

RESOLUTION NO. 2016-102

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REEDLEY
AMENDING AND RESTATING THE TIERED MEDICAL BENEFIT STRUCTURE FOR
CITY OF REEDLEY RETIREES**

WHEREAS, Government Code § 22938 provides that a local agency which has elected to be subject to the Public Employees' Medical and Hospital Care Act ("Act") may choose to cease to be so subject by adopting a resolution and filing such resolution with the Public Employees' Retirement System ("PERS") board of administration; and

WHEREAS, the City Council of the City of Reedley, with the approval of Resolution No. 2013-057 on June 25, 2013, elected to cease to be subject to the provisions of the Act, and such resolution was filed with the PERS board as required by Government Code Section 22938; and

WHEREAS, with the approval of Resolution No. 2013-057 and compliance with Government Code Section 22938, the City of Reedley is no longer subject to the Act and is therefore no longer required to provide medical benefits to its retirees as required by and as a condition of the Act; and

WHEREAS, prior to approval of Resolution No. 2013-057, the provision of medical benefits for City retirees was not a negotiated benefit with employees or a benefit approved by the City Council through a salary or benefit resolution, but rather was only provided by the City as required by the Act and as a condition of the City being part of the PERS medical program; and

WHEREAS, although not legally required to do so after opting out of PERS, with the approval of Resolution No. 2013-083 on September 24, 2013, the City chose to conditionally provide retiree medical benefits to current retirees and current full-time regular employees at that time subject to certain eligibility requirements and the City's right and absolute discretion to modify or eliminate such retiree medical benefits in the future; and

WHEREAS, Resolution No. 2015-045, adopted May 12, 2015, amended and restated Resolution No. 2014-090, which amended and restated Resolution No. 2013-083; and

WHEREAS, the City Council desires to make certain changes to the tiered retiree medical benefit schedule approved by Resolutions No. 2013-083, 2014-090 and 2015-045.

WHEREAS, the City must proactively manage ever rising healthcare costs with finite budgetary resources, and in order to properly manage the City's limited budget, the City Council continues to declare its intent not to create a permanent or vested right in the retiree medical benefits approved by Resolutions No. 2013-083, 2014-090, 2015-045 and modified herein; and

NOW, THEREFORE, the City Council of the City of Reedley hereby resolves that the tiered retiree medical benefit schedule approved by Resolution No. 2013-083 on September 24, 2013, and amended and restated with the approval of Resolution No. 2014-090 on December 9, 2014, further amended and restated with the approval of Resolution No. 2015-045 is hereby amended and restated as follows:

1. Tier 1 - Benefits for current retirees and their dependents are as follows:

A) For current retirees and/or their dependents who are not yet eligible for Medicare:

- i) For the retiree only, City shall contribute towards the retiree's monthly medical coverage at the same rate as the City contributes towards Unrepresented employees' monthly medical coverage, as such contribution may be modified from time to time; and
- ii) City shall contribute up to \$500.00 monthly, total, for medical coverage of dependents who are not yet eligible for Medicare, with retirees responsible for paying the difference in cost between the medical plan and City contribution; and
- iii) The retiree must notify the City within thirty (30) days of the retiree's and/or dependent's eligibility for Medicare. Only the surviving spouse or registered domestic partner of an eligible retiree shall remain eligible for the dependent benefit until his/her death or remarriage.

B) For current retirees and/or their dependents who are eligible for Medicare:

- i) City shall cover 100% of the monthly premium for a group Medicare Supplement plan, as identified and selected by the City, for retiree and one dependent; and
- ii) City shall contribute up to \$500.00 monthly, total, for medical coverage of dependents who are not yet eligible for Medicare, with retirees responsible for paying the difference in cost between the medical plan and City contribution; and
- iii) Subject to availability, only current retirees and their eligible dependents shall have access to a 'Freedom of Choice' option, whereupon the City, through its designated provider, will cover up to \$251.76 per month ("Cap") for each retiree and his/her one dependent, for the reimbursement of premium cost for a Medicare Supplement and/or prescription drug plan of their choice; and
- iv) The \$251.76 Cap for the 'Freedom of Choice' option shall be adjusted annually, each January, by the change in premium (if applicable), from year to year, of the group Medicare Supplement Plan then currently being offered by the City to Medicare eligible retirees. The Cap shall always be \$10.00 less than the group Medicare Supplement premium to help defray additional administrative costs of offering the 'Freedom of Choice' option. At no time shall the retiree/dependent receive in excess of the premium amount.
- vi) The 'Freedom of Choice' option shall not be available for new enrollment or re-enrollment after October 11, 2016.

