

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF HEMET, CALIFORNIA,
AMENDING THE RETIREE HEALTH INSURANCE POLICY

WHEREAS, the City has previously adopted a Retiree Health Insurance Policy which was effective July 24, 1990;

WHEREAS, by means of Resolutions Number 3209, adopted March 13, 1996 and Number 3317, adopted July 29, 1997, the City Council secured the vested retiree health insurance benefits for personnel hired prior to July 24, 1990;

WHEREAS, on January 29, 1997, the City Council established a hiring freeze pending retiree health benefits amendment or termination;

WHEREAS, the July 24, 1990 policy contains provision for its amendment, and the City Council now desires to amend that policy as set forth in the amended policy attached hereto as Exhibit "A" (hereinafter "the Amended Policy");

WHEREAS, the City has meet and conferred with all labor units regarding the Amended Policy;

WHEREAS, the Amended Policy establishes an additional two tiers of retiree health insurance benefits, the first affecting employees hired between July 24, 1990 and the effective date of the Amended Policy, and the second for employees hired after the effective date of the Amended Policy;

WHEREAS, the employment of all employees hired by the City since January 1, 1998 has been subject to adoption of the Amended Policy, and the City now desires to adopt the Amended Policy to be effective January 1, 1998,

NOW, THEREFORE, BE IT RESOLVED:

1. The Amended Policy attached hereto as Exhibit "A" is adopted effective January 1, 1998.
2. The hiring freeze established by the City on January 29, 1997 is rescinded.

MOVED, PASSED, AND ADOPTED this 14th day of April, 1998.

AYES: Council Members Alberg, Pollom, Tandy, Van Arsdale and Mayor Lowe

NOES: None

ABSTAIN: None

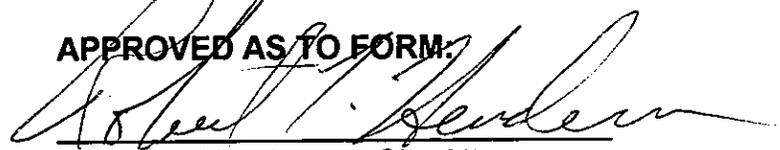
ABSENT: None

ATTEST:


Gene Graves, City Clerk


C. Robin Reeser Lowe, Mayor

APPROVED AS TO FORM:


Robert T. Henderson, City Attorney

CITY OF HEMET RETIREE HEALTH INSURANCE POLICY

SECTION 1. EFFECTIVE DATE OF POLICY AND PURPOSE:

The effective date of this Policy is **January 1, 1998** and is intended to amend, in its entirety, the Policy previously adopted by the City Council which was placed into effect July 24, 1990. It is further the intent of this Policy to establish the ability to create two tiers of health insurance benefits for retired employees as follows:

Tier One will affect all employees hired by the City between July 24, 1990 and the effective date of this Policy, inclusive;

Tier Two will affect all employees hired by the City after the effective date of this Policy.

(This Policy is not intended to affect employees hired before July 24, 1990. Resolution No. 3209, adopted March 13, 1996, and Resolution No 3317, adopted July 29, 1997 by the City Council implemented the City of Hemet Retiree Supplemental Plan which provides health insurance benefits to all employees hired by the City before July 24, 1990.)

TIER ONE:

SECTION 2. RETIREE HEALTH BENEFITS AFFECTING EMPLOYEES HIRED BETWEEN JULY 24, 1990 AND THE EFFECTIVE DATE OF THIS POLICY, INCLUSIVE:

A. ELIGIBILITY FOR VOLUNTARY RETIREMENT FOR SERVICE:

An employee, under eligibility rules as the City may prescribe to implement this policy, who has attained age 50; is credited with five years or more of full-time City service; and, who files for retirement with the Public Employees' Retirement System (PERS) within 180 days of separation from City service, may continue his/her enrollment in their City health insurance benefit plan(s) which are available to Retirees, without discrimination as to premium rates or benefit coverage. In the event the application for retirement is denied by PERS or the employee withdraws such application, the employee shall be ineligible for health benefits under this Policy.

B. DEATH OF ELIGIBLE EMPLOYEE:

In the case of death of an eligible employee, before an effective date of retirement, who has maintained coverage on family members, family members shall be deemed to have been covered on the date of death and enrolled in the Retiree health insurance benefit plan, subject to the eligibility requirements contained in this Policy.

