUSED AND
32 FORFEITED AMOUNTS SHALL BE USED BY THE TRUST TO PAY
33 ANY EXPERIENCE LOSSES WITH RESPECT TO THE
34 REIMBURSEMENT ACCOUNTS. ANY REMAINING UNUSED AND
35 FORFEITED AMOUNTS SHALL BE USED TO OFFSET TRUST
36 EXPENSES.]

37
38 [D. MID-YEAR ELECTION CHANGES. A MEMBER SHALL NOT BE PERMITTED
39 TO CHANGE THE MAXIMUM COVERAGE AMOUNT UNDER THE RETIREE
40 MEDICAL EXPENSE REIMBURSEMENT PLAN DURING A PLAN YEAR.]

41
42 M[E]. *Death of the member.* Subject to the provisions of section 3.87.060E.4
43 [3.87.050E.6], upon the death of a member, no further contributions to the HRA
44 [RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN] shall be made [ON
45 HIS/HER BEHALF]. Medical expenses incurred by the member's surviving
46 spouse and dependents after the date of death of the member are [SHALL NOT
47 BE] eligible for reimbursement [UNDER THE PLAN] to the extent funds remain in
48 the member's HRA account unless COBRA coverage is elected. If COBRA
49 coverage is elected, the qualified beneficiary will be billed for the applicable
50 maximum including the administrative fee for the subsequent period of COBRA
51 coverage. [THE SURVIVING SPOUSE AND DEPENDENTS OF A DECEASED

MEMBER MAY NOT ELECT COVERAGE UNDER THE RETIREE MEDICAL
EXPENSE REIMBURSEMENT PLAN.]

N[F]. *Federal tax treatment.* Coverage under the HRA [RETIREE MEDICAL EXPENSE
REIMBURSEMENT PLAN] is intended to qualify as health coverage that is
excludable from income under section 106 of the United States Internal Revenue
Code and expense reimbursements under the plan are intended to qualify as
excludable from income under section 105(b) of the United States Internal
Revenue Code. If a member's expense reimbursements are determined not to
qualify for tax exemptions, and if a change in the United States Internal Revenue
Code should cause expense reimbursements [EITHER COVERAGE UNDER
THE PLAN OR BENEFIT REIMBURSEMENTS PROVIDED BY THE PLAN] to
cease to be excludable from income under section 106 or 105(b) of the United
States Internal Revenue Code, the board of trustees may terminate the Program
or the plan or treat such reimbursements as taxable income to the member
[PLAN].

(AO No. 94-222(S-1), § 1, 12-28-94)

**3.87.070 [3.87.080] Amendment and termination of the police and fire retiree
medical funding program.**

- A. Every five years from January 1, 1995, the assembly will review the operation of
the program including the amount of the initial monthly contribution established in
section 3.87.060 [3.87.050] to be made by the municipality.
- B. The assembly may prospectively change the amount of the initial monthly
contribution to the funding program; provided, however, that the contribution rate
may be established at an amount less than \$490.00, plus the applicable COLA
adjustments, and that such reduction can be no lower than:
1. The then current monthly active insurance premium for public safety
employees under the active municipal police and fire health insurance
plan;
 2. The average monthly active insurance premium for public safety
employees when measured over the previous three-year period; or
 3. Four hundred ninety dollars, whichever is greater.

Any new contribution amount established by the assembly shall be subject to the
annual adjustment described in section 3.87.060 [3.87.050]. The contribution rate
reduction set forth in this section shall not be predicated upon a major material
change in the coverages available for active employees.

- C. The municipal assembly may amend or terminate the police and fire retiree
medical funding program[, INCLUDING THE RETIREE MEDICAL PREMIUM
ACCOUNTS, THE RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN
AND THE RETIREE MEDICAL PROGRAM TRUST]. The administrative
expenses for termination of the funding program shall be the responsibility of the
municipality. The termination or amendment of the [POLICE AND FIRE

1 RETIREE MEDICAL FUNDING] program shall not terminate the obligation of the
2 municipality to contribute at the same level of contribution set forth in subsections
3 3.87.060A.3. and A.4. [3.87.050.B.4 AND 5] to a successor funding arrangement.
4 The provisions of this chapter shall be subject to Article XII, Section 7 of the
5 Alaska State Constitution.
6

7 (AO No. 94-222(S-1), § 1, 12-28-94)

8
9 **Section 2.** That this ordinance is effective upon passage and approval of the Assembly.

10
11 PASSED AND APPROVED by the Anchorage Assembly this 21st day of
12 October, 2003.
13

14
15
16
17 
18 _____
19 Chair of the Assembly

20 ATTEST:

21
22
23 
24 _____
25 Municipal Clerk
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MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2003-141

Title: An Ordinance amending AMC Section 3.87 to comply with Internal Revenue Service Legislation Replacing the premium and retiree medical expense reimbursement plan with the Health Reimbursement arrangement.

Preparing Agency: Employee Relations/Police and Fire Retiree Medical Funding Program

Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:

(In Thousands of Dollars)

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>
Operating Expenditures					
1000 Personal Services					
2000 Non-Labor					
3900 Contributions					
4000 Debt Service					
TOTAL DIRECT COSTS:	\$ -	\$ -	\$ -	\$ -	\$ -
Add: 6000 Charges from Others					
Less: 7000 Charges to Others					
FUNCTION COST:	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES:	\$ -				
CAPITAL:					
POSITIONS: FT/PT and Temp					

PUBLIC SECTOR ECONOMIC EFFECTS:

No quantifiable financial effect. The proposed ordinance represents a technical amendment to the Code to comply with Internal Revenue Service legislation adopted in 2002, allowing for health reimbursement arrangements.

