

**CITY OF MISSION VIEJO**  
**Administrative Regulation**

OFFICE OF THE CITY MANAGER

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SUBJECT:                   **RETIREE INSURANCES PROGRAM**

1.    Purpose.     To establish the requirements and procedures for the City of Mission Viejo's Retiree Insurances Program.
2.    Authority.    Authority for the establishment of this Regulation is granted through the Municipal Code Section 2.08.060, as implemented through the City's Management and Budget Policies, the City Council action on June 19, 2000, Resolution # 2000-111, and City Council action on February 4, 2008, Resolution # 2008-09.
3.    Definitions.  The following terms shall have the following meanings, unless otherwise specifically provided for in this Regulation.

Active – The status of being currently employed by the City of Mission Viejo.

Associated Charges – Associated charges include, but are not limited to, the prevailing administrative charge and the CalPERS employer contribution formula.

Benefit Plan Enrollment Level or Enrollment Level – A benefit level provided by an insurance plan, including (1) "employee only"; and (2) "employee plus one".

CalPERS – California Public Employees' Retirement System.

City – City of Mission Viejo.

Continuous Years of Service or CYOS – Ongoing employment in a budgeted position, as shown on the City of Mission Viejo's Operating Budget's Position Schedule, without any interruption or break in service by voluntary or involuntary termination, or transferring for any reason to an Hourly, Seasonal, Temporary (HST) status. Un-interrupted employment as an eligible employee for the City shall be considered continuous years

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of service. Service with the City in a HST position shall not count towards continuous years of service under this Regulation.

An unpaid leave of absence does not invalidate continuous years of service; rather an unpaid leave of absence will cause an adjustment to be made to the seniority date. The adjusted seniority date will be used when calculating the continuous years of service with the City.

For eligible employees who voluntarily or involuntarily terminate and are later rehired, the commencement date for determining their continuous years of service shall be their most recent rehire date, and if necessary, adjusted based on any unpaid leaves of absence(s).

Disability Retired Employee – An employee who meets all of the following requirements:

1. is a vested member of CalPERS who has applied for and has received a disability retirement from CalPERS; and,
2. has an injury or illness that constitutes a total disability as defined by CalPERS and any other appropriate and related entities; and,
3. has been employed and completed the required number of consecutive years of service with the City.

Employee or Eligible Employee – Employees who have worked for the City for the required number of continuous years, attained the appropriate age, and participated in the Fixed Monthly City Contribution program for the required time frame, as stated in the City's Retiree Insurances Program Personnel Policy.

Employer Contribution Formula – As defined in the CalPERS medical program. Under the CalPERS medical program, employers may offer a lesser contribution for annuitants (retirees) than for active employees, however, that lesser contribution is required to increase by 5% (five percent) of the contribution for active employees each year. This annual increase for annuitants is to continue until the monthly employer contribution for annuitants is equal to the monthly employer contribution for active employees.

Fixed Monthly City Contribution – The amount of money approved by the City Council from time to time and provided to eligible employees for selecting benefits during their employment and for eligible employees during their retirement.

Full-Time Equivalent (FTE) – The amount of time a position has been budgeted for in terms of the amount of time a full-time employee normally

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works in a fiscal year. For example, a full-time employee (1.000 FTE) would work 2,080 hours per year while a .750 FTE employee would work 1,560 hours per year.

Insurance Plan(s) – The specific medical, dental and vision option(s) available, such as PERS Care, Blue Shield, Kaiser, Delta Dental, Vision Service Plan, etc.

Insurance Program(s) – The broad categories of medical, dental and vision insurance coverage provided under the City’s cafeteria plan.

Open Enrollment – The period of time when eligible employees and retirees may enroll or change insurance plans. Generally, the effective date of the open enrollment transactions is January 1<sup>st</sup> of the following year.

PEMHCA (Public Employees’ Medical and Hospital Care Act) – The CalPERS Health Benefits Program, as authorized by the Government Code commencing with Section 22751.

Plan Year – Length of time a specific insurance plan is in effect. Generally, a Plan Year begins January 1<sup>st</sup> and ends December 31<sup>st</sup>.

Prevailing Administrative Charge – An administrative fee added to the premium for continuing insurance coverage into retirement and for purposes of COBRA.

Program or Regulation – This City of Mission Viejo’s Retirement Insurances Program. These terms may be used interchangeably with “Retiree Insurances Program” or “RIP”.

