

## ORDINANCE NO. 564

### AN ORDINANCE AMENDING THE AUTHORIZATION OF THE OFFERING OF HEALTH BENEFITS COVERAGE TO CITY OF KYLE RETIREES; REPEALING ALL ORDINANCES IN CONFLICT; PROVIDING AN OPEN MEETINGS CLAUSE; AND PROVIDING AN EFFECTIVE DATE

**WHEREAS**, The City of Kyle, Texas ("Employer") desires to provide health benefits coverage to its retirees;

**WHEREAS**, TML Intergovernmental Employee Benefits Pool is a health risk pool established pursuant to Texas Local Government Code Chapter 172, Texas Government Code Chapter 791, and the Texas Trust Code to provide health benefits coverage for employees and **retirees** and dependents of employees and retirees, of Texas political subdivisions under an Interlocal agreement;

**WHEREAS**, the *Employer* is currently offering health benefits coverage through the TML Intergovernmental Employee Benefits Pool pursuant to Interlocal agreement and Chapter 172 of the Texas Local Government Code, both of which would allow the extension of benefits to retirees of the *Employer*;

**WHEREAS**, the *Employer* desires to provide health benefits coverage to its retirees through the TML Intergovernmental Employee Benefits Pool and that the cost for such coverage be paid for *by the individual retiree and the Employer* as specified in Attachments A and B.

**WHEREAS**, the *Employer* desires to select a plan of benefits for its retirees to be provided by the TML Intergovernmental Employee Benefits Pool; and

**WHEREAS**, providing retiree coverage under the TML Intergovernmental Employee Benefits Pool Interlocal Agreement in the manner provided in the Ordinance is in the best interest of the *Employer*, its retirees, and the public generally;

### BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KYLE THAT:

**SECTION 1:** The foregoing recitals are incorporated into this ORDINANCE as findings of fact.

**SECTION 2:** The *Employer* hereby elects to provide health benefits coverage to its retirees through TML Intergovernmental Employee Benefits Pool under the Pool's Interlocal Agreement.

**SECTION 3:** The Employer hereby adopts the following definitions of "retiree" for purposes of this ORDINANCE:

- A. Group 1 Retirees- All former full-time employees, who have retired from the City after twenty-five (25) years or more of continuous service as an officer or employee of the City. (This includes all currently retired employees receiving benefits.) All current full-time employees, who have completed (5) five or more years of continuous of service as a full-time employee of the City of Kyle by 4-1-2009 and complete a total of twenty-five (25) years or more of continuous service as an officer or employee of the City.

- B. Group 2 Retirees- All current full-time employees, who have completed less than (five) 5 years of continuous of service as a full-time employee of the City of Kyle by 4-1-2009 and complete a total of twenty-five (25) years or more of continuous service as an officer or employee of the City.
- C. Group 3 Retirees- Any full-time employee hired after 4-1-2009 and subsequently completes twenty-five (25) continuous years of service as a full-time employee of the City of Kyle.

**SECTION 4:** The Interlocal Agreement in effect between the Employer and the TML Intergovernmental Employee Benefits Pool provides that the Board of Trustees may adopt rules and regulations. The rules and regulations of the TML Intergovernmental Employee Benefits Pool allow the participating member entity to provide retiree medical coverage at the same contribution as charged to active employees, to select a contribution level which is an elevated percentage (150%, 160%, etc. which may change from time to time) of the active employee contribution or to offer over age 65 retirees a Medicare Supplement. For retirees that fall into one of the groups listed above, the Employer elects provide a contribution level which is an elevated percentage (150%, 160%, etc. which may change from time to time) of the active employee contribution. The contribution shall be in the form of percentages of total cost or a fixed dollar amount that may be applied towards the costs of medical coverage for each retiree Group as specified and defined in **Attachment A-1** to this Ordinance, for as long as the TML Intergovernmental Employee Benefits Pool offers this rate structure for retiree medical coverage. The difference between the total cost of the benefit minus Employer's contribution if any shall be borne by the retiree.

