

COMMITTEE SUBSTITUTE FOR ORDINANCE NO. 090911

Amending Chapter 2, Code of Ordinances, Article IX, Pensions and Other Benefits, by enacting a new Division 8 entitled Healthcare System consisting of Sections 2-1390 through 2-1400, for the purpose of establishing and defining the operation of a board of trustees responsible for administering the City's self-funded healthcare plan, and authorizing that board to confer with the City's Benefits and Insurance Committee to complete the transition to a self-funded healthcare plan by May 1, 2010.

WHEREAS, Resolution No. 080822 established the Benefits and Insurance Committee and charged that body with studying the City's current insurance plans and making recommendations as to how the City should best provide and administer health insurance and benefits to its employees and retirees; and

WHEREAS, the City, pursuant to a request for proposals, contracted with an employee benefits advisor for the purpose of advising the Benefits and Insurance Committee with regards to its current medical indemnity programs, and assisting the City in the research and development of a fully or partially self-funded healthcare plan; and

WHEREAS, the City's employee benefits advisor assisted the City in substantially reducing its health insurance and dental insurance renewal rates for the current fiscal year, 2009-10; and

WHEREAS, the Benefits and Insurance Committee, in consultation with the employee benefits advisor, has recommended that the City pursue the implementation of a self-funded healthcare program in lieu of a fully-insured healthcare program; and

WHEREAS, the City Council has considered that recommendation and determined that a self-funded healthcare program is in the City's and its employees and retirees best interests and will result in substantial cost-savings; and

WHEREAS, it is necessary to establish an entity responsible for administering the City's self-funded health care program, once established; and

WHEREAS, the self-funded health care program will initially include only City employees and retirees, but may be expanded in the future to include other governmental entities as provided in Sections 376.1000 to 376.1045, RSMo, if it is determined to be in City's best interests; NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 2, Code of Ordinances, Article IX, is hereby amended by enacting a new Division 8 entitled "Healthcare System" consisting of Sections 2-1390 through 2-1400, said Division to read as follows:

DIVISION 8. HEALTHCARE SYSTEM

Sec. 2-1390. Board of Trustees.

(a) *Established; membership.* There is hereby established a board of trustees which shall manage and direct the affairs of the healthcare system. The board of trustees shall consist of at least 11 members appointed by the Mayor as follows:

- (1) Two members of the City Council, to serve during their term of office.
- (2) The City Manager or designee.
- (3) Two members of Local 500 of the American Federation of State, County and Municipal Employees, one of whom shall be an active employee and one of whom shall be a retiree designated by Local 500 for appointment.
- (4) Two members from each of the unions representing employees of the fire department. Local 42 of the International Association for Fire Fighters shall designate two members for appointment, one of whom shall be an active employee and one of whom shall be a retiree; Local 3808 of the International Association for Fire Fighters shall designate two members for appointment, one of whom shall be an active employee and one of whom shall be a retiree.
- (5) Two non-unionized City employees, one of whom shall be an active employee and one of whom shall be a retiree selected from a group of at least three active and a group of at least three retired employees recommended by the City Manager to the Mayor for appointment.

In the event that the Mayor determines that one or more of the members designated by the employee groups are unable or unfit to serve, then the affected employee group shall provide another name or names as provided for above

The board of trustees shall elect from among its members a chair and a vice-chair.

In the event that other entities become part of this health care trust, the board may make recommendations to the City Council to amend the composition of the board of trustees to provide for comparable board representation from such joining entities.

One-half of the active employee members and one-half of the retired employee members shall serve an initial term of two years. All other employee members shall serve initial terms of four years. Each successor member shall serve for a term of four years. Any member whose term of service has expired is permitted to continue their service until such time as their successor has been appointed to fill the vacancy. Notwithstanding the foregoing, any person who ceases to meet the eligibility criteria for the seat to which they were appointed shall immediately forfeit their status as a member.

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(b) *Ex-officio membership.* The Director of Human Resources and Director of Finance shall serve as ex-officio members of the board of trustees. They shall be entitled to attend and participate in any meeting of the board but shall not be authorized to vote on any matter unless the members present and casting votes are equally divided. Ex-officio members shall not be included within the total membership for purposes of determining the existence of a quorum.

(c) *Organization.* The board of trustees shall adopt rules and regulations for its administration. Each member shall be entitled to one vote. A super majority of sixty percent of the total appointed and serving membership shall constitute a quorum and a simple majority of the quorum shall be required for any decision.