SUMMARY OF ECONOMIC EFFECTS

PRIVATE SECTOR ECONOMIC EFFECTS:

None

Prepared by: Carol Watts, Plan Administrator

Telephone: 343-8203



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 788-2003

Meeting Date: October 7, 2003

FROM: MAYOR

SUBJECT: Amendment of Anchorage Municipal Code Title 3.87 to comply with the Internal Revenue Service Notice 2002-45 pertaining to Health Reimbursement Arrangements (HRA)

This ordinance is submitted at the request of the Police and Fire Retiree Medical Funding Program Board of Trustees (the Board) established under AMC 3.87 to address the need to amend AMC 3.87 to incorporate the Health Reimbursement Arrangement Plan language recently adopted by the Internal Revenue Service.

This new Plan language will be more cost effective to administer in that the Members will no longer have to allocate dollars each plan year to utilize for out of pocket medical expenses, and they will no longer lose funds not utilized at the end of the plan year, as the dollars will be allowed to carryover to the next plan year.

The 2002 IRS guidance provides that an HRA with a carryover feature may be offered on a tax-favored basis (i.e., the carryover feature won't cause retirees to have taxable income or create other adverse tax consequences) which is in accordance with the original intent of AMC 3.87.

THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ORDINANCE.

Prepared by: Carol Watts, Plan Administrator
Concur: David Otto, Director Employee Relations
Concur: Denis LeBlanc, Municipal Manager
Respectfully submitted: Mark Begich, Mayor

Content ID : 000475

Title: An Ordinance Amending AMC Code 3.87 to Comply with IRS Notice 2002-45 Pertaining to Health Reimbursement Arrangements

Initiating Dept: ER

Description: An amendemnt of Anchorage Municipal Code Title 3.87 to comply with the Internal Revenue Service notice (2002-45) pertaining to Health Reimbursement Arrangements.

Keywords: Health, Reimbursement, Arrangement

Date Prepared: 12/12/02 12:48 PM

Document Number: AO 2003-141

Assembly Meeting 10/7/03 12:00 AM
Date MM/DD/YY:

Public Hearing Date 10/21/03 12:00 AM
MM/DD/YY:

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOrdinanceWorkflow	12/12/02 12:52 PM	Checkin	mooreka	Public	000475
ER_SubWorkflow	12/12/02 3:02 PM	Approve	ottodk	Public	000475
AllOrdinanceWorkflow	12/13/02 4:24 PM	Reject	rogersta	Public	000475
AllOrdinanceWorkflow	12/19/02 11:47 AM	Checkin	mooreka	Public	000475
ER_SubWorkflow	12/19/02 3:28 PM	Approve	ottodk	Public	000475
AllOrdinanceWorkflow	12/27/02 1:45 PM	Reject	rogersta	Public	000475
AllOrdinanceWorkflow	1/2/03 11:37 AM	Checkin	mooreka	Public	000475
ER_SubWorkflow	1/2/03 12:55 PM	Approve	ottodk	Public	000475
AllOrdinanceWorkflow	1/3/03 3:51 PM	Reject	rogersta	Public	000475
AllOrdinanceWorkflow	1/6/03 8:54 AM	Checkin	mooreka	Public	000475
ER_SubWorkflow	1/6/03 11:20 AM	Approve	ottodk	Public	000475
OMB_SubWorkflow	1/7/03 8:11 AM	Approve	leblancdc	Public	000475
AllOrdinanceWorkflow	1/8/03 12:56 PM	Reject	wheelerda	Public	000475
AllOrdinanceWorkflow	1/27/03 12:51 PM	Checkin	mooreka	Public	000475

AllOrdinanceWorkflow	1/27/03 12:55 PM	Checkin	mooreka	Public	000475
AllOrdinanceWorkflow	1/27/03 1:51 PM	Checkin	mooreka	Public	000475
ER_SubWorkflow	1/27/03 4:39 PM	Approve	ottodk	Public	000475
AllOrdinanceWorkflow	1/28/03 8:34 AM	Reject	leblancdc	Public	000475
AllOrdinanceWorkflow	1/28/03 9:49 AM	Checkin	mooreka	Public	000475
ER_SubWorkflow	1/28/03 1:04 PM	Approve	ottodk	Public	000475
OMB_SubWorkflow	1/28/03 4:26 PM	Approve	leblancdc	Public	000475
AllOrdinanceWorkflow	8/18/03 8:51 AM	Reject	fehlenrl	Public	000475
AllOrdinanceWorkflow	8/18/03 11:21 AM	Checkin	mooreka	Public	000475
ER_SubWorkflow	8/18/03 2:50 PM	Approve	ottodk	Public	000475
OMB_SubWorkflow	8/26/03 4:54 PM	Approve	wiltsep	Public	000475
AllOrdinanceWorkflow	9/2/03 3:20 PM	Reject	fehlenrl	Public	000475
AllOrdinanceWorkflow	9/2/03 3:33 PM	Checkin	mooreka	Public	000475
ER_SubWorkflow	9/2/03 3:45 PM	Approve	ottodk	Public	000475
OMB_SubWorkflow	9/12/03 3:25 PM	Approve	wiltsep	Public	000475
Legal_SubWorkflow	9/16/03 5:03 PM	Approve	fehlenrl	Public	000475
MuniManager_SubWorkflow	9/29/03 4:07 PM	Approve	leblancdc	Public	000475
MuniMgrCoord_SubWorkflow	9/30/03 11:53 AM	Approve	katkusja	Public	000475

INTRODUCTION