C) Minimum eligibility requirements for current City retirees:

- i) All current retirees must be at least 55 years of age as of the effective date of this resolution in order to continue receiving retiree medical benefits for themselves or their dependents. Retirees or dependents who were not enrolled in a City-provided retiree medical benefit as of the adoption date of Resolution 2013-083 (September 24, 2013) are not eligible to enroll in or otherwise receive retiree medical benefits. Affected retirees will not be permitted to purchase coverage in the City's medical plans. Retirees turning 55 years of age after the effective date of this resolution shall not be eligible for this City benefit.

2. **Tier 2 - Benefits for current full-time regular City employees are as follows, subject to the following eligibility requirements:**

A) Minimum eligibility requirements for current full-time regular City employees. To be eligible for retirement medical benefits, a full-time regular employee must: (i) retire under a regular or disability PERS retirement within 120 days from voluntary separation from City employment; (ii) be at least 55 years of age at time of retirement; and (iii) have been employed by the City for a cumulative total of at least ten (10) years as a full-time regular employee. Employee must be a full-time regular employee at the time of retirement. No purchase of service credit is allowed. Voluntary separation from City employment shall mean any separation other than termination for cause. Termination for cause shall be deemed involuntary separation, and shall preclude such terminated employee from eligibility in and for this benefit.

B) Employees with at least ten (10) years of cumulative service with the City as a full-time regular employee upon Retirement:

- i) If the retiree is not eligible for Medicare, the City shall contribute either 50% of the medical premium for the retiree only, or the amount that the City then currently contributes towards Unrepresented employees' medical coverage as such contribution may be modified from time to time, whichever is less, using the menu of medical plans available to City employees, or if not available, plans identified and selected by the City; and
- ii) If the retiree is eligible for Medicare, City shall cover either 50% of the medical premium for the retiree and one dependent, or the amount that the City then currently contributes towards Unrepresented employees' medical coverage, whichever is less, for a group Medicare Supplement plan as identified and selected by the City; and
- iii) There shall be no coverage for more than one dependent; and
- iv) If the dependent is not Medicare eligible, the City shall contribute up to \$250.00 monthly, total, for dependent medical coverage with retirees responsible for paying the difference in cost between the medical plan and City contribution.

- C) Employees with at least twenty (20) years of cumulative service with the City as a full-time regular employee upon Retirement:
 - i) If the retiree is not eligible for Medicare, the City shall contribute either 80% of the medical premium for the retiree only, or the amount that the City then currently contributes towards Unrepresented employees' medical coverage, whichever is less, using the menu of medical plans available to City employees, or if not available, plans identified and selected by the City; and
 - ii) If the retiree is eligible for Medicare, City shall cover either 80% of the medical premium for the retiree and one dependent, or the amount that the City then currently contributes towards Unrepresented employees' medical coverage, whichever is less, for a group Medicare Supplement plan as identified and selected by the City for retiree and one dependent only; and
 - iii) There shall be no coverage for more than one dependent; and
 - iv) If the dependent is not Medicare eligible, the City shall contribute up to \$250.00 monthly, total, for dependent medical coverage with retirees responsible for paying the difference in cost between the medical plan and City contribution.
- D) The retiree must notify the City within thirty (30) days of the retiree's and/or dependent's eligibility for Medicare. Only the surviving spouse or registered domestic partner of an eligible retiree shall remain eligible for the dependent benefit until his/her death or remarriage.
- E) Full-time regular City employees who are working for the City in a full-time capacity as of September 24, 2013, (Date of Adoption of Resolution 2013-083) who retire on or before December 31, 2016, shall be eligible for the same City contributions to retiree medical benefits as current retirees as defined in Tier 1 above. Minimum eligibility requirements under Section 2.A shall still apply to subject employees, except that for the minimum eligibility requirement under Section 2.A (iii) shall not apply.

3. Tier 3 – No retiree benefits for future City employees:

- A) No new employee or re-hired employee initially hired or re-hired on or after January 1, 2014 shall be eligible for the retiree or retiree dependent medical coverage provided herein, unless said employee was a full-time regular employee of the City prior to January 1, 2014.
- B) Current part-time employees, notwithstanding the fact that they are currently employed by the City and may subsequently work for the City in a full-time regular capacity, shall not be eligible for retiree medical benefits, unless they begin work in a full-time regular capacity prior to January 1, 2014 and satisfy all other eligibility requirements. In other words, for purposes of determining eligibility for the retiree medical benefits, the date of hire shall be treated as the date upon which the current part-time employee begins his/her assignment as a full-time regular employee.