(d) *Determination of Benefits.* The board of trustees shall have the exclusive right, subject to the availability of sufficient funds within the healthcare trust fund, to prescribe the healthcare benefits to be included within any healthcare plan offered to City employees and retirees and consistent with any approved labor agreements.

(e) *Investments.*

- (1) The board of trustees shall be trustee of all funds created by this division and shall have full power to invest and reinvest them. Investments may include, but are not limited to, bonds of the United States government, State of Missouri, municipal corporations including school districts, corporate bonds, real estate mortgages, common and preferred stocks.
- (2) No trustee shall have any direct interest in the gains or profits of any investment made by the board of trustees.

(f) *Professional services.*

- (1) The board of trustees may engage investment, safekeeping, advisory, legal and other professional services as it deems necessary.
- (2) At least every five years an actuarial analysis of the healthcare system shall be conducted. Results shall be reported to the city council, together with recommendations to maintain the system on a sound actuarial basis.

(g) *Regulations.* The board of trustees shall have the exclusive right to prescribe such rules, regulations, forms and procedures as are necessary to administer the healthcare system.

(h) *Day-to-day Administration.* The board of trustees shall appoint an administrator of the healthcare system. The administrator may be an active City employee. The administrator shall attend all meetings of the board of trustees, but shall

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not have a vote. The administrator shall conduct the operations of the healthcare system in accordance with this division and the rules and regulations, directives and resolutions of the board of trustees.

(i) *Records and reports.* The healthcare system administrator shall maintain records of all proceedings. The administrator shall annually publish a report approved by the board of trustees showing the financial transactions for the preceding year, and the financial condition of the healthcare system.

(j) *Compensation.* The trustees shall be reimbursed by the healthcare system for all necessary expenses incurred for service on the board.

(k) *Transition from current system.* The board of trustees shall confer with the City's Benefits and Insurance Committee as established by Ordinance No. 080822 in order to complete the transition to a self-funded healthcare plan by May 1, 2010, to insure consistent benefit level and plan options and shall have the power to procure any goods and services necessary to complete the transition, provided the availability of funds.

Sec. 2-1391. Accounts.

(a) *Generally.* The accounting and financial records of the healthcare system shall be maintained in accordance with generally accepted accounting principles.

(b) *Maintenance.* The director of finance or his designee shall maintain the accounting records and establish such ledger accounts as are necessary and appropriate.

(c) *Payments.* Payments shall be made by the director of finance only upon approval of the board of trustees or in accordance with procedures specified by the board and as authorized by the administrator.

(d) *Commingling of funds.* All cash and investments arising from all sources may be commingled among the board's funds.

(e) *Depositories.* The board of trustees may establish such depositories for cash and investments as it deems necessary and appropriate.

Sec. 2-1392. Assignment of rights.

No City employee or retiree entitled to any benefit payment under the healthcare trust fund shall have the right to assign, alienate, transfer, encumber, pledge, mortgage, hypothecate, anticipate, or impair in any manner his legal or beneficial interest, or any interest in assets of the trust, or benefits of the healthcare system. Neither the fund nor any assets thereof shall be liable for the debts of any City employee or retiree entitled to any benefits under the retirement system plan, nor be subject to attachment or execution or process of any court action or proceeding.

Sec. 2-1393. Preservation of Healthcare Trust Funds.

(a) The assets of the healthcare system shall be held in trust by the board of trustees. All payments made by the City to the healthcare system trust fund and such other payments that are made to the fund on behalf of the City and the City's employees and retirees, all contributions made by the City's employees and retirees electing to enroll in the healthcare system, and all other money or property that lawfully becomes part of the fund, together with the income, gains and all other increments shall be held, managed and administered in trust. The trust shall be known as the Healthcare System of the City of Kansas City, Missouri Trust.

(b) It shall be impossible by operation of the trust or by its natural termination, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means, for any part of the corpus or income of the trust or any funds contributed to the trust to be used for, or diverted to purposes other than the exclusive benefit of any City employee or retiree who is enrolled in the healthcare system, prior to all obligations having been satisfied or provided for.

Sec. 2-1394. Multiple employer self-insured health plan.

The Board of Trustees shall have the power to engage other governmental entities which receive a majority of their annual funding from the City for purposes of determining whether they should be included in the self-funded healthcare plan. No additional employers shall become plan participants, however, without City Council authorization and the establishment of a multiple employer self-insured health plan meeting the requirements of all applicable federal and state laws, including, but not limited to, Sections 376.1000 to 376.1045, RSMo.

Secs. 2-1395 – 2-1400. Reserved.

Approved as to form and legality:

Brian Rabineau
Assistant City Attorney