**SECTION 5:** The Employer shall adopt on an annual basis any additional or alternative retiree benefit plans to be provided through TML Intergovernmental Employee Benefits Pool. For all retirees the Employer elects to contribute percentages of total cost or fixed dollar amounts towards the costs of other paid benefit coverages for each retiree Group as specified and defined in **Attachment B-1** to this Ordinance, for as long as the TML Intergovernmental Employee Benefits Pool offers this rate structure for retirees and the City adopts each specific additional or alternative benefit plan. The difference between the total cost of the benefit minus Employer's contribution shall be borne by the retiree.

**SECTION 6:** This ORDINANCE will only apply to individuals retiring after its effective date or to employees, which retired under a previous ORDINANCE. For individuals retiring after the effective date of this ORDINANCE to qualify they must enroll for this coverage within thirty (30) days of their retirement.

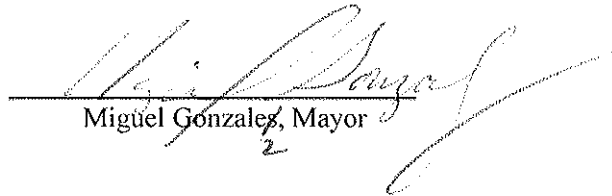
**SECTION 7:** This ORDINANCE may be repealed or modified at any time, but will remain in effect for any employee retiring while it is in effect.

**SECTION 8:** All existing City of Kyle ORDINANCES in conflict with the provisions of this ORDINANCE are repealed to the extent of the conflict.

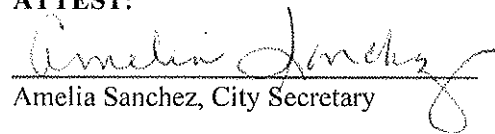
**SECTION 9:** It is hereby officially found and determined that the meeting at which this ORDINANCE was considered was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551 of the Texas Government Code.

**SECTION 10:** This ORDINANCE shall be effective 4-1-2009.

**PASSED AND APPROVED** this 17<sup>th</sup> day of March, 2009.

  
Miguel Gonzalez, Mayor

**ATTEST:**

  
Amelia Sanchez, City Secretary

## Attachment A- 1

	Retiree Groups	<i>The same Medical Plans offered to Active Employees</i>	% Paid or	\$ Amount Paid	<i>The Medical Plan Adopted for employees and their dependents</i>	% Paid by Employer or	\$ Amount Paid by Employer
Currently Retired + those with > 5 yrs service	Group 1	<b>X</b>	100%		<b>X</b>	0%	
Current employees with <5 years of service	Group 2	<b>X</b>		\$300/mo.*			
Employees hired after 4-1-2009.	Group 3			\$00/mo.			

\* Beginning in 2010, the flat dollar amount for Group #2 employees will be increased annually each October 1<sup>st</sup> based on the change in CPI from the immediately preceding 12 month period April through March.

## Attachment B- 1

Applies to Retirees Under Age 65

Listed Benefits Cease when Retiree reaches Age 65

		<i>Dental plan II</i>	<i>Dental Plan III</i>	<i>Vision Plan A</i>	<i>Vision Plan B</i>	<i>Retiree Life</i>	% of Premium Paid by Employer or	\$ Amount Paid by Employer
Currently Retired + those with > 5 yrs service	Group 1	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	100%	
Current employees with <5 years of service	Group 2							
Employees hired after 4-1-2009.	Group 3							



# CITY OF KYLE

## Memorandum

To: Tom Mattis, City Manager  
From: Charles Cunningham, Director of Finance  
CC: Sandra Duran, Director of Human Services  
Date: March 8, 2009  
Re: Amendment to Retiree Benefit Package

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This memo transmits the Ordinance amending the provision of benefits to retirees that has been approved by the City Council after the first reading.