C. SURVIVING SPOUSE AND DEPENDENT COVERAGE:

Upon the death of an eligible Retiree, the eligibility for continued health insurance benefit (or the cash equivalent as provided in Section 4.2) coverage for the benefit of a surviving spouse and/or dependent children shall be limited to continued eligibility for such person(s) to retirement or survivor benefits under PERS, provided such health insurance may be further limited by the terms of a health insurance policy available to such person(s). Should eligibility for continued retirement or survivor benefits to the Retiree's surviving spouse or dependent children for PERS benefits cease or terminate for any reason, the City shall no longer be required to contribute to continuing health insurance benefits for such person(s).

SECTION 3. TIER ONE ELIGIBILITY FOR DISABILITY RETIREMENT REQUIREMENTS:

Disability Health Insurance Benefits Inapplicable to Persons Eligible for Service Retirement Health Benefits:

An employee who is eligible for either a disability or service retirement will be qualified for Retiree health insurance benefits, if any, pursuant to the provisions of Section 2, as set forth hereinabove.

A. ELIGIBILITY:

An employee retired under the PERS provisions as "disabled" as defined in Government Code Section 21020 will be eligible for continued health benefits for his or herself, provided: ("Disabled" includes industrial and non-industrial disabilities.)

- (a) The employee, at the time of his/her disability, has worked full time as a City employee at least five years at the time of disability.
- (b) Eligibility for disability retiree health insurance benefits is contingent on continued eligibility for a PERS disability retirement. In the event of a break in PERS disability retirement eligibility with a subsequent requalification, the Retiree may apply for renewed health insurance benefits during open enrollment periods.

B. SURVIVING SPOUSE AND DEPENDENT(S) COVERAGE:

Eligibility for a surviving spouse and dependent(s) is as provided above at Section 2.C.

SECTION 4. SCHEDULE OF CONTRIBUTIONS BY CITY (FOR SERVICE AND DISABILITY RETIREMENTS):

The City will contribute to the medical premiums of the Retiree or their surviving spouse and/or dependent(s) during their continuing eligibility in accordance with the following schedule:

<u>Years of Full-Time Service</u>	<u>Percent paid by City for Retiree/Spouse and Dependents (balance, if any, to be paid by insured)</u>
Over 5	25% + 7.5% for each full year which exceeds five years.

SECTION 4.1.

Notwithstanding the schedule of contributions set forth in Section 4, the City will contribute 100% of the employee only medical premium for an employee with less than 15 but more than 8-1/2 years of full-time service with the City on the date of injury who is permanently and totally disabled from performing any type of employment, whatsoever, as a result of a non-psychiatric on-the-job injury. The medical premium contribution for the employee's spouse and dependent, if any, shall remain subject to the schedule of contributions set forth in Section 4. The determination of whether an employee is permanently and totally disabled from performing any type of employment, whatsoever, shall be made by a City-appointed physician. An employee initially determined by a City physician to be permanently and totally disabled from performing any type of employment, whatsoever, shall be subject to periodic reevaluation to determine if the employee's condition has changed to the extent that the employee would be able to perform some type of employment. If, in the opinion of the City-appointed physician, the employee's condition does change to the extent that the employee is able to perform some type of employment, the City's medical premium contribution for the employee shall then be determined by the schedule of contributions in Section 4. In order to qualify for this provision, the employee, in addition to any other qualifying criteria, must fully cooperate with a City-appointed physician, including, but not limited to, presenting for any required examinations or tests, providing requested medical records and signing a written authorization to disclose the results of such examinations and tests to the City.

SECTION 4.2. RETIREE OPTION TO RECEIVE CASH IN LIEU OF MEDICAL CONTRIBUTION:

A Retiree, or their surviving spouse, eligible for a City-paid contribution as provided hereinabove in Section 4, may, at their option, elect to be paid in the cash equivalent of the sum the City would otherwise contribute to health insurance at the time of their retirement. In the event more than one medical policy is available to the Retiree, the City will pay the average of the contribution the City would be subject to under such

policies. The election to receive cash in lieu of health insurance benefits under this Policy shall be final.

SECTION 4.3. COVERAGE AT RETIREE'S COST:

Subject to availability of coverage, a permanent employee who retires with the PERS system and is ineligible for any City contribution to Retiree health benefits as provided in this Policy, may purchase an available policy upon retirement, provided the entire cost thereof is paid by the Retiree.

