

**COUNTY OF SACRAMENTO  
CALIFORNIA**

ATTACHMENT IV

For the Agenda of:  
June 10, 2008

To: Board of Supervisors

From: Terry Schutten, County Executive

Subject: Retiree Medical And Dental Insurance Program For Calendar Year 2009

Contact: David Devine, Director of Department of Personnel Services (874-4977)

**Overview**

A retiree medical and dental insurance program is considered each calendar year by the Board of Supervisors. This item requests approval of recommended 2009 program eligibility guidelines and program for calendar year 2009.

**Recommendations**

A. Approve the attached resolution to:

- 1) Approve, (a) access to medical insurance for retirees; (b) retiree medical and dental insurance offset payments for County retirees and retirees from dependent special districts that retired prior to June 1, 2007, and (c) the 2009 Retiree Medical and Dental Insurance Program Policy which includes a modification to the Premium dental plan.
- 2) Direct staff to obtain an actuarial analysis of the expected cost of the Retiree Health Insurance Program for calendar year 2009, and to return and present it to the Board for approval prior to August 1, 2008.

B. Direct staff to notify all participating special districts of the Board's action and encourage the independent districts to adopt a similar policy regarding access to medical insurance and medical offset and dental insurance premium payment guidelines for their eligible retirees.

**Fiscal Impact**

There is no fiscal impact associated with this recommendation for the remainder of Fiscal Year 2007-08. The recommendations will impact the 2<sup>nd</sup> half of FY 2008-09, and therefore approval of these recommendations will have an impact on the upcoming fiscal year budget. The County cost of the Retiree Medical and Dental Insurance Program for medical and dental payments is estimated by staff to be \$13.3 million for the 2009 calendar year (estimated cost for fiscal year 2008-09 is also \$13.3 million).

The Premium dental plan has no extra cost to the County however the retiree pays the amount in excess of the County's \$25 contribution. At this time the retiree pays \$1.42 for

the Basic plan and \$8.83 for the Premium plan. The new Premium plan costs will be brought to the Board prior to August 1, 2008. Retirees are not guaranteed medical or dental insurance cost subsidization at a particular level or at all. The Board may elect not to provide future subsidies at any time.

## **BACKGROUND**

The County has never vested retirees with a medical or dental insurance benefit. However, since 1980, based upon annual determinations of the Board, County retirees have been provided a medical insurance and dental insurance offset to assist them with the purchase of medical and dental insurance. On June 8 and June 10, 1993, the Board of Supervisors and the SCERS Board adopted Resolution No. 93-0778, which made California Government Code Section §31592.4 operative in Sacramento County. That Resolution provided that, by action of the SCERS Board and the Board of Supervisors, "excess earnings" from the SCERS system could be used as a funding source for retiree medical and dental insurance benefits. Subsequently, annually, the Board has adopted similar resolutions establishing retiree medical and dental care benefit programs for SCERS retirees. This program provided benefits to both County and participating Special District retirees who were drawing a pension check from SCERS.

Beginning with Fiscal Year 2004-05, SCERS funding was no longer available and the County began to fund the program via allocated charges to all County departments. Similarly, SCERS-participating Special Districts made independent determinations regarding funding medical and dental offset payments for their retirees. In May 2007, the Board approved continued funding of the program through December 31, 2008.

Since September 2003, the Board has formally adopted a Retiree Medical and Dental Insurance Policy to govern eligibility for, and access to the medical and dental insurance plans and subsidies (if any) for the subsequent year that are offered by the County to its retirees. The policy currently in place for participation in the County's 2008 Retiree Medical and Dental Insurance Program is attached as **Exhibit A**.

Last year the experience of the Premium (or "buy up") dental plan warranted a significant increase in the premium for that program. The underwriting principles adopted by Delta Dental of California would not permit the type of increase required for that program without some increase in the Basic program. It is the position of Delta Dental of California that when the difference between the premiums of the Basic program and the Premium program becomes too large it significantly increases the potential of adverse selection and their risk for the fully insured program. Accordingly, Delta Dental increased the monthly premium for the Basic plan from \$25 to \$26.42 or \$1.42/month. Staff is concerned about the future impact of these underwriting principles and requested information regarding the options available to protect the benefit and financial integrity of the Basic plan.

In addition to the concerns of staff, the Sacramento County Retiree Association (SCREA) has expressed concern about the “value” of the Premium plan. Based upon the concerns of staff and SCREA, staff worked with our brokers, Alliant and Keenan and Delta Dental of California to develop a program that would provide value to retirees and protect the premiums of the Basic plan. While the rates are not available at this time, SCREA and the staff have agreed to modify the plan design of the Premium plan. The first modification includes the introduction of a 3-tiered benefit structure. Retirees participating in the Premium plan who obtain services from a Preferred Delta Dental Dentist will receive the same benefits as they currently do. Retirees who seek services from a contracted Delta Dental Dentist (non Preferred) will also receive the same benefits as they do now. Retirees who obtain services from a dentist who is not from the preferred list or the contracted dentist list will receive a reduction in the benefits paid. Approximately 4.7% of the services provided in 2007 were provided by these dentists. The second change includes a “two-year lock in” for individuals that select the Premium plan. That is, any retiree that selects the Premium plan must stay in that plan for a minimum of two full calendar (plan) years.

The introduction of the three tiered structure is expected to save approximately .8% in future rate increases. The introduction of the two-year lock in is expected to save 4% in future rate increases for the retirees enrolled in the Premium Plan. This would not impact the County cost if the Board approves a flat subsidy similar to the \$25 amount offered in 2008 for those retired prior to June 1, 2007. The savings for these two actions would result in a smaller increase to retirees. These two changes may – but we do not have actual quotes at this time – reduce the 2009 premium for the Basic plan back to the 2007 rates. This translates to free dental coverage for the retiree if the County continues the \$25 subsidy for those retired prior to June 1, 2007. Currently retirees eligible for the dental subsidy pay \$1.42 per month for the Basic dental coverage and \$8.83 per month for the Premium plan.

These two modifications to the Premium plan have the unanimous support of the SCREA Board and are recommended by the staff.

## **DISCUSSION**

The Retiree Medical and Dental Insurance Program provides access to group medical and dental insurance and medical and dental offset payments to some retirees to help County retirees afford this coverage. These benefits are not vested benefits of employment with the County and are subject to determination and appropriation each year by the Board of Supervisors. The Board can end this program at any time.

