

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Finance
For reading: August 11, 2009

CLERK'S OFFICE

AMENDED AND APPROVED

Date: 8-11-09 ANCHORAGE, ALASKA
AO No. 2008-100 (S)

1 AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTIONS
2 3.87.020, 3.87.050, 3.87.060 AND 3.87.070, TO PROVIDE A RETIREE MEDICAL
3 FUNDING PROGRAM FOR CERTAIN POLICE OFFICERS AND FIRE
4 FIGHTERS.

5
6 THE ANCHORAGE ASSEMBLY ORDAINS:

7
8 **Section 1.** Anchorage Municipal Code section 3.87.020 is amended to add 2
9 new definitions to read as follows (*the remainder of the section is not affected and*
10 *therefore not set out*):

11
12 **3.87.020 Definitions.**

13
14 The following words, terms and phrases, when used in this chapter, shall
15 have the meanings ascribed to them in this section, except where the
16 context clearly indicates a different meaning:

17
18 *** *** ***

19 High Deductible Health Plan has the meaning assigned by Section 223,
20 Internal Revenue Code of 1986. ~~[The Municipality will set annual~~
21 ~~deductibles for its high deductible health plan to coincide with IRS~~
22 ~~minimum deductibles, once IRS minimum deductibles rise to current~~
23 ~~municipal deductibles, and thereafter.]~~

24
25 *** *** ***

26 Presumed Disability has the meaning defined in AS 23.30, as to certain
27 diseases known to occur with greater frequency among firefighters
28 than among the general public ~~[means certain diseases known to~~
29 ~~occur with greater frequency among firefighters than among the~~
30 ~~general population. For purposes of determining a member's status~~
31 ~~for section 3.87.050A.1., the Municipality will consider members with~~
32 ~~presumed disabilities, as determined under AS 23.30, to be Class 1~~
33 ~~members for the purpose of calculating the monthly discount~~
34 ~~described in 3.87.050 A.1].~~

35
36 *** *** ***

37 (AO No. 94-222(S-1), § 1, 12-28-94; AO No. 96-158(S), § 1, 12-17-96; AO
38 No. 97-104, § 1, 8-19-97; AO No. 2003-141, § 1, 10-21-03)

Note to code revisor: Please insert new definitions alphabetically into section 3.87.020.

Section 2. Anchorage Municipal Code section 3.87.050, Eligibility for Active Municipal Police or Fire Health Insurance Plan, is amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

3.87.050 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 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. This may be by voluntarily electing to take the payment from the member's retirement benefit from the police and fire retirement system, or other forms of payment deemed acceptable by the Municipality of Anchorage, including but not limited to the authorized deduction from the member's spouse that is also a member of the program.

1. The Municipality shall provide a monthly discount from the stated premium to all members purchasing municipal health insurance. This monthly discount will be equal to the high deductible health plan monthly premium minus the monthly Class 1 contribution.

a. Members who purchase municipal health insurance are not restricted to the high deductible health plan. The member may elect another eligible health plan and still receive the benefit of the monthly discount.

2. **Disability.**

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

12
13 **b. Fire fighters with presumed disabilities will be**
14 **considered class 1 members for purposes of**
15 **calculating the monthly discount in section**
16 **3.87.050 A.1.**

17 *** *** ***

18
19
20 C. If the spouse and dependents of a member are participating in
21 the active municipal police or fire health insurance plan upon
22 the death of the member, the surviving spouse and
23 dependents may continue participation in the plan until funds
24 in the member's account are exhausted **or until attaining age**
25 **65, whichever is later. However, the surviving spouse**
26 **and dependents are ineligible for the monthly discount**
27 **described in 3.87.050 A.1.**

28
29 D. If the spouse and dependents of a member are not
30 participating in the active municipal police or fire health
31 insurance plan upon the death of the member, the surviving
32 spouse and dependents may enroll in **the [SUCH]** plan during
33 the annual open enrollment period immediately following the
34 member's date of death, provided that there are funds in the
35 member's account **or [AND]** the surviving spouse **has not**
36 **attained age 65, or the dependents would still qualify as**
37 **the member's dependents if the member was alive.**
38 **However, the surviving spouse and dependents are**
39 **ineligible for the monthly discount described in section**
40 **3.87.050 A.1. The surviving spouse and [/OR] dependent**
41 **shall** 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.]