4. **Delinquent payments/reimbursements:** For all benefit tiers, retirees and dependents shall be billed for any difference between the cost of their medical plan and City contributions towards their plan. Should retirees or dependents become delinquent in their payments, the City shall terminate coverage subject to applicable legal noticing requirements. Retirees or dependents who have their coverage terminated due to non-payment of premium contributions or otherwise separate from City provided medical benefits may not re-enroll in or receive City provided medical benefits.
5. The tiered retiree medical benefit schedule as amended and restated herein is intended to and shall be interpreted to supersede the tiered retiree medical benefit schedule approved by Resolution No. 2013-083 on September 24, 2013, and amended and restated with the approval of Resolution No. 2014-090 on December 9, 2014, and further amended and restated with the approval of Resolution No. 2015-045 on May 12, 2015.
6. The City Council of the City of Reedley hereby retains the right, in its sole and absolute discretion, to modify or terminate any benefit levels, coverage, medical plans, or eligibility requirements contained herein by subsequent resolution.
7. This resolution shall be effective beginning on October 12, 2016, and shall remain in effect until modified, terminated, or rescinded by subsequent resolution of the City Council.


PASSED, APPROVED, and ADOPTED this 11th day of October, 2016 by the following vote:

AYES: Beck, Soleno, Fast, Pinon, Betancourt.

NOES: None.

ABSENT: None.

ABSTAIN: None.


~~RAY SOLENO~~, Mayor

ATTEST:


SYLVIA PLATA, City Clerk





REEDLEY CITY COUNCIL

- Consent
- Regular Item
- Workshop
- Closed Session
- Public Hearing
- Receive/Review

ITEM NO: 14

DATE: December 13, 2016

TITLE: ADOPT RESOLUTION NO. 2016-102 AMENDING AND RESTATING THE TIERED MEDICAL BENEFIT STRUCTURE FOR CITY OF REEDLEY RETIREES

SUBMITTED: Darla Bello, Senior Management Analyst *DB*

REVIEWED: Gary Watahira, *GW* Director of Finance & Administrative Services

APPROVED: Nicole R. Zieba, City Manager *NZ*

RECOMMENDATION

Staff recommends that the City Council approve the Resolution 2016-102 amending and restating Resolution 2015-045 which established Tier 1 through Tier 3 to include that the tiered medical benefits structure for City of Reedley Retirees not allow future enrollment or re-enrollment to the Freedom of Choice benefit option after December 14, 2016.

EXECUTIVE SUMMARY

The Freedom of Choice option was provided to accommodate a few retirees that had special provider issues. It was never intended for future retirees under Tier II nor was it intended to allow existing Freedom of Choice enrollees to continually switch between the individual plan and the City's group plan. Therefore, the Freedom of Choice option will be eliminated for any new or existing Tier I and grandfathered Tier II retiree (an eligible Tier II retiree who retires on or before December 31, 2016) to enroll in the Freedom of Choice option. The option will also eliminate current Freedom of Choice Tier I enrollees to re-enroll if they exit the option for any reason. To avoid disruption of services, current Freedom of Choice enrollees will be grandfathered only to the extent that they do not exit the Freedom of Choice option.

Since the City's Medicare plan is now a Medicare Supplement plan, and is accepted by any provider that accepts Medicare, there is no longer a need for the Freedom of Choice plan that was established due to the restricted provider network under the Medicare Advantage plan. Eliminating any future enrollment to the Freedom of Choice option will protect the City's Group

Medicare plan by maintaining enrollment and optimizing the City's ability to negotiate benefit plans.

BACKGROUND

When the City terminated its contract with CalPERS for medical insurance under the Public Employees Medical and Hospital Care Act (PEMHCA), the City provided a group Medicare Advantage plan for retirees, aged 65 or older, that were enrolled in CalPERS. A Medicare Advantage plan operates under the same rules as a Health Maintenance Organization (HMO) plan in that there is a specific provider network whose services are covered by the Medicare Advantage plan.

The original intention of the Freedom of Choice plan was to accommodate a few retirees that had special provider issues that were not covered under the Medicare Advantage plan offered at that time. The solution was to implement a "Freedom of Choice" plan that would allow those retirees to purchase an individual Medicare medical and pharmacy plan that would cover their special medical provider needs. Medicare has very specific rules for changing individual Medicare plans. While an individual may change Medicare plan carriers every year in the individual market, the rules on when an individual may change plans differs depending on whether the Medicare recipient is enrolled in a supplement plan with a separate pharmacy plan or enrolled in a Medicare Advantage plan.

Allowing a retiree who has elected the Freedom of Choice option to enroll in the City's group Medicare plan requires special permission from the carrier and once the retiree is enrolled in the City sponsored group plan, the retiree will not be permitted to withdraw from the plan.

The Freedom of Choice option was never intended to be an option for any future retirees under Tier II nor was it intended to allow the existing Freedom of Choice enrollees to change from an individual plan to the City's group plan and then change back to an individual plan, potentially hindering the City's ability to optimize or maintain a group plan.

FISCAL IMPACT

This item will have no current fiscal impact. Without adoption, the City's ability to maintain affordable retiree group benefits may be impaired.

ATTACHMENTS

Resolution 2016-102