For calendar year 2007, the County paid approximately \$13.3 million toward medical and dental coverage for County retirees who retired prior to June 1, 2007. The following table presents costs for the past several calendar years and displays the projected cost for 2008 program:

Retiree Medical and Dental Insurance Program For Calendar Year 2009

Page 4

<b>Year</b>	<b>Medical</b>	<b>Dental</b>	<b>Total</b>
2003	\$9,866,728	\$1,685,815	<b>\$11,552,543</b>
2004	\$11,952,618	\$1,775,755	<b>\$12,728,373</b>
2005	\$11,396,928	\$1,895,545	<b>\$13,292,473</b>
2006	\$11,391,432	\$1,950,000	<b>\$13,341,432</b>
2007	\$11,337,403	\$1,996,275	<b>\$13,333,678</b>
2008 projected	\$11,300,000	\$1,994,700	<b>\$13,294,700</b>

The current maximum offset payment of \$244 was established effective July 1, 2002 which corresponded to the full cost of the retiree only premium for a retiree not participating in Medicare (generally this includes retirees under the age of 65) for the Health Net HMO plan. This level was determined under the practice in effect at that time which tied the offset payment to the highest cost HMO medical plan with at least 10% of retirees enrolled in that program. Beginning in 2003 and in subsequent years, the prior practice was changed and the Board has adopted a fixed subsidy amount each year. The following table provides a history of the subsidy levels that have been provided since 1994 (this table does not include the dental subsidy which is \$25):

Years of Service	<10	10-15	15-20	20-25	25+
Fiscal Year					
1994-5	\$93	\$116	\$139	\$162	\$186
1995-7	\$86	\$108	\$129	\$151	\$172
1997-8	\$84	\$105	\$126	\$147	\$168
1998-9	\$78	\$98	\$117	\$137	\$156
1999-0	\$84	\$105	\$126	\$147	\$167
2000-1	\$93	\$116	\$139	\$162	\$186
2001-2	\$101	\$126	\$151	\$176	\$202
2002-8 *	\$122	\$152	\$182	\$212	\$244

\*Calendar year

Under the proposed 2009 Retiree Medical and Dental Insurance Policy, retirees not receiving a subsidy will still have access to the County's group insurance programs on a retiree-pay-all basis. For many retirees it is their only avenue to purchase quality, affordable medical insurance coverage. While access to coverage will still be available in the 2009 calendar year, there can be no guarantees for the future, especially for the individuals who retire without being eligible for Medicare (generally those between the ages of 50 and 65). Representatives of group insurance providers have previously

indicated concerns regarding the potential loss of retiree medical subsidy payments, due to the adverse selection nature of retirees who continue with group medical insurance enrollment absent an employer-provided subsidy. Staff will continue to work with Keenan and Associates (our broker) and the carriers to maintain our long standing policy of blending health premium rates for active employees and retirees not eligible for Medicare. The current group dental insurance contract does preclude the reduction or elimination of the offset.

In fiscal year 2007-08 GASB 45, OPEB (Governmental Accounting Standards Board, Other Post Employment Benefits) rules will apply to the County. In addition to funding any medical and dental subsidy that is provided to retirees, the County will be required to account for and report the net OPEB obligation, annual OPEB cost or expense and funding status of the program. Since the Medical and Dental Insurance Program (Program) requires an annual authorization by the Board of Supervisors, there are no vested benefits for employees or retirees associated with the Program. In addition, since County management has not made any guarantees or promises to continue the Program the County does not have a legal obligation to continue it. Because the County does not have a legal obligation to continue the Program, we originally thought the County did not have a GASB 45 OPEB liability. However, based on subsequent meetings with our previous external auditors, Macias, Gini & O'Connell LLP, they have clarified our understanding of GASB 45, and have indicated the County is required to report an OPEB liability based on accounting and reporting requirements versus a legal obligation. We expect to have the results of the GASB 45 actuarial report by July 30, 2008 and will include the results of this study in the annual financial statements for the fiscal year ending June 30, 2008.

This report recommends providing retiree medical and dental insurance offset payment benefits for the 2009 calendar year at the 2008 level of subsidies for all individuals that retired before June 1, 2007 and approve the "two-year-lock" for the dental Premium plan. Staff has estimated the cost to be approximately \$1.9 million for dental and \$11.3 million for medical offsets, for a total cost of approximately \$13.3 million in calendar year 2008. Retirees not eligible for the offset payment will continue to be provided the option to enroll in a County-sponsored retiree medical plan on a self-pay basis. The policy proposed for your approval is found in **Exhibit B** in a "redline" version and in **Exhibit C** in a final draft version.

The second recommendation (A2), in accordance with Government Code §7507, provides that an actuary's determination of the expected cost be obtained and published two weeks prior to increasing any public retirement plan benefits. Because the County's program is not a vested benefit and requires an annual determination of what program, if any, is provided, any payment beyond December 31, 2007 constitutes an increase in benefits to the recipients. Following the Board's action on policy changes recommended in this report, the services of an enrolled actuary will be engaged to prepare the necessary report. It is anticipated that the actuary's report will be presented for approval prior to August 1, 2008.

This recommendation has been reviewed by County Counsel and has received the concurrence of that Office.

The final recommendation is to direct staff to work with the independent districts currently participating in the program to encourage them to adopt a similar program. The purpose of this recommendation is to continue to provide access to all retirees, provide offset payments to those that retired prior to a date specific and to maintain some level of administrative consistency.

### **FINANCIAL ANALYSIS**

There is no fiscal impact associated with this action for the remainder of the fiscal year. The cost of the Retiree Medical and Dental Insurance Program for medical and dental payments is estimated by staff to be \$13.3 million for the 2009 calendar year (estimated cost for fiscal year 2008-09 is \$13.3 million). Retirees are not guaranteed medical or dental insurance cost subsidization at a particular level or at all. The Board may elect not to provide future subsidies at any time.

Respectfully submitted,

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TERRY SCHUTTEN  
County Executive

Attachment

Cc: County Counsel, Retirement Administrator, Internal Services Agency Administrator, Director of Department of Personnel Services, Director of Finance; County Benefits Manager; Recognized Employee Organizations; Sacramento County Retired Employees Association

RESOLUTION NO. \_\_\_\_\_

**RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM FOR CALENDAR  
YEAR 2009**

**WHEREAS**, the Board of Supervisors of the COUNTY OF SACRAMENTO, a political subdivision of the State of California, recognizes and affirms that the provision of retiree medical insurance, dental insurance, or a subsidy to assist with the payment for such coverage is not a vested benefit of employment with, or retirement from, the County of Sacramento or any other Sacramento County Employees' Retirement System (SCERS) participating agency; and

**WHEREAS**, the County of Sacramento currently provides eligible SCERS retirees with access to health and dental insurance benefits through County-sponsored medical and/or dental insurance programs; and

**WHEREAS** the Board of Supervisors has adopted a "Retiree Medical and Dental Insurance Program Administrative Policy" to establish consistent administration of the retiree health insurance program;

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** that by its approval of this resolution, the Board of Supervisors of the COUNTY OF SACRAMENTO, a political subdivision of the State of California, hereby approves the following:

- access to medical insurance for retirees;
- retiree medical and dental insurance offset payments for County eligible retirees and retirees from dependent special districts that retired prior to June 1, 2007, and
- the 2009 Retiree Medical and Dental Insurance Program Policy which includes a modification to the Premium dental plan and

**BE IT FURTHER RESOLVED** that the Director of the Department of Personnel Services is hereby directed and authorized to do and perform all things necessary to carry out the purpose of this Resolution.

**RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM FOR CALENDAR  
YEAR 2009**

Page 2

On a motion by Supervisor \_\_\_\_\_, seconded by Supervisor \_\_\_\_\_,  
the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of  
Sacramento this 10th day of June, 2008, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

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Chair of the Board of Supervisors  
of Sacramento County, California

(SEAL)

ATTEST: \_\_\_\_\_  
Clerk, Board of Supervisors



**RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM**  
**ADMINISTRATIVE POLICY**  
**Effective January 1, 2008**  
**Through December 31, 2008**

**I. INTRODUCTION**

This policy sets forth the guidelines for the administration of the Retiree Medical and Dental Insurance Program. The program includes medical insurance and dental insurance, and subsidy/offset payments as authorized by the County Board of Supervisors for calendar year 2008. This policy constitutes a component of the County's Plan for Retiree Medical and Dental Insurance and is effective only for the calendar year 2008.