SECTION 5. CITY CONTRIBUTIONS LIMITED BY CONTRIBUTIONS FOR HEALTH INSURANCE BENEFITS IN APPLICABLE MEMORANDUM OF UNDERSTANDING (MOU) OR MANAGEMENT EMPLOYEE RESOLUTION:

The percentage of contribution provided in Section 4 of this Policy will be based upon, and limited to, the health insurance cap rate set by the applicable Memorandum of Understanding which would affect the Retiree if he were actively employed by the City. The Police Management Group and Management Group do not have health insurance caps in their MOU/Employment Resolution. Therefore, their retiree contribution to health insurance, if any, is limited solely by the percentage formula established in Section 4.

SECTION 6. RETIREE CONTRIBUTIONS TO HEALTH INSURANCE PREMIUMS:

It shall be the Retiree's or his/her dependent(s) sole responsibility to maintain payment of applicable contributions to health insurance at all times. In the event a Retiree or his/her dependent(s) are required to contribute to their health insurance premiums, the City will advise of the monthly sum required to maintain the coverage. Payments will be due on the 1st of each month and delinquent on the 15th. Failure to pay such premiums when due may result in the lapse of health insurance benefits. In the event of lapse, re-enrollment will be subject to all eligibility requirements of the applicable health insurance provider and must be applied for not later than the second consecutive open enrollment period following the lapse of coverage. Notice required in this paragraph may be given by First-Class Mail, postage prepaid.

SECTION 7. HEALTH PLANS SECONDARY TO MEDICARE:

When eligible for Medicare, all Retirees will be required to enroll in the Medicare Program, Part A and Part B at their sole expense. The benefits provided by all City

health policies shall be secondary to all coverage offered by Medicare Parts A and B, whether purchased by the Retiree or not.

SECTION 8. COVERAGE MAY BE SECONDARY TO ALL OTHER APPLICABLE HEALTH INSURANCE POLICIES:

Coverage, whether primary or secondary, will normally be specified by the applicable provider of health insurance coverage. However, nothing in this Policy shall require such providers to provide primary coverage when other health insurance applies to the Retiree or his/her dependent(s).

SECTION 9. MEDICAL PLANS PROVIDED BY CITY SUBJECT TO CHANGE:

Health plans which are currently offered by the City may be changed from time to time at the discretion of the City Council, subject to any requirements placed on the City to meet and confer with labor groups, if any. Nothing contained in this Policy shall entitle a Retiree to continued participation in any particular health plan available at his/her date of retirement or thereafter.

SECTION 10. OPEN ENROLLMENT FOR PLAN TRANSFERS:

Upon and after retirement, the Retiree may enroll in any health insurance plan offered by the City to Retirees, subject to open enrollment requirements by the health insurance provider. The Human Resources Manager will attempt to advise Retirees of open enrollment periods when applicable.

SECTION 11. RESERVATION OF RIGHTS TO AMEND POLICY:

The City reserves the right to amend the Retiree Health Insurance Policy after utilizing the meet and confer process with recognized employee organizations to which this Policy applies. Any proposed amendments can include and are not limited to changes in the amount of the deductibles, co-insurance, and other cost containment provisions. Furthermore, any amendments must conform to any other legal requirements applicable at the time of the amendment.

EXHIBIT "A" TO RESOLUTION 3349

TIER TWO:
NO HEALTH INSURANCE BENEFIT:

SECTION 12. TIER TWO BENEFIT:

- A.** In lieu of any other retiree health insurance benefit provided by the City for employees hired after the effective date of this Policy, the City will contribute the sum of Fifty Dollars (\$50.00) per month to the employee's IRS Code Section 457 Deferred Compensation Plan.
- B.** Notwithstanding the provisions of subsection A. of this paragraph, employees hired after the effective date of this Policy and who subsequently retire, may purchase retiree health insurance benefits at their sole cost, if qualified by the terms of Section 4.3.

cc: City Council
Interim City Manager Steve Temple
Planning Director Mark Goldberg
Human Resources Manager Mike Adams
Acting Finance Director Rich Jacobs
Police Chief Evanson
Deputy Police Chief Hewitt

FAX: Bob Krause
Brenda Diederichs
Bill Floyd
Mark Reid
Mike Crowell

EXHIBIT "A" TO RESOLUTION 3349