

December 20, 2013

Re: Federated City Employees' Retirement System Employee Retiree Healthcare Contributions

Dear Member:

For the last several years, employees have been contributing into a health care trust (the "401h Trust") managed by the Federated Retirement Board. The IRS places limitations on how much can be contributed into a 401(h) Trust and as we are getting closer to the limit, the City has created another trust, known as the "115 Trust", to start receiving both employer and employee healthcare contributions. The IRS has approved the City's 115 Trust, so contributions can now start going into that trust.

In the past, with the Section 401(h) Trust, if an employee terminated service she/he had an option of receiving a refund of her/his accumulated contributions for both, pension and retiree healthcare, and foregoing any pension or retiree healthcare benefit. Because the 401(h) did not allow for a return of contributions, the return of all contributions would come from the pension fund. Similarly, the IRS does not permit any refunds from a Section 115 Trust.

Effective Pay Period 1 of 2014, beginning on December 22, 2013, employee contributions made for retiree healthcare will be put into the 115 Trust. Due to IRS regulations, however, contributions put into the 115 Trust **will not be eligible for refund** upon separation from City service. However, any retiree healthcare contributions into the 401(h) Trust made by you prior to pay period 1 of 2014 will still be eligible for refund upon separation from City service. That refund will continue to be made from the pension fund.

Please note that it is not the role of the Federated Retirement Board to provide any alternative for refunding of healthcare contributions in the 115 Trust. Such a mechanism would have to go through the meet and confer process among the bargaining groups and City Administration.

If you have any questions, you may contact the Office of Employee Relations or the Department of Retirement Services.

Sincerely,



Roberto L. Peña

Director, Retirement Services