**II. DISCLOSURE**

This policy is effective solely for the calendar year 2008. It does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all.

The County reserves the right, in its sole discretion, to amend or terminate, in whole or in part, this Policy during its one-year term by Resolution of the County Board of Supervisors.

**III. MEDICAL INSURANCE COVERAGE**

During the one-year term of this Policy, medical insurance coverage is offered through contracted health insurance carriers, as negotiated between the County and its recognized employee organizations. The County will endeavor to maintain a variety of health insurance coverage options for Annuitants but does not guarantee that any particular health insurance carrier, type, or level of coverage will be available to Annuitants, or that any coverage at all will be available to Annuitants.

Medical insurance coverage options for Annuitants living outside of the geographic boundaries of the HMO insurance plans offered to County Annuitants will be provided only to the extent that any such coverage option is available and offered by the health insurance carriers providing coverage to the County's employees and Annuitants.

**IV. DENTAL COVERAGE**

Dental coverage is currently offered through Delta Dental. This program is separate and apart from the dental program offered to active employees. The County does not guarantee that any particular dental insurance carrier, type, or level of coverage will be available to Annuitants, or that any coverage at all will be available to Annuitants.

**V. ELIGIBILITY TO PURCHASE MEDICAL AND/OR DENTAL COVERAGE**

All Annuitants are eligible to enroll in a retiree medical and/or dental insurance plan for 2008.

Eligibility for the County-provided subsidy/offset shall be as determined in Section IX of this policy. An Annuitant must enroll in a medical and/or dental insurance plan within 30 days of notification of eligibility or he or she will be deemed to have waived coverage.

As a condition of participation in the County-sponsored plan, all Annuitants or Dependents that are eligible for Medicare Part A and/or B, or who subsequently become eligible to purchase Medicare Part A and/or B, must enroll in one of the County-sponsored medical plans that provides for assignment of, or coordination with, Medicare benefits. Annuitants or Dependents who are eligible for Medicare must either: 1) purchase Medicare Part A and/or B (even if such purchase is subject to a penalty under applicable federal law); or, 2) pay any penalty rate determined by the health insurance carrier for Medicare eligible members who do not have Medicare Part A and/or B. For Annuitants who are eligible for Medicare, failure to purchase or maintain Medicare Part A or B when eligible, or to enroll in a plan that requires assignment of, or coordination with, Medicare shall be considered a waiver of County-sponsored coverage and coverage will terminate. For Dependents that are eligible for Medicare, failure to purchase or maintain Medicare Part A or B when eligible, or to enroll in a plan that requires assignment of, or coordination with, Medicare shall result in loss of eligibility and the Dependent shall be dropped from coverage. It is the participant's responsibility to notify the Benefits Office of their eligibility and/or enrollment in Medicare.

Annuitants and Dependents with Medicare eligibility that are enrolled in County-sponsored medical plans shall keep their Part D benefits available for enrollment in or coordination with County-sponsored Medicare Part D coverage. An Annuitant or Dependent who is enrolled in a non-County prescription drug plan under Part D of Medicare may not be enrolled in any County-sponsored health benefit plan.

A continuing beneficiary who is a spouse or a registered domestic partner, or a Survivor, may elect to purchase a retiree medical and/or dental plan whether or not they were enrolled in the program at the time of the enrolled retiree's or active member's death. The medical insurance subsidy/offset payment, if any, will be provided to a continuing beneficiary who is a spouse or a registered domestic partner, or a Survivor, on the same basis as it was, or would have been, made available to a retiree.

(Note: This applies only to Annuitants who are receiving a benefit based upon County employment. Eligibility for Annuitants that were last employed with a Special District or other SCERS employer shall be determined by separate agreement between the County and District or other employer.)

#### **VI. DEPENDENT ELIGIBILITY**

Annuitants (including Survivors) may add newly acquired Dependents to their medical and/or dental insurance coverage within 30 days of an eligibility event (e.g. marriage, adoption, domestic partner registration, loss of other coverage, etc.) or during any enrollment period specified in the sole discretion of the County.

#### **VII. ELECTION PERIOD**

An Annuitant who is eligible to enroll in a medical and/or dental insurance plan as provided in this policy must do so within 30 days from the date of notification of program eligibility. An otherwise eligible Annuitant who waives, or is deemed to have waived coverage under the program may enroll within 30 days of a Qualified Status Change Event, or during any enrollment period specified in the sole discretion of the County. Such enrollment shall be contingent upon the Annuitant presenting proof that is satisfactory to the County that the Annuitant has been continuously covered by another group health insurance plan or individual Medicare Advantage plan for a period of not less than 12 months with no break in coverage exceeding 63 calendar days immediately prior to the requested enrollment in a County-sponsored plan. The 12 month requirement will be deemed to be met if the coverage satisfies the requirements for creditable coverage under the Health Insurance Portability and Accountability Act of 1996.

Upon the death of an Annuitant or active employee, a continuing beneficiary who is a spouse or registered domestic partner, or a Survivor, will have 30 days to enroll in a medical and/or dental insurance plan. Failure to do so shall constitute a waiver of medical and/or dental insurance coverage.

#### **VIII. EFFECTIVE DATE OF COVERAGE**

Upon retirement or the occurrence of a Qualified Status Change Event, the effective date of medical and/or dental coverage shall be the first day of the month coincident with or next following the first retirement check, or the first day of the month following submission of medical and/or dental plan enrollment forms, whichever occurs later. If an Annuitant enrolls during an open enrollment period, the effective date of medical and/or dental coverage shall be the date specified by the County in connection with that open enrollment period.

**IX. ELIGIBILITY FOR SUBSIDY/OFFSET PAYMENTS**

Annuitants who retired for any reason on or before May 31, 2007 and who are receiving a subsidy/offset on December 31, 2007, are eligible to receive a County-paid medical or dental insurance subsidy/offset payment during calendar year 2008:

The following shall apply to this section:

“SCERS-covered employment” shall mean time actually worked for a SCERS-participating agency, including any SCERS-purchasable service credit that was earned through redeposit based on prior employment, part-time employment with a SCERS-participating agency, military service credited per Government Code Section 31649 as adopted by Board of Supervisors Resolution No. 11-125, or time eligible for purchase due to a leave of absence, provided that such time has actually been purchased.

**X. AMOUNT OF SUBSIDY/OFFSET PAYMENT**

The amount of any medical subsidy/offset payment made available to Annuitants shall be calculated based on the Annuitant’s SCERS service credit. For purposes of this section, “SCERS service credit” shall be the amount of service credit established by SCERS as the basis of payment for the Annuitant’s pension benefit. The amount of any dental subsidy/offset payment made available to Annuitants shall be set by the Board of Supervisors.

Neither SCERS nor the County of Sacramento guarantees that a subsidy/offset payment will be made available to Annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership.

