

## City of Mission Viejo Personnel Policy

**Subject:**      **FIXED MONTHLY EMPLOYER CONTRIBUTION SCHEDULE (ECS)**

**Statement of Intent:**

This City of Mission Viejo Fixed Monthly Employer Contribution Schedule (“ECS”) summarizes the City’s health and welfare benefit structure. The ECS applies for calendar year 2018 and for subsequent years unless and until modified by the City of Mission Viejo.

The City provides health and welfare benefits described below to its eligible employees (collectively, “Welfare Benefits”). To assist employees with the cost of their selected Welfare Benefits, the City provides fixed monthly contributions up to certain dollar amounts specified below. In addition, subject to certain limitations, eligible employees who elect medical-insurance coverage may receive part of these contributions as cash; and eligible employees may receive cash in exchange for opting out of medical-insurance coverage. All elections among Welfare Benefits and cash as described in this ECS are provided through the City’s cafeteria plan, which is qualified under Section 125 of the Internal Revenue Code (the “Cafeteria Plan”).

Employees’ benefit elections (and changes thereto) may be made only at the time and in the manner determined by the City in its sole discretion. Such election procedures will be in accordance with the Cafeteria Plan and with any Welfare Benefit plan provisions governing the time and manner of such elections.

**Policy:**

**PART A.      GENERAL REQUIREMENTS**

**I.      ELIGIBLE EMPLOYEE**

To receive Welfare Benefits, a City employee must fall into one of the following categories (each an “Eligible Employee”):

1. An employee hired into a budgeted position (as described in the Authorized Position Schedule) for an indefinite period of time and scheduled to regularly work twenty (20) or more hours per week;
2. A member of the City Council; or
3. An Hourly/Seasonal/Temporary (HST) employee who is either:
  - i. Determined to have worked at least thirty (30) hours per week after the City has analyzed the total hours of work during either the employee’s Initial Measurement Period or Standard Measurement Period; or
  - ii. Reasonably expected to work thirty (30) or more hours per week.

## II. INELIGIBLE PERSONS

The following persons are ineligible to receive Welfare Benefits:

1. A variable hour employee who works less than thirty (30) hours per week;
2. Any other person who does not satisfy the requirements set out in Part A.I. above to be an Eligible Employee.

## III. ENROLLMENT

*Current Eligible Employees:* An employee who does not submit the required benefit election forms during Open Enrollment for a calendar year will be enrolled in the same elections as the prior year, with one exception: The employee will be deemed to elect *not* to participate in the Flexible Spending Account (FSA) programs regardless of the employee's election for the prior year. The amount of any City contribution (i.e., Monthly Flex Contribution or Monthly Opt Out Contribution) that would have been allocated to the FSA programs had the employee's prior-year FSA elections remained in effect will be paid to the employee in taxable cash (subject to 50% reduction if the employee is in Tier 4).

*New Eligible Employees:* A newly Eligible Employee (e.g., new hire or employee changing from an ineligible to an eligible position) will become eligible to receive Welfare Benefits effective the first (1<sup>st</sup>) of the month following thirty (30) days of continuous employment in the Eligible Employee position. If the employee does not submit required benefit election forms within thirty (30) calendar days after becoming an Eligible Employee, then (i) he or she will be automatically enrolled in the "Employee Only" category of the lowest cost health plan, excluding the Health Net Salud y Mas plan, the cost of which will be offset by the applicable Fixed Monthly Flex Contribution specified below for Tier 4 employees, and (ii) 50% of the remaining balance (if any) of the Fixed Monthly Flex Contribution will be paid to the employee in taxable cash.

