



October 23, 2014

ATTENTION:
City of San Bernardino Early Retirees Hired Prior to April 1, 1986
(Medicare Mandate)

The City of San Bernardino (the “City”) continues to work through the bankruptcy process in an effort to rehabilitate its financial health and ensure the long-term well-being of the City and its residents. As the City continues this process, it unfortunately must make difficult decisions. In recognition of this reality, the City must make certain changes to the retiree healthcare benefits the City has previously offered to its retirees. The changes are supported by the Official Committee of Retired Employees of the City of San Bernardino appointed in the City’s bankruptcy case, as more particularly described below (the “Retiree Committee”). The purpose of this letter is to outline those changes as they relate to you.

Previously, retirees have been able to participate in the same City-sponsored healthcare plans as active employees, resulting in a “blended pool” of plan participants. Additionally, the City has historically provided its retirees with a subsidy of \$112 per month towards medical healthcare premiums. Due to changes the City is making on a going-forward basis, **effective January 1, 2015, the City is making the following changes to healthcare benefits:**

- **The City will no longer provide a subsidy of \$112 per month toward all retiree medical premiums; and**
- **Retirees will no longer be allowed to participate in a “blended pool” medical plan.**

The City will continue to provide you with medical plan options you can choose from should you wish to continue to be part of the City’s group health plan. However, by moving from a “blended” plan to an “unblended” plan, your premiums will change, and will increase, in some cases significantly.

In the event you decide to move to a plan outside of the City's group health plan, please be aware that you will not be able to rejoin the City's group health plan in the future. However, as a result of negotiations with the Official Committee of Retired Employees of the City of San Bernardino (the "Retiree Committee"), City retirees age sixty-five (65) and older who are ineligible to receive Medicare and who continue to participate on the City's group health plan will be eligible to apply for and receive a subsidy equal to the difference between the current and future premium for the lowest baseline plan. For the 2015 calendar year, this subsidy will be \$112 per month. Increases in the subsidy will be capped at two-percent (2%) annually.

Enclosed is the Open Enrollment Brochure for Plan Year 2015. The packet includes new premium rates and benefits information. This year's **Open Enrollment will occur on November 12, 2014 through November 19, 2014.**

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The City greatly appreciates the service and sacrifices of each of its retired employees and does not make these changes lightly. The Retiree Committee has negotiated and worked with the City to ensure that the retirees are protected as much as possible. **The City understands that the Retiree Committee's willingness to agree to these modifications to retiree healthcare is expressly conditioned on the City continuing to fund and not impair retiree pension benefits provided by CalPERS.**

If you have any questions, please do not hesitate to contact either: (i) the Human Resources Department at (909) 384-5337; or (ii) Bienert, Miller & Katzman, PLC ("BMK"), counsel for the Retiree Committee, at (949) 369-3700. Additional information is also available on BMK's website, located at www.bmkattorneys.com.

Sincerely,

For City:

Helen Tran
HR Division Manager

For Retiree Committee:

Mike Billdt
Jeffrey Breiten
Barbara Pachon
**Retiree Healthcare Subcommittee for the
Official Committee of Retired Employees**