(AO No. 94-222(S-1), § 1, 12-28-94; AO No. 97-104, § 4, 8-19-97; AO No. 2003-141, § 1, 10-21-03; AO No. 2005-153, § 2, 11-8-05)
Note: Formerly § 3.87.060.

Section 3. Anchorage Municipal Code section 3.87.060, Health Reimbursement Arrangement, is amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

3.87.060 Health reimbursement arrangement.

A. *Contributions by the municipality.*

*** *** ***

4. **[FOR THE YEARS AFTER THE FIRST YEAR OF MEMBERSHIP,] I [T]he**
contribution amount shall be **[THE MEMBER'S INITIAL**
CONTRIBUTION AMOUNT] adjusted annually in accordance with
the CPI factors described below:

TABLE INSET:

<u>Class</u>	Retirement Age	OR	Service at Retirement	Annual Adjustment
<u>1.</u>	60 or older		25 years	75 percent of medical CPI
<u>2.</u>	55--59			50 percent of medical CPI
<u>3.</u>	50--54		20--24 years	50 percent of medical CPI, with a maximum of 6 percent
<u>4.</u>	Less than 50		0--19 years	25 percent of medical CPI, with a maximum of 3 percent

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

*** *** ***

5. Members retired due to permanent occupational disability or reclassified as permanent occupational disability, as defined in chapter 3.85, shall be entitled to Class 1 benefits to remediate ~~[offset]~~ the diminution of benefits a member ~~[otherwise]~~ would have been entitled to if ~~[received had]~~ the member had continued in service until normal retirement age.

*** *** ***

(AO No. 94-222(S-1), § 1, 12-28-94; Ord. No. 96-158(S), § 2, 1-1-96; AO No. 97-104, § 3, 8-19-97; AO No. 2003-141, § 1, 10-21-03; AO No. 2005-153, § 3, 11-8-05)

Note: Formerly §§ 3.87.050 and 3.87.070.

Section 4. Anchorage Municipal Code section 3.87.070 is amended to read as follows (*the remainder of the section is not amended and therefore not set out*):

3.87.070 Audit, amendment and termination of the police and fire retiree medical funding program.

A. **Assembly review.**

1. 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 to be made by the municipality.

B. **Internal audit review.**

1. The Internal Auditor will perform an audit of the trust at least once every two years. The scope of the audit may include, but is not limited to, evaluating trust administrative costs, and reviewing enrollment and payment records for members purchasing health insurance through the Municipality.
2. The results of the biennial ~~[annual]~~ internal audit procedures

shall be submitted to the Board of Trustees and Municipal
Assembly [for review].

*** *** ***

(AO No. 94-222(S-1), § 1, 12-28-94; AO No. 2003-141, § 1, 10-21-03)

Note: Formerly § 3.87.080.

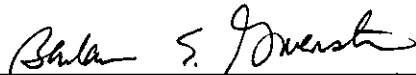
Section 5. This ordinance shall be effective January 1, 2010 or thirty days after entry of a court order dismissing, with prejudice, *Caswell et al vs. Municipality of Anchorage*, Superior Court Case No. 3AN-05-11274 CI, Supreme Court Case No.13457, whichever is later. [is effective immediately upon passage and approval by the Anchorage Assembly.]

PASSED AND APPROVED by the Anchorage Assembly this 11th day of August, 2009.



Chair

ATTEST:



Municipal Clerk

11A
AO 2009-12

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2008-100 (S)

Title: AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY
AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 3.87
PROVIDING FOR A RETIREE MEDICAL FUNDING PROGRAM FOR
CERTAIN POLICE OFFICERS AND FIRE FIGHTERS.

Sponsor: MAYOR
Preparing Agency: Department of Finance
Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:		(In Thousands of Dollars)				
	FY09	FY10	FY11	FY12	FY13	
Operating Expenditures						
1000 Personal Services	\$ -	\$ 400,000	\$ 500,000	\$ 600,000	\$ 600,000	
2000 Non-Labor						
3900 Contributions						
4000 Debt Service						
TOTAL DIRECT COSTS:	\$ -	\$ 400,000	\$ 500,000	\$ 600,000	\$ 600,000	
Add: 6000 Charges from Others						
Less: 7000 Charges to Others						
FUNCTION COST:	\$ -	\$ 400,000	\$ 500,000	\$ 600,000	\$ 600,000	
REVENUES:						
CAPITAL:						
POSITIONS: FT/PT and Temp						

PUBLIC SECTOR ECONOMIC EFFECTS:

The impact of expanding the surviving spousal benefits is an increase of approximately 1% on the estimated GASB 43 January 1, 2009 accrued liability. The estimated January 1, 2009 accrued liability with and without the proposed surviving spouse expansion are \$44.8 and \$44.4 million, respectively. The \$.4 million difference in accrued liability is due to the implicit rate subsidy provided to the surviving spouses under the proposed change. See attached actuarial report. Expansion of surviving spousal benefits is a key provision to the settlement of current litigation.