## PART B. PLAN REQUIREMENTS

### I. TIER 4 MONTHLY EMPLOYER CONTRIBUTION

A City employee who becomes an Eligible Employee on or after December 3, 2007, shall be enrolled in Tier 4. Each Tier 4 employee will receive the following benefits:

#### Employees Who Elect CalPERS Health Coverage

- A. The employee will receive a Monthly Flex Contribution upon his or her enrollment (i.e., employee only, employee plus one, employee plus family) in a coverage option offered under the California Public Employees' Retirement System medical plan ("CalPERS Health"). The contribution amount is based on the employee's FTE status and coverage election, as follows:

FULL-TIME EQUIVALENCY (FTE)	MEDICAL PLAN ENROLLMENT LEVEL		
	Employee Only	Employee + 1	Employee + 2 or More
1.000 (40 hrs/wk)	\$1,120.00	\$1,493.00	\$1,700.00
.750 to .999 (30 – 39 hrs/wk)	\$840.00	\$1,119.75	\$1,275.00
.500 to .749 (20 – 29 hrs/wk)	\$560.00	\$746.20	\$850.00

- B. Each employee's Monthly Flex Contribution encompasses the amount that the City is required to contribute to CalPERS Health for the employee. To the extent that the Monthly Flex Contribution exceeds the cost of the employee's elected CalPERS Health option, the employee may allocate the balance among the following in any combination:
1. Dental Insurance
  2. Vision Insurance
  3. Flexible Spending Account Programs
  4. Additional Life Insurance
  5. Catastrophic Care Programs
  6. Taxable Cash Back (subject to 50% reduction). Per Government Code Section 36516, City Councilmembers are not eligible for taxable cash back options.
- C. To the extent that the cost of the employee's elections (other than cash back) under paragraph B above exceed the allocable Monthly Flex Contribution, the balance will be deducted from the employee's City compensation through the Cafeteria Plan on a pre-tax basis.
- D. An Hourly/Seasonal/Temporary (HST) employee is not eligible to enroll into any benefit plan other than medical insurance. Therefore, the Monthly Flex Contribution that exceeds the cost of the employee's elected CalPERS Health option will be provided as taxable cash back subject to the 50% reduction.

#### Employees Who Opt Out of CalPERS Health Coverage

- E. Employees may elect to waive—i.e., "Opt Out"—of CalPERS Health coverage in exchange for a Monthly Opt Out Contribution. To Opt Out of CalPERS Health and receive this contribution, the employee must first sign and comply with the requirements set out in the City's Waiver Agreement. This waiver form will satisfy the requirements of an Eligible Opt-Out Arrangement ("EOA") as defined in Internal Revenue Service (IRS) Proposed Regulation REG-109086, or as subsequently amended by the IRS. In accordance with the EOA rules, the waiver form requires that the employee attest to minimum essential coverage ("MEC") through another source and satisfy several other requirements. Employees who wish to waive CalPERS Health coverage should carefully review the waiver form.

- F. An employee who elects to Opt Out of CalPERS Health will receive a Monthly Opt Out Contribution as follows:

FULL-TIME EQUIVALENCY (FTE)	MONTHLY CONTRIBUTION
1.000 (40 hrs/wk)	\$450.00
.750 to .999 (30 – 39 hrs/wk)	\$312.50
.500 to .749 (20 – 29 hrs/wk)	\$175.00

- G. The employee may allocate his or her Monthly Opt Out Contribution among the following in any combination:
1. Dental Insurance
  2. Vision Insurance
  3. Flexible Spending Account Programs
  4. Additional Life Insurance
  5. Catastrophic Care Programs
  6. Taxable 100% Cash Back. Per Government Code Section 36516, City Councilmembers are not eligible for taxable cash back options.
- H. To the extent that the cost of the employee’s elections (other than cash back) under paragraph F above exceed the allocable Monthly Opt Out Contribution, the balance will be deducted from the employee’s City compensation through the Cafeteria Plan on a pre-tax basis.
- I. An Hourly/Seasonal/Temporary (HST) employee is not eligible to receive the above referenced Monthly Opt Out Contribution.

**II. TIER 3 MONTHLY EMPLOYER CONTRIBUTION – CANCELLED**

The City eliminated Tier 3 effective December 31, 2007.