The amount of subsidy/offset payment, if any, payable on account of enrollment in a County-sponsored retiree medical and/or dental insurance plan, shall be established within the sole discretion of the Sacramento County Board of Supervisors. For calendar year 2008, the amount of subsidy/offset payments are as follows:

<u>Years of SCERS service credit</u>	<u>Amount of subsidy/offset payment if retired on or before 5/31/07</u>
Less than 10 years	\$122
10 years but less than 15 years	\$152
15 years but less than 20 years	\$182
20 years but less than 25 years	\$212
25 years or more	\$244
Dental coverage	\$ 25

**XI. APPLICATION OF THE MEDICAL AND/OR DENTAL SUBSIDY/OFFSET**

Subsidy/offset payments, when made available, will be applied to the total premium cost incurred by an Annuitant for medical and/or dental insurance purchased through a County-sponsored plan. If the subsidy/offset payment amount exceeds the cost of the single party premium, the balance will be used to reduce the cost of dependent coverage, if applicable. If there is no dependent coverage, the amount of the subsidy/offset payment otherwise available to the Annuitant shall be limited to the actual amount necessary to pay the cost of the single party premium.

Subsidy/offset payments may only be applied to the coverage for which they are provided. A medical subsidy/offset may not be applied to dental coverage premiums, or vice versa. In no event shall an Annuitant receive a cash payment for any portion of a subsidy/offset payment that is not used to pay for the Annuitant's coverage through a County-sponsored medical or dental insurance plan. The subsidy/offset payment shall not be used to purchase coverage outside of a County-sponsored plan.

The amount of subsidy/offset, if any, that is used to pay for coverage of a registered domestic partner, dependent(s) of a registered domestic partner, and/or other covered dependent who do not meet the definition of "dependent" as defined in IRC §105, shall be subject to federal tax withholding based on the imputed income value of the benefit provided.

**XII. PREMIUM BALANCE PAYABLE**

If an Annuitant's medical or dental insurance premium is greater than the sum of the Annuitant's monthly retirement allowance *plus* any subsidy/offset payment provided by the County, the Annuitant shall be responsible for keeping premium payments current. Premium balances owed by an Annuitant must be paid within 60 days of the coverage effective date, or coverage will be dropped the first of the month following the 60 day period, retroactively to the last date of paid coverage. An Annuitant that is dropped from coverage for non-payment of premium shall not be permitted back into the program at a later date.

**XIII. WAIVER OF COVERAGE**

An Annuitant may waive medical and/or dental coverage under the Retiree Health Insurance Program at any time by withdrawing from coverage and signing a "Waiver of Coverage" form. Any subsidy/offset payment will end if coverage is waived. Annuitants who waive coverage in this manner during 2008, who have previously waived coverage, or who are deemed to have waived coverage for any reason (except for non-payment of premium as set forth in Section XII

above), shall be permitted to enroll in County-sponsored retiree coverage within 30 days of a Qualified Status Change Event or during any enrollment period specified in the sole discretion of the County, subject to all terms and conditions set forth in this policy (including proof of continuous coverage as described in Section VII), provided such coverage is being offered to similarly situated Annuitants by the County at the time coverage under the re-enrollment request is to become effective. Similarly, eligibility for a subsidy/offset payment shall be restored provided that the County is providing subsidy/offset payments to similarly situated Annuitants at the time of the re-enrollment request.

#### **XIV. DEFINITIONS**

**Annuitant** is a retiree, as defined; or is a survivor, or beneficiary who receives a monthly retirement allowance from SCERS. An individual receiving a monthly retirement allowance from SCERS solely as the result of a divorce settlement agreement is not an Annuitant for purposes of this policy or eligibility for participation in the Retiree Health Insurance Program.

**Beneficiary** is an individual named as a beneficiary receiving a monthly retirement allowance as a result of the death of a Retiree.

**Deferred Member** is a SCERS participant who leaves County or member district employment and leaves their retirement contributions on deposit with SCERS as permitted by SCERS rules and regulations.

**Dependent** for purposes of this policy shall be an Annuitant's spouse or registered domestic partner and unmarried children (natural, step, adopted, legal guardianship and/or foster) including children of a registered domestic partner, who are under 19 years of age, or who are under 24 years of age and attending school as a full-time student in an accredited secondary school, college or university. Verification of full-time student status will be needed for each semester or quarter and must be submitted to the Employee Benefits Office. Medical and Dental eligibility will be extended through a summer break if the student was enrolled full-time and completed the preceding school term, and will be attending school in the next available term.

**Qualified Status Change Event** shall have the same meaning as defined in Section §125 of the Internal Revenue Code and shall also include events affecting the coverage or eligibility of a registered domestic partner or the dependent(s) of a registered domestic partner. Examples of qualified status change events include: marriage or divorce, registration or dissolution of a domestic partnership, birth, adoption, change of residence affecting health plan eligibility, or a dependent ceasing to be a dependent due to age limitations. This list is intended to be illustrative and is not exhaustive.

**Registered Domestic Partner** shall have the same meaning as set forth in Section §297 of the California Family Code.

**Retiree** is a SCERS member who has met eligibility requirements and has received a service retirement or disability retirement.

**Survivor** is a spouse, registered domestic partner, or minor child of an employee who died during active service and is receiving a monthly retirement allowance as a result of the death of the active member.

(Note: For purposes of this policy and these definitions, a retiree of, or an employee (including their subsequent Survivor) retiring from, a SCERS member district or other SCERS-participating employer shall be an Annuitant only if so provided by separate agreement between the County and such district or other employer.)

**RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM  
ADMINISTRATIVE POLICY  
Effective January 1, 2009  
Through December 31, 2009**

**I. INTRODUCTION**

This policy sets forth the guidelines for the administration of the Retiree Medical and Dental Insurance Program. The program includes medical insurance and dental insurance, and subsidy/offset payments as authorized by the County Board of Supervisors for calendar year 2009. This policy constitutes a component of the County's Plan for Retiree Medical and Dental Insurance and is effective only for the calendar year 2009.

**II. DISCLOSURE**

This policy is effective solely for the calendar year 2009. It does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all.

The County reserves the right, in its sole discretion, to amend or terminate, in whole or in part, this Policy during its one-year term by Resolution of the County Board of Supervisors.

**III. MEDICAL INSURANCE COVERAGE**

During the one-year term of this Policy, medical insurance coverage is offered through contracted health insurance carriers, as negotiated between the County and its recognized employee organizations. The County will endeavor to maintain a variety of health insurance coverage options for Annuitants but does not guarantee that any particular health insurance carrier, type, or level of coverage will be available to Annuitants, or that any coverage at all will be available to Annuitants.



Medical insurance coverage options for Annuitants living outside of the geographic boundaries of the HMO insurance plans offered to County Annuitants will be provided only to the extent that any such coverage option is available and offered by the health insurance carriers providing coverage to the County's employees and Annuitants.

#### **IV. DENTAL COVERAGE**

Dental coverage is currently offered through Delta Dental. This program is separate and apart from the dental program offered to active employees. The County does not guarantee that any particular dental insurance carrier, type, or level of coverage will be available to Annuitants, or that any coverage at all will be available to Annuitants.