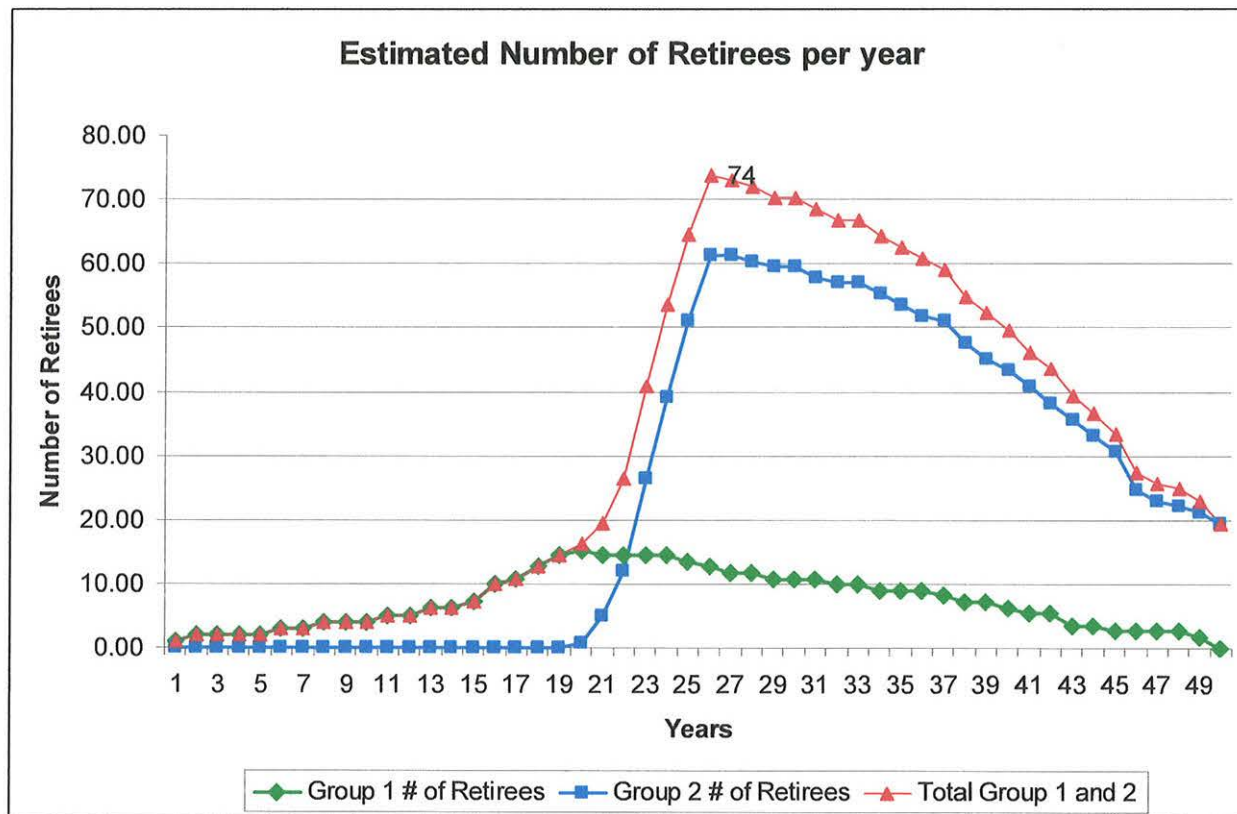
Changes included combining Groups 1 and 2 into Group 1 where all current employees with 10 or more years of continuous service with the City will be entitled to benefits currently enjoyed by the lone retiree in the system. That is payment of 100% of the medical Plan benefit costs for retirees for as long as they want or need it.

Group 2 which includes all other current employees would be eligible to receive payment of \$300 per month against the cost of their medical plan premiums upon retirement with the retiree being required to pay the balance.

Group 3 would consist of all employees hired after April 1, 2009. They would not be eligible for any benefit paid for by the City for their Medical Plan if they choose to continue it after retirement.