**III. TIER 2 MONTHLY EMPLOYER CONTRIBUTION**

A City employee who became an Eligible Employee before December 3, 2007, is eligible to participate in Tier 2. Each Tier 2 employee will receive the following benefits:

Employees Who Elect CalPERS Health Coverage

- A. The employee will receive a Monthly Flex Contribution upon his or her enrollment (i.e., employee only, employee plus one, employee plus family) in a coverage option offered under the California Public Employees’ Retirement System medical plan (“CalPERS Health”). The contribution amount is based on the employee’s FTE status and coverage election, as follows:

FULL-TIME EQUIVALENCY (FTE)	MEDICAL PLAN ENROLLMENT LEVEL		
	Employee Only	Employee + 1	Employee + 2 or More
1.000 (40 hrs/wk)	\$975.00	\$1,062.00	\$1,264.00
.750 to .999 (30 – 39 hrs/wk)	\$731.25	\$796.50	\$948.00
.500 to .749 (20 – 29 hrs/wk)	\$487.50	\$531.00	\$632.00

- B. Each employee's Monthly Flex Contribution encompasses the amount that the City is required to contribute to CalPERS Health for the employee. To the extent that the Monthly Flex Contribution exceeds the cost of the employee's elected CalPERS Health option, the employee may allocate the balance among the following in any combination:
1. Dental Insurance
  2. Vision Insurance
  3. Flexible Spending Account Programs
  4. Additional Life Insurance
  5. Catastrophic Care Programs
  6. Taxable 100% Cash Back. Per Government Code Section 36516, City Councilmembers are not eligible for taxable cash back options.
- C. An Hourly/Seasonal/Temporary (HST) employee is not eligible to enroll into any benefit plan other than medical insurance. Therefore, the Monthly Flex Contribution that exceeds the cost of the employee's elected CalPERS Health option will be provided as taxable cash back.
- D. To the extent that the cost of the employee's elections (other than cash back) under paragraph B above exceed the allocable Monthly Flex Contribution, the balance will be deducted from the employee's City compensation through the Cafeteria Plan on a pre-tax basis.

#### Employees Who Opt Out of CalPERS Health Coverage

- E. Employees may elect to waive—i.e., "Opt Out"—of CalPERS Health coverage in exchange for a Monthly Opt Out Contribution. To Opt Out of CalPERS Health and receive this contribution, the employee must first sign and comply with the requirements set out in the City's Waiver Agreement. This waiver form will satisfy the requirements of an Eligible Opt-Out Arrangement ("EOA") as defined in Internal Revenue Service (IRS) Proposed Regulation REG-109086, or as subsequently amended by the IRS. In accordance with the EOA rules, the waiver form requires that the employee attest to minimum essential coverage ("MEC") through another source and satisfy several other requirements. Employees who wish to waive CalPERS Health coverage should carefully review the waiver form.

- F. An employee who elects to Opt Out of CalPERS Health will receive a Monthly Opt Out Contribution as follows:

FULL-TIME EQUIVALENCY (FTE)	MONTHLY CONTRIBUTION
1.000 (40 hrs/wk)	\$750.00
.750 to .999 (30 – 39 hrs/wk)	\$512.50
.500 to .749 (20 – 29 hrs/wk)	\$275.00

- G. The employee may allocate his or her Monthly Opt Out Contribution among the following in any combination:
1. Dental Insurance
  2. Vision Insurance
  3. Flexible Spending Account Programs
  4. Additional Life Insurance
  5. Catastrophic Care Programs
  6. Taxable 100% Cash Back. Per Government Code Section 36516, City Councilmembers are not eligible for taxable cash back options.
- H. To the extent that the cost of the employee's elections (other than cash back) under paragraph F above exceed the allocable Monthly Opt Out Contribution, the balance will be deducted from the employee's City compensation through the Cafeteria Plan on a pre-tax basis.
- I. An Hourly/Seasonal/Temporary (HST) employee is not eligible to receive the above referenced Monthly Opt Out Contribution.

#### **IV. TIER 1 MONTHLY EMPLOYER CONTRIBUTION**

Tier 1 consists of Eligible Employees who have waived CalPERS Health coverage every calendar year since January 1, 2006. No other City employee may become a member of Tier 1.

