

WHEREAS, the City of Dallas has historically provided and continues to make group health, dental, vision, and other coverages and welfare benefits available to its eligible retired non-uniformed and uniformed employees and their eligible dependents under various benefit plans sponsored and maintained by the City, as permitted by and consistent with applicable City ordinances and the laws of the State of Texas; and

WHEREAS, the City recognizes the important contributions made by its current employees and retirees and desires to facilitate continuing access to affordable, quality healthcare options for future generations of City employees while responsibly using its resources to provide these benefits on a fair, equitable, consistent, and transparent basis; and

WHEREAS, the City presently maintains two healthcare plans for the benefit of eligible retirees, one covering retirees who have not yet attained age 65 (the "Pre-65 Plan") and one covering retirees who are aged 65 or older (the "Post-65 Plan" and collectively, the "Retiree Plans"); and

WHEREAS, in accordance with the standards set forth in Statement 75 issued by the Governmental Accounting Standards Board - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"), state and local governmental entities may periodically review and assess the substantive terms of written plan documents, other communications, and established patterns and practices regarding the sharing of costs relating to Other Postemployment Benefits ("OPEB") such as the healthcare and life insurance benefits with retired or inactive employees to determine and quantify the extent of any such liabilities; and

WHEREAS, because the OPEB liabilities undertaken by the City impact its credit rating, access to credit markets, and future costs of borrowing, this Council now desires to approve several related actions to clarify and formalize the terms on which group healthcare and other welfare benefits will be provided to retirees of the City, with the goal of creating broad policy goals and guidelines that will inform subsequent revisions to existing City ordinances, personnel rules, benefit plan documents, and other governing authorities; and

WHEREAS, the actions approved by these Resolutions and the terms and conditions applicable to the healthcare and other welfare benefits made available by the City to eligible retirees and their dependents are intended to be consistent with the applicable requirements of state law including, without limitation, Chapter 175 of the Texas Local Government Code and Article III, Section 53 of the Texas Constitution, and such Resolutions and the City's benefit plans and programs providing OPEB benefits shall be interpreted and administered in accordance with such intention; and

WHEREAS, in furtherance of the foregoing goals, this Council adopts the resolutions set forth below to:

- Clarify the eligibility requirements for participation in the Retiree Plans;

- Create a one-time deferred enrollment option for the Post-65 Plan (the “Comeback Option”) to be available to certain retired City employees and their spouses;
- Clarify and limit prospective eligibility to receive City-paid premium subsidies associated with participation in the Retiree Plans and the Medicare program;
- Require annual and five-year independent actuarial reviews of the premiums and claims development for the Retiree Plans, the results of which are to be made available to the relevant internal departments for planning, budgeting, and approval purposes; and
- Direct the development and implementation of internal administrative policies and procedures to coordinate the budgeting, planning, and administrative aspects of the Retiree Plans to facilitate better coordination and integration of the work of the various City departments with administrative and oversight responsibilities for such plans including the Human Resources Department, the Budget and Management Services Department, and the City Controller’s Office, in cooperation and coordination with the administrative offices for the Employees’ Retirement Fund of the City of Dallas and the Dallas Police & Fire Pension System; and
- Reaffirm the City’s reservation of discretion to modify, amend, restructure, or terminate either or both of the Retiree Plans at any time through formal action of this Council, subject to any applicable legal limitations; and
- Provide for the superseding effect of these Resolutions relative to any existing conflicting terms of the Retiree Plans or any related internal policies and procedures and approve any necessary conforming revisions to the relevant City ordinances, Personnel Rules, benefit plan documents, and other applicable documents.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. Eligibility to Enroll in the Pre-65 Plan

Employees who retire from City service prior to attainment of age 65 will be eligible to enroll in the City’s Pre-65 Plan within thirty days following their separation from employment provided;

- (1) They are enrolled in the City’s group health plan for active employees at that time; and

- (2) They are immediately eligible to commence receipt of pension distributions under the Employees' Retirement Fund of the City of Dallas or the Dallas Police & Fire Pension System, as applicable, per the benefit commencement eligibility requirements set forth in the governing ordinance or statute for such funds.