Qualifying Event Requirements – Requirements defining and governing the event(s) which allow an employee to modify his/her election, pursuant to the requirements of the individual insurance plans. Generally, benefit elections will remain in effect during the entire Plan Year. An individual insurance plan may permit a revocation of an election including a change in the amount of any election and, a different election for the remainder of a Plan Year only if both the revocation and new election are made on account of and consistent with a status change as provided for in the insurance plan and are consistent with Internal Revenue Code and regulations. A status change shall be as defined under the Internal Revenue Code and regulations. Status changes must be made within a specified period of time from the qualifying event and may require documentation. Qualifying event changes for the retiree and/or spouse or

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registered domestic partner may be recognized for coverage under this Program and the Fixed Monthly City Contribution may be applied towards enrollment provided the participant(s) are in compliance with Section 5.3, 5.4 and 5.6.

Retiree or Eligible Retiree – An eligible employee who has retired.

Registered Domestic Partner or Surviving Registered Domestic Partner – A member of a domestic partnership established in accordance with the requirements of California Family Code Section 297, or as said statute may be amended from time to time, including but not limited to the filing of a Declaration of Domestic Partnership form with the California Secretary of State. A copy of the declaration and a Certificate of Registration of Domestic Partnership must be provided to the Human Resources Division prior to enrollment in any insurance program.

Service Retired Employee – An employee who:

1. is a vested member of CalPERS who has applied for and has received a service retirement from CalPERS; and,
2. is at least fifty (50) years of age as of the last work day prior to retirement; and,
3. has been employed and completed the required number of continuous years of service with the City.

Spouse or Eligible Spouse – A husband or wife as defined or recognized under California State law for purposes of marriage. This term does not include domestic partners.

4. Application. The Retiree Insurances Program applies only to employees as specified in the City's Retiree Insurances Program Personnel Policy, as further implemented by this Regulation.

Rights and obligations that are not specifically addressed in this Regulation are incorporated by reference from the Personnel Policy.

5. Policy/Procedure.

5.1 This Regulation is **only** available to eligible employees and their eligible spouses or registered domestic partners who participate in the CalPERS monthly allowance retirement benefit option. Coverage is limited to the retiree and spouse or registered domestic partner who were covered in accordance with Sections 5.3, 5.4 and 5.6 at the time of the employee's retirement. Eligible retirees and their eligible spouses or registered domestic partners,

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who elect a full refund of the CalPERS retirement funds, rather than a monthly allowance, are not eligible to participate in the CalPERS retiree medical insurance.

This Program shall be effective the first (1<sup>st</sup>) day following the date of retirement and will not create a lapse in coverage for the retiree.

- 5.2 The only insurance programs available under this Regulation will be medical, dental and vision. No other benefits or cash will be provided under this Program. The Fixed Monthly City Contribution may only be applied toward insurances available under this Program and to enrollment for the retiree and his/her spouse or registered domestic partner; insurance coverage for other eligible dependent(s) may continue at the prevailing premium cost plus prevailing associated charges if paid for by enrolled participants.
- 5.3 Only insurance programs that the retiree has elected and met the specified qualifying period for are available to his/her spouse or registered domestic partner.
- 5.4 The eligible employee must retire directly from the City of Mission Viejo and must maintain continuous enrollment in an insurance program both prior to and subsequent to retirement. Any lapse in coverage will make the employee and his/her spouse or domestic partner ineligible to participate in this Regulation.
- 5.5 It is the employee's responsibility to plan for retirement well in advance and to take into consideration open enrollment and any other qualifying events. Employees are encouraged to contact the Human Resources Division for assistance with Retiree Insurances Program planning.
- 5.6 Eligible retirees and spouses or registered domestic partners must comply with all insurance carrier regulations regarding retiree programs, including but not limited to, mandatory enrollment into Medicare at the designated age.
- 5.7 Generally, an eligible retiree's FTE shall be based on their status the last workday prior to their retirement. A retiree that has worked at various FTE levels during their continuous years of service (CYOS) shall have their FTE years of service calculated based on the twelve (12) highest levels of FTE service. This will be used to establish the Fixed Monthly City Contribution benefit level for the eligible retiree and dependent(s) as follows:

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0.875 – 1.000 average CYOS FTE =	1.000 FTE
0.701 – 0.874 average CYOS FTE =	0.750 FTE
0.500 – 0.700 average CYOS FTE =	0.500 FTE

For example, an employee with 14 years of total service (5 years as 0.500 FTE, 3 years as 0.750 FTE, and 6 years as 1.000 FTE) would have their retiree average CYOS FTE calculated using only the 12 years with the highest FTE's. The retiree average CYOS FTE calculation would equal .8125 using the formula (6 times 1.0 + 3 times 0.750 + 3 times 0.500) divided by 12. In accordance with the chart above, an average continuous years of service equal to 0.8125 would establish the Fixed Monthly City Contribution benefit level at 0.750 FTE.