PRIVATE SECTOR ECONOMIC EFFECTS:

None

Prepared by: Sharon Weddleton, CFO

Telephone: 343-6619

I. HD Subsidy		2009		2010		2011		2012		2013	
HDHP Premium		\$	993	\$	1,058	\$	1,126	\$	1,199	\$	1,277
Tier I stipend		\$	739	\$	766	\$	795	\$	825	\$	856
Per participating member monthly subsidy		\$	254	\$	291	\$	331	\$	375	\$	422
Per participating member yearly subsidy		\$	3,052	\$	3,494	\$	3,974	\$	4,495	\$	5,059
Number of Members buying MOA insurance			68		69		71		72		74
Estimated annual MOA subsidy, ignoring new participants		\$	207,541	\$	242,359	\$	281,167	\$	324,366	\$	372,395
Estimated new participants			10%		5%		5%		5%		5%
Estimated annual MOA subsidy, including new participants		\$	228,296	\$	254,477	\$	295,225	\$	340,584	\$	391,015
II. Permanent Occupational Disability											
Tier II stipend		\$	645	\$	661	\$	678	\$	695	\$	712
Tier III stipend		\$	645	\$	661	\$	678	\$	695	\$	712
Tier IV stipend		\$	562	\$	569	\$	577	\$	584	\$	591
# of Tier II who qualify as occ. Dis			3		4		5		6		7
# of Tier III who qualify as occ. Dis			11		12		13		14		15
# of Tier IV who qualify as occ. Dis			10		11		12		13		14
Estimated annual MOA cost increase, Tier II		\$	3,361	\$	5,037	\$	7,028	\$	9,360	\$	12,059
Estimated annual MOA cost increase, Tier III		\$	12,324	\$	15,110	\$	18,272	\$	21,839	\$	25,840
Estimated annual MOA cost increase, Tier IV		\$	21,150	\$	25,993	\$	31,470	\$	37,619	\$	44,484
Total		\$	36,834	\$	46,139	\$	56,770	\$	68,819	\$	82,384
III. Presumed Disability											
Tier II members w/PD who buy MOA ins.			1		1		2		2		2
Tier III members w/PD who buy MOA ins.			1		1		2		2		2
Tier IV members w/PD who buy MOA ins.			1		1		2		2		2
Estimated annual MOA cost increase, Tier II			4,172		5,942		8,070		10,596		13,564
Estimated annual MOA cost increase, Tier III			4,172		5,942		8,070		10,596		13,564
Estimated annual MOA cost increase, Tier IV			5,167		7,322		9,895		12,930		16,474
Total			13,512		19,205		26,035		34,123		43,602
Medical CPI			5.0%		5.0%		5.0%		5.0%		5.0%
Premium increase			6.5%		6.5%		6.5%		6.5%		6.5%
Spouse Expected Implicit Subsidy		\$	42,000	\$	45,990	\$	50,129	\$	54,390	\$	58,741
Total Cost		\$	400,000	\$	370,000	\$	430,000	\$	500,000	\$	580,000

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Author: maglaquijp

Initiating Dept: Mayor

Select Routing: Standard

Review Depts:

Description:

Keywords:

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Director Name:

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8/3/09 8:30 AM	007898	0	Step1	Joy Maglaqui	Approve	Public	
8/3/09 8:28 AM	007898	0	Step1	Joy Maglaqui	Checkin	Public	
7/31/09 4:05 PM	007898	0	Step1	Rhonda Westover	Approve	Public	
6/29/09 4:51 PM	007898	0	Step1	Nina Pruitt	Approve	Public	
6/24/09 8:30 AM	007898	0	Step1	Bruce Holmes	Approve	Public	
6/23/09 11:09 AM	007898	0	Step1	Joy Maglaqui	Approve	Public	
6/23/09 11:08 AM	007898	0	contribution	Joy Maglaqui	Checkin	Public	