In accordance with Chapter 615 of the Texas Government Code, as amended, the surviving spouse of a sworn employee of the police or fire department, who is killed in the line of duty, is entitled to purchase or continue to purchase health insurance benefits from the City and enroll in the Pre-65 Plan until the date the surviving spouse becomes eligible for federal Medicare benefits. The surviving spouse is entitled to obtain the coverage at the rate paid by current employees of the City.

Both non-uniformed and uniformed employees whose employment with the City ends prior to attainment of age 65 under the disability retirement provisions of the applicable pension plan will be eligible to enroll in the Pre-65 Plan notwithstanding their attained age or years of service with the City.

An employee who is otherwise eligible to enroll in the Pre-65 Plan but waives participation or, having initially enrolled, subsequently drops coverage shall not thereafter be eligible to re-enroll in the Pre-65 Plan but may be eligible to enroll in the Post-65 Plan, as provided in Section 3 below relating to the Comeback Option.

SECTION 2. Eligibility to Enroll in the Post-65 Plan

Employees who retire from City service on or after attaining age 65 will be eligible to enroll in the City's Post-65 Plan following their separation from employment provided:

- (1) They are enrolled in the City's group health plan for active employees, have been continuously enrolled in the City's Pre-65 Plan, or are eligible for deferred enrollment under the Comeback Option on their separation date; and
- (2) They timely enrolled in Parts A and B of the Medicare program.

Enrollment in the Post-65 Plan must occur within thirty days of the date on which the employee first satisfies the foregoing eligibility requirements.

Regardless of the circumstances of an individual's enrollment in the Post-65 Plan, the costs of participation in such plan will be borne entirely by the enrollee based on the coverage elected, and the City will provide no subsidy for any such coverage.

For clarification purposes, any post-65 retirees who have maintained their enrollment in the Pre- 65 Plan pursuant to Chapter 175 of the Local Government Code of the State of Texas may continue such coverage as provided in such chapter.

SECTION 3. Deferred Enrollment in Post-65 Plan (the Comeback Option)

A retired City employee who previously waived enrollment in the Pre-65 Plan or who terminated enrollment in the Pre-65 Plan prior to attaining age 65 may elect to enroll in the Post-65 Plan at age 65 by submitting an enrollment election to the City's Human Resources Department within thirty days of the retiree's timely enrollment in Parts A and B of the Medicare program, provided:

- (1) The retiree was eligible to commence immediate receipt of pension distributions under the Employees' Retirement Fund of the City of Dallas or the Dallas Police & Fire Pension System, as applicable, per the benefit commencement eligibility requirements set forth in the governing ordinance or statute for such funds, and
- (2) The retiree continuously maintained comprehensive group health plan coverage for the retiree and all proposed dependent enrollees for the thirty-six consecutive month period immediately preceding the proposed enrollment date for the Post-65 Plan and, upon request, provides suitable evidence of such continuous coverage to the Human Resources Department.

A retiree who is eligible for deferred enrollment and timely enrolls in the Post-65 Plan may also enroll the retiree's spouse, provided the retiree and the spouse were legally married to one another when the retiree separated from employment. A retiree may not enroll the retiree's spouse in the Post-65 Plan prior to the date on which the retiree enrolls, regardless of the spouse's age.

If a deferred enrollee in the Post-65 Plan subsequently elects to drop coverage (including spousal coverage), neither such enrollee nor any enrolled spouse shall be eligible to re-enroll in the Post-65 Plan in the future for any reason.

Prior to approving a proposed deferred enrollee's enrollment in the Post-65 Plan under the Comeback Option, the City's Human Resources Department will use its best efforts to ascertain the proposed enrollee's eligibility status under the Employees' Retirement Fund of the City of Dallas or Dallas Police & Fire Pension System, as applicable, as of the date on which such enrollee separated, confirm such enrollee's prior enrollment in the Pre-65 Plan, and adopt suitable internal controls and procedures to ensure that enrollment in the Post-65 Plan under the Comeback Option is limited to eligible individuals. The Human Resources Department will make every effort to work collaboratively with the administrative offices for the Employees' Retirement Fund of the City of Dallas and Dallas Police & Fire Pension System, as applicable, to confirm pension eligibility and other matters pertaining to participation in the Retiree Plans.