Effective January 1, 2009 eligible Annuitants and their dependents who enroll in or are currently participating in the Premium Dental Plan must remain in the Premium Dental Plan for a minimum of 2 consecutive plan years before being allowed to select the Basic Dental Plan, change coverage levels by reducing dependent coverage, or waive dental coverage. Annuitants and their dependents already participating in the Premium Dental Plan on December 31, 2008 will have their prior coverage period included in the 2 year continuous coverage requirement.

If an eligible dependent is added to the Premium Dental plan in the middle of a plan year on account of a Qualified Status Change Event, both the Annuitant and the dependent must remain in the Premium Dental Plan for a minimum of 2 consecutive plan years beginning on January 1 of the following plan year before any change in coverage is allowed.

A Qualified Status Change Event will not allow for a change out of the Premium Dental Plan for the Annuitant unless the Annuitant has participated in the Premium Dental plan for a minimum of two consecutive plan years. A Qualified Status Change Event that causes a loss of dependent status will allow for a reduction in the Annuitant's dependent coverage under the Premium Dental Plan without the 2 consecutive plan year requirement for the dependent.

**V. ELIGIBILITY TO PURCHASE MEDICAL AND/OR DENTAL COVERAGE**

All Annuitants are eligible to enroll in a retiree medical and/or dental insurance plan for 2009.

Eligibility for the County-provided subsidy/offset shall be as determined in Section IX of this policy. An Annuitant must enroll in a medical and/or dental insurance plan within 30 days of notification of eligibility or he or she will be deemed to have waived coverage.

As a condition of participation in the County-sponsored plan, all Annuitants or Dependents that are eligible for Medicare Part A and/or B, or who subsequently become eligible to purchase Medicare Part A and/or B, must enroll in one of the County-sponsored medical plans that provides for assignment of, or coordination with, Medicare benefits. Annuitants or Dependents who are eligible for Medicare must purchase Medicare Part A and/or B (even if such purchase is subject to a penalty under applicable federal law in order to participate in the County Sponsored plan. Annuitants not eligible for Medicare Part A and/or B under CMS guidelines may participate in the plan only to the extent that they remain ineligible for Medicare and are responsible for any penalties assessed by the carrier.

**For Annuitants who are eligible for Medicare, failure to purchase or maintain Medicare Part A or B when eligible, or to enroll in a plan that requires assignment of, or coordination with, Medicare shall be considered a waiver of County-sponsored coverage and coverage will terminate.** For Dependents that are eligible for Medicare, failure to purchase or maintain Medicare Part A or B when eligible, or to enroll in a plan that requires assignment of, or coordination with, Medicare shall result in loss of eligibility and the Dependent shall be dropped from coverage. It is the participant's responsibility to notify the Benefits Office of their eligibility and/or enrollment in Medicare.

Annuitants and Dependents with Medicare eligibility that are enrolled in County-sponsored medical plans shall keep their Part D benefits available for enrollment in or coordination with County-sponsored Medicare Part D coverage. An Annuitant or Dependent who is enrolled in a non-County prescription drug plan under Part D of Medicare may not be enrolled in any County-sponsored health benefit plan. Any Medicare Part D late enrollment penalties as determined by CMS are the Annuitant's responsibility.

A continuing beneficiary who is a spouse or a registered domestic partner or an eligible minor child or a Survivor, may elect to purchase a retiree medical and/or dental plan whether or not they were enrolled in the program at the time of the enrolled retiree's or active member's death. The medical insurance subsidy/offset payment, if any, will be provided to a continuing beneficiary who is a spouse or a registered domestic partner, or a Survivor, on the same basis as it was, or would have been, made available to a retiree.

(Note: This applies only to Annuitants who are receiving a benefit based upon County employment. Eligibility for Annuitants that were last employed with a Special District or other SCERS employer shall be determined by separate agreement between the County and District or other employer.)

## **VI. DEPENDENT ELIGIBILITY**

Annuitants (including Survivors) may add newly acquired Dependents to their medical and/or dental insurance coverage within 30 days of an Qualified Status Change Event (e.g. marriage, adoption, domestic partner registration, loss of other coverage, etc.) or during any enrollment period specified in the sole discretion of the County.

## **VII. ELECTION PERIOD**

An Annuitant who is eligible to enroll in a medical and/or dental insurance plan as provided in this policy must do so within 30 days from the date of notification of program eligibility. An otherwise eligible Annuitant who waives, or is deemed to have waived coverage under the program may enroll within 30 days of a Qualified Status Change Event, or during any enrollment period specified in the sole discretion of the County. Such enrollment shall be contingent upon the Annuitant presenting proof that is satisfactory to the County that the Annuitant has been continuously covered by another group health insurance plan or individual Medicare Advantage plan for a period of not less than 12 months with no break in coverage exceeding 63 calendar days immediately prior to the requested enrollment in a County-sponsored plan. The 12 month requirement will be deemed to be met if the coverage satisfies the requirements for creditable coverage under the Health Insurance Portability and Accountability Act of 1996.

Upon the death of an Annuitant or active employee, a continuing beneficiary who is a spouse or registered domestic partner or eligible minor child or a Survivor, will have 30 days to enroll in a medical and/or dental insurance plan. Failure to do so shall constitute a waiver of medical and/or dental insurance coverage.

## **VIII. EFFECTIVE DATE OF COVERAGE**

Upon retirement or the occurrence of a Qualified Status Change Event, the effective date of medical and/or dental coverage shall be:

Upon retirement:

the first day of the first month following the loss of active coverage providing:

- i. Submission of retiree medical and/or dental forms occurs within 30 days of the loss of active coverage, and,
- ii. Payment for the first month of retiree coverage occurs within 60 days of the start of retiree coverage.

Failure to submit medical and/or dental forms within 30 days of the loss of active coverage shall constitute a waiver of medical and/or dental coverage.

Premium balances if owed by an Annuitant for the initial period of Retiree coverage must be paid within 60 days of the coverage effective date, or coverage will be dropped retroactively to the last date of paid coverage.

Upon the occurrence of a Qualified Status Change Event:

The first day of the month coincident with or next following submission of medical and/ or dental enrollment forms. Note: Final effective dates for Medicare plans are determined by the Center for Medicare and Medicaid Services.

If an Annuitant enrolls during an open enrollment period, the effective date of medical and/or dental coverage shall be the date specified by the County in connection with that open enrollment period.

#### **IX. ELIGIBILITY FOR SUBSIDY/OFFSET PAYMENTS**

The following categories of Annuitants are eligible to receive a County-paid medical or dental insurance offset payment during calendar year 2009:

1. Annuitants who retired for any reason on or before December 31, 2004;
2. Annuitants who retired on or after January 1, 2005 but before May 31, 2007, 1) under any form of disability retirement, or 2) having worked for at least 10 years in SCERS-covered employment;

The following shall apply to this section:

"SCERS-covered employment" shall mean time actually worked for a SCERS-participating agency, including any SCERS-purchasable service credit that was earned through redeposit based on prior employment, part-time employment with a SCERS-participating agency, military service credited per Government Code Section 31649 as adopted by Board of Supervisors Resolution No. 11-125, or time eligible for purchase due to a leave of absence, provided that such time has actually been purchased.