#### Employees Who Opt Out of CalPERS Health Coverage

- A. Employees may elect to waive—i.e., “Opt Out”—of CalPERS Health coverage in exchange for a Monthly Opt Out Contribution. To Opt Out of CalPERS Health and receive this contribution, the employee must first sign and comply with the requirements set out in the City's Waiver Agreement. This waiver form will satisfy the requirements of an Eligible Opt-Out Arrangement (“EOA”) as defined in Internal Revenue Service (IRS) Proposed Regulation REG-109086, or as subsequently amended by the IRS. In accordance with the EOA rules, the waiver form requires that the employee attest to minimum essential coverage (“MEC”) through another source and satisfy several other requirements. Employees who wish to waive CalPERS Health coverage should carefully review the waiver form.

- B. An employee who elects to Opt Out of CalPERS Health will receive a Monthly Opt Out Contribution as follows:

FULL-TIME EQUIVALENCY (FTE)	MONTHLY CONTRIBUTION
1.000 (40 hrs/wk)	\$975.00
.750 to .999 (30 – 39 hrs/wk)	\$731.25
.500 to .749 (20 – 29 hrs/wk)	\$487.50

- C. The employee may allocate his or her Monthly Opt Out Contribution among the following in any combination:
1. Dental Insurance
  2. Vision Insurance
  3. Flexible Spending Account Programs
  4. Additional Life Insurance
  5. Catastrophic Care Programs
  6. Taxable 100% Cash Back. Per Government Code Section 36516, City Councilmembers are not eligible for taxable cash back options
- D. To the extent that the cost of the employee’s elections (other than cash back) under paragraph C above exceed the allocable Monthly Opt Out Contribution, the balance will be deducted from the employee’s City compensation through the Cafeteria Plan on a pre-tax basis.

Employees Who Elect CalPERS Health Coverage

- E. A Tier 1 employee may elect to enroll in a CalPERS Health plan during an annual Open Enrollment period preceding the calendar year of coverage or during the coverage year if he/she experiences an IRS approved qualified status change.
- F. Tier 1 employees who elect to enroll in a CalPERS Health plan are eligible to participate in either the Tier 4 or the Tier 2 Monthly Flex Contribution.

**PART C. LIMITATIONS OF FIXED MONTHLY EMPLOYER CONTRIBUTIONS**

Notwithstanding this ECS, the City reserves the right to at any time and on any basis deemed necessary and appropriate by the City do the following: modify or eliminate any provisions of its Cafeteria Plan or Welfare Benefits plans; increase, decrease, or eliminate the City contribution amounts (i.e., Monthly Flex Contribution or Monthly Opt Out Contribution); or otherwise modify any component of the City’s health-and-welfare benefits structure.

Further, this ECS is not intended to in any way modify the provisions of the Cafeteria Plan or the underlying Welfare Benefits plans themselves. Employees should refer to the actual plan documents for specific provisions and/or answers to specific questions.

If there is any conflict between this ECS and the Cafeteria Plan or any Welfare Benefits plan, the relevant plan controls.

**Administration:**

In accordance with City of Mission Viejo Municipal Code chapter 2.60 “Personnel System”, this Personnel Policy is deemed to have a direct financial impact on the City. City Council approval is required prior to initial implementation and for any subsequent amendments.

Adopted: City Council November 8, 2016 – Resolution 16-51

Reference: City Council August 24, 1992 – Resolution 92-152  
City Council June 28, 1993 – Resolution 93-114  
City Council June 19, 2000 – Resolution 00-110  
City Council July 1, 2002 – Resolution 02-113  
City Council November 3, 2003 – Resolution 03-150  
City Council October 4, 2004 – Resolution 04-130  
City Council October 3, 2005 – Resolution 05-115  
City Council December 4, 2006 – Resolution 06-85  
City Council November 5, 2007 – Resolution 07-66  
City Council March 13, 2013 – Resolution 13-21  
City Council November 4, 2013 – Resolution 13-63  
City Council June 28, 2016 – Resolution 16-31

Revised: City Council on October 24, 2017 – Resolution 17-51.  
City Council on May 14, 2019 – Resolution No. 19-XX