The Comeback Option is effective beginning with the benefits enrollment period for the 2022 calendar year and will be available only to retirees who satisfy the foregoing conditions on or after such effective date.

SECTION 4. Limitation on City-Funded Subsidies for Retiree Coverage

It is the City's intention to permanently limit the population of current employees or retirees who are or may become entitled to any City-paid cost-sharing for the periodic premiums associated with enrollment and participation in the Pre-65 Plan and the Post-65 Plan. In addition, it is the City's intention to cease providing any subsidy for premiums associated with participation in the Medicare program (including any premiums for Part A or Part B coverage or for Medicare Advantage coverage) except as otherwise expressly provided below.

- **Premiums for Participation in Retiree Plans**

Pre-65 and Post-65 Plan Retirees

Except as expressly provided below, participation in the Pre-65 Plan and the Post-65 Plan will be at the enrollee's sole cost, at the premiums periodically specified by the City, and based on the coverage elections made by the enrollee; and, the City will provide no subsidy for any current City employee or retiree or dependent for participation in either of the Retiree Plans.

Pre-65 Plan Retirees

Notwithstanding the foregoing general limitation and solely with respect to the Pre-65 Plan, City employees and retirees hired prior to January 1, 2010 who have been continuously enrolled in the Pre-65 Plan since their respective separations from employment shall be entitled to a City-paid monthly premium subsidy of 50% of the retiree's cost of coverage until the earlier of (1) the date on which they voluntarily terminate coverage under the Pre-65 Plan, (2) the date on which they enroll in the Post-65 Plan, or (3) the date on which their eligibility to participate in the Pre-65 Plan otherwise ends. No City-paid premium subsidy will be provided for any spousal or dependent coverage elected under the Pre-65 Plan. For purposes of clarification, no retiree aged 65 or older and who is enrolled in the Pre-65 Plan pursuant to the requirements of Section 175 of the Texas Local Government Code will be entitled to receive the foregoing City-paid subsidy.

- **Limitations on City Subsidies for Retiree Health and Other Coverage**

- 1. Post January 1, 2010 Hires**

No City employee who is hired or rehired on or after January 1, 2010 will be eligible for any City-paid subsidies for retiree health coverage provided under the Pre-65 Plan, the Post-65 Plan, or otherwise. Participation in any City-sponsored retiree health plan or program by such an employee will be at the employee's own and sole expense.

2. Medicare Program

Except as expressly provided below, the City will not subsidize or pay for all or any of the costs of enrollment in the Medicare program (including any premiums for Medicare Advantage coverage) by current City employees or retirees.

Effective January 1, 2022, the City will cease to recognize an OPEB liability for Medicare Advantage coverage or any subsidy in connection therewith.

Notwithstanding the foregoing general limitation, the City will pay the monthly premiums for coverage under Part A of the Medicare program for retirees who satisfy all of the following requirements:

- (1) Date of hire is prior to April 1, 1986;
- (2) Valid and continuous enrollment in the Medicare program;
- (3) Insufficient Medicare taxes were withheld during City employment to qualify for cost-free Medicare Part A coverage;
- (4) Continuous enrollment in City's group health plan for active employees through separation of employment; and
- (5) Timely and continuous enrollment in Pre-65 Plan and/or Post-65 Plan, as applicable.

The Human Resources Department will maintain a listing of all Medicare Part A grandfathered retirees, as described above, which list will be updated from time to time to correct any inaccuracies or incomplete information. No retiree who does not satisfy all of the foregoing requirements will be eligible to receive a premium subsidy or will be included on such listing.

3. Dental and Vision Coverage

The City will not subsidize or pay for all or any of the costs of enrollment for dental or vision insurance made available via the Pre-65 Plan and/or the Post-65 Plan to any current City employees or retirees.

4. Spousal and Dependent Coverage

The City will not subsidize or pay for all or any of the costs of enrollment for spousal or dependent coverage under the Pre-65 Plan and/or the Post-65 Plan for any current City employees or retirees.