(Note: This applies only to Annuitants who are receiving a benefit based upon County employment. Eligibility for Annuitants that were last employed with a Special District or other SCERS employer shall be determined by separate agreement between the County and District or other employer.)

#### **X. AMOUNT OF SUBSIDY/OFFSET PAYMENT**

**Retiree Health Insurance Program Administrative Policy**

**Effective January 1, 2009**

**Page 6 of 8**

The amount of any medical subsidy/offset payment made available to Annuitants shall be calculated based on the Annuitant's SCERS service credit. For purposes of this section, "SCERS service credit" shall be the amount of service credit established by SCERS as the basis of payment for the Annuitant's pension benefit. The amount of any dental subsidy/offset payment made available to Annuitants shall be set by the Board of Supervisors.

Neither SCERS nor the County of Sacramento guarantees that a subsidy/offset payment will be made available to Annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership.

The amount of subsidy/offset payment, if any, payable on account of enrollment in a County-sponsored retiree medical and/or dental insurance plan, shall be established within the sole discretion of the Sacramento County Board of Supervisors. For calendar year 2009, the amount of subsidy/offset payments are as follows:

<u>Years of SCERS service credit</u>	<u>Amount of subsidy/offset payment if retired on or before 5/31/07</u>
Less than 10 years	\$122
10 years but less than 15 years	\$152
15 years but less than 20 years	\$182
20 years but less than 25 years	\$212
25 years or more	\$244
Dental coverage	\$ 25

**XI. APPLICATION OF THE MEDICAL AND/OR DENTAL SUBSIDY/OFFSET**

Subsidy/offset payments, when made available, will be applied to the total premium cost incurred by an Annuitant for medical and/or dental insurance purchased through a County-sponsored plan. If the subsidy/offset payment amount exceeds the cost of the single party premium, the balance will be used to reduce the cost of dependent coverage, if applicable. If there is no dependent coverage, the amount of the subsidy/offset payment otherwise available to the Annuitant shall be limited to the actual amount necessary to pay the cost of the single party premium.

Subsidy/offset payments may only be applied to the coverage for which they are provided. A medical subsidy/offset may not be applied to dental coverage premiums, or vice versa. In no event shall an Annuitant receive a cash payment for any portion of a subsidy/offset payment that is not used to pay for the Annuitant's coverage through a County-sponsored medical or dental insurance

plan. The subsidy/offset payment shall not be used to purchase coverage outside of a County-sponsored plan.

The amount of subsidy/offset, if any, that is used to pay for coverage of a registered domestic partner, dependent(s) of a registered domestic partner, and/or other covered dependent who do not meet the definition of "dependent" as defined in IRC §105, shall be subject to federal tax withholding based on the imputed income value of the benefit provided.

**XII. PREMIUM BALANCE PAYABLE**

If an Annuitant's medical or dental insurance premium is greater than the sum of the Annuitant's monthly retirement allowance *plus* any subsidy/offset payment provided by the County, the Annuitant shall be responsible for keeping premium payments current. Premium balances owed by an Annuitant must be paid within 60 days of the coverage effective date, or coverage will be dropped the first of the month following the 60 day period, retroactively to the last date of paid coverage. An Annuitant that is dropped from coverage for non-payment of premium shall not be permitted back into the program at a later date.

**XIII. WAIVER OF COVERAGE**

An Annuitant may waive medical and/or dental coverage under the Retiree Health Insurance Program at any time by withdrawing from coverage and signing a "Waiver of Coverage" form. Any subsidy/offset payment will end if coverage is waived. Annuitants who waive coverage in this manner during 2009, who have previously waived coverage, or who are deemed to have waived coverage for any reason (except for non-payment of premium as set forth in Section XII above), shall be permitted to enroll in County-sponsored retiree coverage within 30 days of a Qualified Status Change Event or during any enrollment period specified in the sole discretion of the County, subject to all terms and conditions set forth in this policy (including proof of continuous coverage as described in Section VII), provided such coverage is being offered to similarly situated Annuitants by the County at the time coverage under the re-enrollment request is to become effective. Similarly, eligibility for a subsidy/offset payment shall be restored provided that the County is providing subsidy/offset payments to similarly situated Annuitants at the time of the re-enrollment request.

**XIV. DEFINITIONS**

**Annuitant** is a retiree, as defined; or is a survivor, or beneficiary who receives a monthly retirement allowance from SCERS. An individual receiving a monthly retirement allowance from SCERS solely as the result of a divorce settlement agreement is not an Annuitant for purposes of this policy or eligibility for participation in the Retiree Health Insurance Program.

**Beneficiary** is an individual named as a beneficiary receiving a monthly retirement allowance as a result of the death of a Retiree.

**Deferred Member** is a SCERS participant who leaves County or member district employment and leaves their retirement contributions on deposit with SCERS as permitted by SCERS rules and regulations.

**Dependent** for purposes of this policy shall be an Annuitant's spouse or registered domestic partner and unmarried children (natural, step, adopted, legal guardianship and/or foster) including children of a registered domestic partner, who are under 19 years of age, or who are under 24 years of age and attending school as a full-time student in an accredited secondary school, college or university. Verification of full-time student status will be needed for each semester or quarter and must be submitted to the Employee Benefits Office. Medical and Dental eligibility will be extended through a summer break if the student was enrolled full-time and completed the preceding school term, and will be attending school in the next available term.

**Qualified Status Change Event** shall have the same meaning as defined in Section §125 of the Internal Revenue Code and shall also include events affecting the coverage or eligibility of a registered domestic partner or the dependent(s) of a registered domestic partner. Examples of qualified status change events include: marriage or divorce, registration or dissolution of a domestic partnership, birth, adoption, change of residence affecting health plan eligibility, or a dependent ceasing to be a dependent due to age limitations. This list is intended to be illustrative and is not exhaustive.

**Registered Domestic Partner** shall have the same meaning as set forth in Section §297 of the California Family Code.

**Retiree** is a SCERS member who has met eligibility requirements and has received a service retirement or disability retirement.

**Survivor** is a spouse, registered domestic partner, or minor child of an employee who died during active service and is receiving a monthly retirement allowance as a result of the death of the active member.

(Note: For purposes of this policy and these definitions, a retiree of, or an employee (including their subsequent Survivor) retiring from, a SCERS member district or other SCERS-participating employer shall be an Annuitant only if so provided by separate agreement between the County and such district or other employer.)

**RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM  
ADMINISTRATIVE POLICY  
Effective January 1, 2009  
Through December 31, 2009**

**I. INTRODUCTION**

This policy sets forth the guidelines for the administration of the Retiree Medical and Dental Insurance Program. The program includes medical insurance and dental insurance, and subsidy/offset payments as authorized by the County Board of Supervisors for calendar year 2009. This policy constitutes a component of the County's Plan for Retiree Medical and Dental Insurance and is effective only for the calendar year 2009.

**II. DISCLOSURE**

This policy is effective solely for the calendar year 2009. It does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all.

The County reserves the right, in its sole discretion, to amend or terminate, in whole or in part, this Policy during its one-year term by Resolution of the County Board of Supervisors.