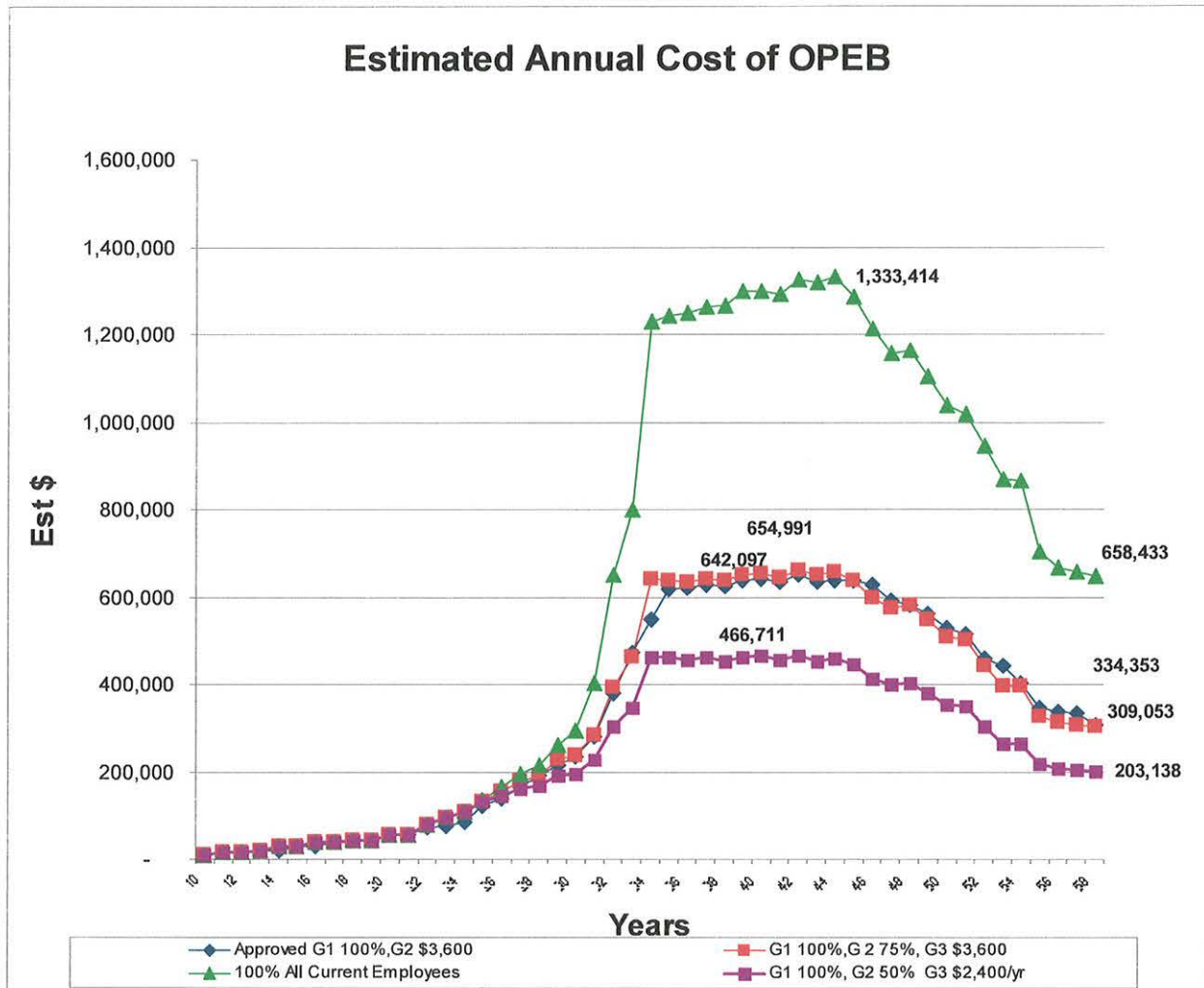
The first chart on the following page (**Exhibit 1**) simply graphs the expected increase in the number of retirees over the next 50 years. It begins with one current retiree and again based on actual ages and length of service of existing employees plots out the growth in the number of employees in Group 1 and Group 2 and the total for both groups.

## Exhibit 1



**Exhibit 2** on the next page, shows the expected impact if the cost of premiums rose at an average rate of 2.5% over the next 50 years under four different plans, previously considered. The approved plan represented by the blue line corresponds fairly closely with the first alternate shown in previous reports. It shows the annual costs peaking at around \$642,00 per year in approximately 2040. Under this plan, the reserve amount required would be approximately \$74,000 annually.

## Exhibit 2



Using an actuarial method to determine the annual amount to be set aside under each of the four possibilities, the following table shows the reserve requirement for each scenario..

**Annual contribution  
to reserve fund for OPEB**

Recommended -	\$54,102
Alternate 1 -	\$74,228
Approved -	\$74,707
Alternate 2-	\$140,690