- 5.8 During the retirement month only, the City contribution towards the employee's/retiree's benefits will be a combination of the Fixed Monthly City Contribution as an employee pro-rated based upon the number of days as an employee plus the Fixed Monthly City Contribution as a retiree pro-rated based upon the remaining number of days in the retirement month.
- 5.9 Under the Retiree Insurances Program, the City will only contribute toward the cost of the monthly premium of each insurance program selected, any prevailing administrative charges applied to those premiums, and the CalPERS Employer Contribution Formula amount. The total amount to be paid by the City shall not exceed the eligible retiree's Fixed Monthly City Contribution.
- 5.10 The City will process the premium payment for the dental and vision coverage directly to the insurance carrier. The premium(s) for the dental and/or vision insurance, along with any applicable prevailing administrative charges, will be deducted from the retiree's Fixed Monthly City Contribution.
- 5.11 CalPERS will automatically deduct the medical insurance premium from the retiree's and/or surviving spouse or surviving registered domestic partner continuing monthly retirement allowance.
- 5.12 In the event the Fixed Monthly City Contribution towards the Retiree Insurances Program exceeds the premiums and associated costs, the retiree shall forfeit the remaining balance.

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- 5.13 In the event the City is owed money for any reason, the City shall initially take a credit against any future reimbursements. The City reserves the right to bill for the full amount owed to the City. Any amount due to the City shall be immediately due and payable. Failure to make payment to the City in accordance with the schedule established by the Human Resources Division and/or Administrative Services Department may result in cancellation of the Retiree Insurances Program. Payment that is returned for any reason shall be subject to established City policy.
- 5.14 Reimbursement is scheduled to only occur monthly upon notification from CalPERS to the City. Any reimbursement due shall be sent to the last address on file with the Human Resources Division. Participants are advised that initial reimbursement may be delayed while the Retirement Insurances Program is established and/or the enrollment level is changed.
- 5.15 The City reserves the right to change the insurance programs, insurance plans and insurance carriers at any time, for any reason without notice. Furthermore, the City reserves the right to change the Fixed Monthly City Contribution amount at any time, for any reason, without notice.
- 5.16 This Program is terminated if the eligible retiree is reinstated as an active member with CalPERS or any agency having established reciprocity with CalPERS. Additionally, participants will not have reinstatement rights under this Program for any reason.
- 5.17 Retirees shall be responsible for providing their current mailing address, electronic e-mail address and phone number to the Human Resources Division. Any changes in their personal information shall be communicated to the Human Resources Division, in writing, at the earliest opportunity. The City shall not be responsible for mail that is misdirected or delayed.
- 5.18 Retirees may make changes to their insurance plan(s) each annual open enrollment period in accordance with Sections 5.2, 5.3 and 5.6. Information and instructions will be sent to the last known mailing or electronic e-mail address. Failure to return the required forms will automatically re-enroll the participant(s) in the same insurance plan(s) at the appropriate premium and associated charges.

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- 5.19 If a qualifying event results in a change to the benefit plan enrollment level, the City must be notified immediately. Failure to notify the City shall result in the insurance program participant(s) being responsible for the monthly premium(s) and any related associated charges.
- 5.20 This Regulation is transferable to the eligible surviving spouse or registered domestic partner upon the death of the retiree provided the surviving spouse or registered domestic partner is receiving the monthly retirement allowance. In the event the spouse or registered domestic partner continues to have eligible dependent(s), coverage may continue at the expense of the spouse or registered domestic partner. A new spouse by remarriage or a new registered domestic partner by California State certification is not considered an eligible dependent under this Regulation. In the event of the death of the surviving spouse or registered domestic partner, this Regulation is not transferable.
- 5.21 The retiree and his/her spouse or registered domestic partner will be required to comply with all aspects of this Program. Failure to fully comply with all of the provisions of this Regulation may result in the termination of this Program for the retiree, spouse or registered domestic partner.
- 5.22 The Administrative Services Department shall be responsible for the billing reconciliation and for resolving billing discrepancies.
- 5.23 The Human Resources Division shall be responsible for reconciling benefit enrollment issues.
- 5.24 In the event there is a conflict between this Program and CalPERS guiding practices, this Regulation shall prevail. In the event that Federal and/or State regulations are mandated and conflict with this Regulation, the Federal and/or State regulations shall prevail.
- 5.25 The City reserves the right to change, amend or discontinue this Program at any time, for any reason. Should the City discontinue this Regulation, participants will be advised of their rights. Copies of revisions will be sent to the last known mailing or email address on file with the Human Resources Division.



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Devin Wilbey      4/17/10  
City Manager                      Date