**III. MEDICAL INSURANCE COVERAGE**

During the one-year term of this Policy, medical insurance coverage is offered through contracted health insurance carriers, as negotiated between the County and its recognized employee organizations. The County will endeavor to maintain a variety of health insurance coverage options for Annuitants but does not guarantee that any particular health insurance carrier, type, or level of coverage will be available to Annuitants, or that any coverage at all will be available to Annuitants.



## **Retiree Health Insurance Program Administrative Policy**

**Effective January 1, 2009**

**Page 2 of 8**

Medical insurance coverage options for Annuitants living outside of the geographic boundaries of the HMO insurance plans offered to County Annuitants will be provided only to the extent that any such coverage option is available and offered by the health insurance carriers providing coverage to the County's employees and Annuitants.

### **IV. DENTAL COVERAGE**

Dental coverage is currently offered through Delta Dental. This program is separate and apart from the dental program offered to active employees. The County does not guarantee that any particular dental insurance carrier, type, or level of coverage will be available to Annuitants, or that any coverage at all will be available to Annuitants.

Effective January 1, 2009 eligible Annuitants and their dependents who enroll in or are currently participating in the Premium Dental Plan must remain in the Premium Dental Plan for a minimum of 2 consecutive plan years before being allowed to select the Basic Dental Plan, change coverage levels by reducing dependent coverage, or waive dental coverage. Annuitants and their dependents already participating in the Premium Dental Plan on December 31, 2008 will have their prior coverage period included in the 2 year continuous coverage requirement.

If an eligible dependent is added to the Premium Dental plan in the middle of a plan year on account of a Qualified Status Change Event, both the Annuitant and the dependent must remain in the Premium Dental Plan for a minimum of 2 consecutive plan years beginning on January 1 of the following plan year before any change in coverage is allowed.

A Qualified Status Change Event will not allow for a change out of the Premium Dental Plan for the Annuitant unless the Annuitant has participated in the Premium Dental plan for a minimum of two consecutive plan years. A Qualified Status Change Event that causes a loss of dependent status will allow for a reduction in the Annuitant's dependent coverage under the Premium Dental Plan without the 2 consecutive plan year requirement for the dependent.

**V. ELIGIBILITY TO PURCHASE MEDICAL AND/OR DENTAL COVERAGE**

All Annuitants are eligible to enroll in a retiree medical and/or dental insurance plan for 2009.

Eligibility for the County-provided subsidy/offset shall be as determined in Section IX of this policy. An Annuitant must enroll in a medical and/or dental insurance plan within 30 days of notification of eligibility or he or she will be deemed to have waived coverage.

As a condition of participation in the County-sponsored plan, all Annuitants or Dependents that are eligible for Medicare Part A and/or B, or who subsequently become eligible to purchase Medicare Part A and/or B, must enroll in one of the County-sponsored medical plans that provides for assignment of, or coordination with, Medicare benefits. Annuitants or Dependents who are eligible for Medicare must purchase Medicare Part A and/or B (even if such purchase is subject to a penalty under applicable federal law in order to participate in the County Sponsored plan. Annuitants not eligible for Medicare Part A and/or B under CMS guidelines may participate in the plan only to the extent that they remain ineligible for Medicare and are responsible for any penalties assessed by the carrier.

**For Annuitants who are eligible for Medicare, failure to purchase or maintain Medicare Part A or B when eligible, or to enroll in a plan that requires assignment of, or coordination with, Medicare shall be considered a waiver of County-sponsored coverage and coverage will terminate.** For Dependents that are eligible for Medicare, failure to purchase or maintain Medicare Part A or B when eligible, or to enroll in a plan that requires assignment of, or coordination with, Medicare shall result in loss of eligibility and the Dependent shall be dropped from coverage. It is the participant's responsibility to notify the Benefits Office of their eligibility and/or enrollment in Medicare.

Annuitants and Dependents with Medicare eligibility that are enrolled in County-sponsored medical plans shall keep their Part D benefits available for enrollment in or coordination with County-sponsored Medicare Part D coverage. An Annuitant or Dependent who is enrolled in a non-County prescription drug plan under Part D of Medicare may not be enrolled in any County-sponsored health benefit plan. Any Medicare Part D late enrollment penalties as determined by CMS are the Annuitant's responsibility.

A continuing beneficiary who is a spouse or a registered domestic partner or an eligible minor child or a Survivor, may elect to purchase a retiree medical and/or dental plan whether or not they were enrolled in the program at the time of the enrolled retiree's or active member's death. The medical insurance subsidy/offset payment, if any, will be provided to a continuing beneficiary who is a spouse or a registered domestic partner, or a Survivor, on the same basis as it was, or would have been, made available to a retiree.

## **Retiree Health Insurance Program Administrative Policy**

**Effective January 1, 2009**

**Page 4 of 8**

(Note: This applies only to Annuitants who are receiving a benefit based upon County employment. Eligibility for Annuitants that were last employed with a Special District or other SCERS employer shall be determined by separate agreement between the County and District or other employer.)

### **VI. DEPENDENT ELIGIBILITY**

Annuitants (including Survivors) may add newly acquired Dependents to their medical and/or dental insurance coverage within 30 days of an Qualified Status Change Event (e.g. marriage, adoption, domestic partner registration, loss of other coverage, etc.) or during any enrollment period specified in the sole discretion of the County.

### **VII. ELECTION PERIOD**

An Annuitant who is eligible to enroll in a medical and/or dental insurance plan as provided in this policy must do so within 30 days from the date of notification of program eligibility. An otherwise eligible Annuitant who waives, or is deemed to have waived coverage under the program may enroll within 30 days of a Qualified Status Change Event, or during any enrollment period specified in the sole discretion of the County. Such enrollment shall be contingent upon the Annuitant presenting proof that is satisfactory to the County that the Annuitant has been continuously covered by another group health insurance plan or individual Medicare Advantage plan for a period of not less than 12 months with no break in coverage exceeding 63 calendar days immediately prior to the requested enrollment in a County-sponsored plan. The 12 month requirement will be deemed to be met if the coverage satisfies the requirements for creditable coverage under the Health Insurance Portability and Accountability Act of 1996.

Upon the death of an Annuitant or active employee, a continuing beneficiary who is a spouse or registered domestic partner or eligible minor child or a Survivor, will have 30 days to enroll in a medical and/or dental insurance plan. Failure to do so shall constitute a waiver of medical and/or dental insurance coverage.

### **VIII. EFFECTIVE DATE OF COVERAGE**

Upon retirement or the occurrence of a Qualified Status Change Event, the effective date of medical and/or dental coverage shall be:

Upon retirement:

the first day of the first month following the loss of active coverage providing:

- i. Submission of retiree medical and/or dental forms occurs within 30 days of the loss of active coverage, and,
- ii. Payment for the first month of retiree coverage occurs within 60 days of the start of retiree coverage.

Failure to submit medical and/or dental forms within 30 days of the loss of active coverage shall constitute a waiver of medical and/or dental coverage.

Premium balances if owed by an Annuitant for the initial period of Retiree coverage must be paid within 60 days of the coverage effective date, or coverage will be dropped retroactively to the last date of paid coverage.

Upon the occurrence of a Qualified Status Change Event:

The first day of the month coincident with or next following submission of medical and/or dental enrollment forms. Note: Final effective dates for Medicare plans are determined by the Center for Medicare and Medicaid Services.