5. Deferred Enrollment in Post-65 Plan (Comeback Option)

The City will not subsidize or pay for all or any of the costs of enrollment in the Post-65 Plan for any City retirees who enroll via the Comeback Option.

6. Medicare Part B Premiums

The City will not subsidize or pay for all or any of the costs of enrollment in Part B of the Medicare program by any current City employees or retirees.

7. Post-January 1, 2010 Rehires

For purposes of participation in the Retiree Plans and the availability of any City-paid subsidies for related coverage, an employee's original date of hire with the City will be disregarded where that employee separated from employment and was subsequently rehired by the City on or after January 1, 2010.

8. Certain Post-65 Retirees

Retirees who have maintained their enrollment in the Pre-65 Plan pursuant to Chapter 175 of the Local Government Code of the State of Texas may continue such coverage as provided in such chapter at their sole expense but there will be no City-paid subsidy for any such coverage.

- **Grandfathered Life Insurance Benefits**

The City will continue to provide self-insured life insurance benefits, generally with a maximum death benefit of \$2,500, to retirees who retired prior to January 1, 2002 and who are identified by name in the schedule maintained by the Human Resources Department listing all Grandfathered Life Insurance Enrollees, but not including any paid-up individual life insurance policies previously purchased by the City for certain retirees.

SECTION 5. Independent Review and Approval of OPEB Program Costs

An independent actuarial consultant retained by the City will perform annual reviews and rolling five-year reviews of premium rates and claims development under the Retiree Plans to mitigate the risk of creating unintended financial or accounting obligations derived from the City's OPEB liabilities, and to enhance the clarity and transparency of such liabilities.

The City Controller's Office shall be responsible for soliciting and selecting qualified candidates to provide the foregoing reviews, provided that candidates eligible for consideration shall have the following minimum qualifications:

- (1) At least ten years of regular and substantial experience providing actuarial consulting services to governmental entities regarding OPEB valuations and related matters;
- (2) Associate of the Society of Actuaries; and
- (3) Member of the Academy of Actuaries.

The results of the foregoing reviews will be provided to the relevant internal City departments for review and input during the annual budgeting and planning process. The premiums for coverage under the Retiree Plans for each fiscal year shall be collectively reviewed and approved by the Human Resources Department, the Budget and Management Services Department, the City Controller's Office, and the City's Chief Financial Officer before implementation or communication with employee and retiree constituencies.

SECTION 6. Administrative Provisions

The City's Human Resources Department shall establish internal controls and procedures to ensure consistent administration of the Retiree Plans, including verification of eligibility for participation by retirees and their spouses and/or dependents and confirmation of eligibility status with the Employees' Retirement Fund of the City of Dallas or the Dallas Police & Fire Pension System, development of appropriate enrollment and administrative forms, coordination with insurance carriers and external vendors servicing or underwriting any benefit available through the Retiree Plans, and other relevant matters as they may mutually deem necessary or appropriate. The City Controller's Office may periodically review the internal controls and procedures set forth.

The City expects that the administrative offices for the Employees' Retirement Fund of the City of Dallas and the Dallas Police & Fire Pension System shall use their best efforts to provide timely and accurate information about pension eligibility and other pertinent matters to the Human Resources Department upon request to facilitate the administration of the Retiree Plans, and any such information provided shall be maintained by the Human Resources Department in a manner intended to protect its confidentiality and security, consistent with any applicable legal requirements.

Nothing set forth in these Resolutions is intended to or does create any vested or contractual right in current City employees or retirees or any of their respective dependents in any City-sponsored or funded benefit, and the City reserves the right to modify, amend, restructure, or terminate either or both of the Pre-65 Plan and the Post-65 Plan through further formal action of this Council, subject to applicable legal limitations and requirements and meet and confer agreements.

September 22, 2021

SECTION 7. Effective Date

These Resolutions shall take effect immediately from and after its passage in accordance with the provisions of the City Charter of the City of Dallas except as otherwise expressed stated herein, and it is accordingly resolved.