If an Annuitant enrolls during an open enrollment period, the effective date of medical and/or dental coverage shall be the date specified by the County in connection with that open enrollment period.

#### **IX. ELIGIBILITY FOR SUBSIDY/OFFSET PAYMENTS**

The following categories of Annuitants are eligible to receive a County-paid medical or dental insurance offset payment during calendar year 2009:

1. Annuitants who retired for any reason on or before December 31, 2004;
2. Annuitants who retired on or after January 1, 2005 but before May 31, 2007, 1) under any form of disability retirement, or 2) having worked for at least 10 years in SCERS-covered employment;

The following shall apply to this section:

“SCERS-covered employment” shall mean time actually worked for a SCERS-participating agency, including any SCERS-purchasable service credit that was earned through re-deposit based on prior employment, part-time employment with a SCERS-participating agency, military service credited per Government Code Section 31649 as adopted by Board of Supervisors Resolution No. 11-125, or time eligible for purchase due to a leave of absence, provided that such time has actually been purchased.

(Note: This applies only to Annuitants who are receiving a benefit based upon County employment. Eligibility for Annuitants that were last employed with a Special District or other SCERS employer shall be determined by separate agreement between the County and District or other employer.)

**X. AMOUNT OF SUBSIDY/OFFSET PAYMENT**

The amount of any medical subsidy/offset payment made available to Annuitants shall be calculated based on the Annuitant's SCERS service credit. For purposes of this section, "SCERS service credit" shall be the amount of service credit established by SCERS as the basis of payment for the Annuitant's pension benefit. The amount of any dental subsidy/offset payment made available to Annuitants shall be set by the Board of Supervisors.

Neither SCERS nor the County of Sacramento guarantees that a subsidy/offset payment will be made available to Annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership.

The amount of subsidy/offset payment, if any, payable on account of enrollment in a County-sponsored retiree medical and/or dental insurance plan, shall be established within the sole discretion of the Sacramento County Board of Supervisors. For calendar year 2009, the amount of subsidy/offset payments are as follows:

<u>Years of SCERS service credit</u>	<u>Amount of subsidy/offset payment if retired on or before 5/31/07</u>
Less than 10 years	\$122
10 years but less than 15 years	\$152
15 years but less than 20 years	\$182
20 years but less than 25 years	\$212
25 years or more	\$244
Dental coverage	\$ 25

**XI. APPLICATION OF THE MEDICAL AND/OR DENTAL SUBSIDY/OFFSET**

Subsidy/offset payments, when made available, will be applied to the total premium cost incurred by an Annuitant for medical and/or dental insurance purchased through a County-sponsored plan. If the subsidy/offset payment amount exceeds the cost of the single party premium, the balance will be used to reduce the cost of dependent coverage, if applicable. If there is no dependent coverage, the amount of the subsidy/offset payment otherwise available to the Annuitant shall be limited to the actual amount necessary to pay the cost of the single party premium.

Subsidy/offset payments may only be applied to the coverage for which they are provided. A medical subsidy/offset may not be applied to dental coverage premiums, or vice versa. In no event shall an Annuitant receive a cash payment for any portion of a subsidy/offset payment that is not used to pay for the

Annuitant's coverage through a County-sponsored medical or dental insurance plan. The subsidy/offset payment shall not be used to purchase coverage outside of a County-sponsored plan.

The amount of subsidy/offset, if any, that is used to pay for coverage of a registered domestic partner, dependent(s) of a registered domestic partner, and/or other covered dependent who do not meet the definition of "dependent" as defined in IRC §105, shall be subject to federal tax withholding based on the imputed income value of the benefit provided.

## **XII. PREMIUM BALANCE PAYABLE**

If an Annuitant's medical or dental insurance premium is greater than the sum of the Annuitant's monthly retirement allowance *plus* any subsidy/offset payment provided by the County, the Annuitant shall be responsible for keeping premium payments current. Premium balances owed by an Annuitant must be paid within 60 days of the coverage effective date, or coverage will be dropped the first of the month following the 60 day period, retroactively to the last date of paid coverage. An Annuitant that is dropped from coverage for non-payment of premium shall not be permitted back into the program at a later date.

## **XIII. WAIVER OF COVERAGE**

An Annuitant may waive medical and/or dental coverage under the Retiree Health Insurance Program at any time by withdrawing from coverage and signing a "Waiver of Coverage" form. Any subsidy/offset payment will end if coverage is waived. Annuitants who waive coverage in this manner during 2009, who have previously waived coverage, or who are deemed to have waived coverage for any reason (except for non-payment of premium as set forth in Section XII above), shall be permitted to enroll in County-sponsored retiree coverage within 30 days of a Qualified Status Change Event or during any enrollment period specified in the sole discretion of the County, subject to all terms and conditions set forth in this policy (including proof of continuous coverage as described in Section VII), provided such coverage is being offered to similarly situated Annuitants by the County at the time coverage under the re-enrollment request is to become effective. Similarly, eligibility for a subsidy/offset payment shall be restored provided that the County is providing subsidy/offset payments to similarly situated Annuitants at the time of the re-enrollment request.

## **XIV. DEFINITIONS**

**Annuitant** is a retiree, as defined; or is a survivor, or beneficiary who receives a monthly retirement allowance from SCERS. An individual receiving a monthly retirement allowance from SCERS solely as the result of a divorce settlement agreement is not an Annuitant for purposes of this policy or eligibility for participation in the Retiree Health Insurance Program.

**Beneficiary** is an individual named as a beneficiary receiving a monthly retirement allowance as a result of the death of a Retiree.

**Deferred Member** is a SCERS participant who leaves County or member district employment and leaves their retirement contributions on deposit with SCERS as permitted by SCERS rules and regulations.

**Dependent** for purposes of this policy shall be an Annuitant's spouse or registered domestic partner and unmarried children (natural, step, adopted, legal guardianship and/or foster) including children of a registered domestic partner, who are under 19 years of age, or who are under 24 years of age and attending school as a full-time student in an accredited secondary school, college or university. Verification of full-time student status will be needed for each semester or quarter and must be submitted to the Employee Benefits Office. Medical and Dental eligibility will be extended through a summer break if the student was enrolled full-time and completed the preceding school term, and will be attending school in the next available term.

**Qualified Status Change Event** shall have the same meaning as defined in Section §125 of the Internal Revenue Code and shall also include events affecting the coverage or eligibility of a registered domestic partner or the dependent(s) of a registered domestic partner. Examples of qualified status change events include: marriage or divorce, registration or dissolution of a domestic partnership, birth, adoption, change of residence affecting health plan eligibility, or a dependent ceasing to be a dependent due to age limitations. This list is intended to be illustrative and is not exhaustive.

**Registered Domestic Partner** shall have the same meaning as set forth in Section §297 of the California Family Code.

**Retiree** is a SCERS member who has met eligibility requirements and has received a service retirement or disability retirement.

**Survivor** is a spouse, registered domestic partner, or minor child of an employee who died during active service and is receiving a monthly retirement allowance as a result of the death of the active member.

(Note: For purposes of this policy and these definitions, a retiree of, or an employee (including their subsequent Survivor) retiring from, a SCERS member district or other SCERS-participating employer shall be an Annuitant only if so provided by separate agreement between the County and such district or other employer.)