

Benefits - Retired Employees

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1.0 POLICY

In keeping with its compensation philosophy and to recognize and reward its retirees for many years of service and contributions to the citizens of Carolina Beach, the Town provides a package of benefits to retirees.

2.0 PURPOSE

Because of the tax advantages provided with benefit programs, there are a number of laws governing benefits and how they are provided to employees and retirees. In order to comply with these laws, the Town has a number of policy requirements that govern benefit eligibility, enrollment and coverage changes. This policy focuses on these policy requirements and how they impact the Town's retiree benefit programs. See **Policy on Benefits - Regulatory Issues** and the current years' benefits information.

3.0 SCOPE

This policy covers retirees of the Town of Carolina Beach.

4.0 DEFINITIONS

- **4.1 Benefit Eligible Retiree** - An individual hired prior to July 14, 2015, who retires directly from Town of Carolina Beach service and immediately begins receiving a monthly benefit from the North Carolina Local Governmental Employees Retirement System (NCLGERS).
- **4.2 Dependent** - A spouse, natural minor children, adopted minor children or minor children placed for adoption, minor stepchildren if the spouse is the custodial parent and the stepchildren live with the retiree, or other minor children for whom the retiree has legal responsibility. A dependent child who is and continues to be either mentally or physically handicapped and incapable of self-support. The handicap must be medically certified by the child's doctor and is subject to annual verification.
- **4.3 NCLGERS (The North Carolina Local Governmental Employees Retirement System)** - A defined benefit retirement system for local governmental employees created by Chapter 128 of The General Statutes of North Carolina. In 1986, the Law Enforcement Officers (LEO) Retirement System was merged with other retirement systems and local law enforcement officers became a part of NCLGERS. Employees contribute 6% of income to the retirement system and the Town makes an actuarially equivalent contribution. The Town has also chosen to provide the voluntary death benefit under the NCLGERS to sworn law enforcement officers only. Participation in NCLGERS by benefit eligible employees is required as a term of employment.
- **4.4 NC 401(k) Plan (North Carolina Supplemental Retirement Income Plan) and ICMA 457 Plan** - Defined contribution plans that provides retirement savings through tax deferred contributions. The 1986 legislation, effective January 1, 1987 also created two additional mandated benefit programs for local law enforcement officers, the Supplemental Retirement Income Plan - 401(k), and the Police Separation Allowance. In addition, employers contribute a mandated 5% to the

Police 401(k) and whatever payroll amount is necessary to fund the Police Separation Allowance.

- 4.5 Employees other than Police are eligible to participate in the NC 401(k) Plan and the employer may make (not required) a contribution to participant accounts as feasibly determined.
- 4.6 **Town Service** – Town Service for retiree benefits consists **only** of actual benefit-eligible service time with the Town of Carolina Beach.
- 4.7 **COBRA (Consolidated Omnibus Budget Reconciliation Act of 1986/Public Health Act of 1986)** - Federal laws, enforced by the United States Department of Health and Human Services for the public sector, that provide for continuation of health and dental coverage for specified lengths of time and for certain circumstances following a loss of insurance coverage. See **Policy on Benefits - Regulatory Issues**.
- 4.8 **HIPAA (Health Insurance Portability and Accountability Act of 1996)** - A Federal law, enforced by the United States Department of Health and Human Services, that governs the privacy of protected health information as well as personal data, and provides for portability of health and dental benefit eligibility. See **Policy on Benefits - Regulatory Issues**.
- 4.9 **Section 125 of the Federal Internal Revenue Code** - A Federal law, enforced by the United States Internal Revenue Service, which allows pre-tax employee and employer contributions to be made to the Town's Group Insurance plan.
- 4.10 **Qualified Family Status Change** - Changes in the legal status of a family that allow for changes in benefit coverage. Status changes include marriage, birth or adoption of a child, placement of a child for adoption, legal separation, divorce, loss of dependent status or a substantive change in employment status for the retiree or spouse.
- 4.11 **Open Enrollment** - An annual period, normally in June, when retirees may make benefit coverage changes for the following plan year without a qualified family status change.

5.0 ORGANIZATIONAL RULES

- 5.1 **General Rules**
 - A. Employees who do not retire directly from Town of Carolina Beach service and immediately begin receiving a monthly benefit from the North Carolina Local Government Employees Retirement System (NCLGERS) are not considered retirees of the Town and are not eligible to participate in Town benefits as a retiree.
 - B. Service time for retirement benefits from NCLGERS and Town of Carolina Beach service for Town retiree benefits may be different. Only Town of Carolina Beach benefit-eligible service is utilized in determining Town service for the calculation of retiree benefit eligibility and costs. Other service that may count towards NCLGERS retirement (such as purchased military service and service with another local or North Carolina State government) does **not** count towards Town service for retiree benefits.
 - C. Retiree contributions toward the costs of health and dental insurance are based on length of Town service. Retirees pay the total costs for dependent coverage.
 - E. Employees hired prior to July 14, 2015, who retire with at least 5 years of continuous benefit eligible service with the Town, may continue to participate in the Town's group health plan and group dental plan subject to the following schedule:
 - 5-14 years continuous service = 0% Paid by Town
 - 15-19 years continuous service = 50% Paid by Town
 - 20+ years of continuous service = 100% Paid by Town

F. Employees hired after July 15, 2015 will not accrue any service time towards any Retiree Health or Dental insurance benefits.

- 5.2 Eligibility

- A. Retirees, their spouses, and any eligible dependents may remain covered by the Town's Group Health Insurance until the retiree attains age 65, as long as the retiree is living. Upon the retiree's death, an under age 65 spouse and any covered eligible dependents have the option of continuing coverage under COBRA provisions. See Section 4.7 above and related references.

- B. An employee who retires after the age of 65 will be enrolled in a suitable Medicare Supplement Plan and Medicare Prescription Drug Plan selected by the Town. The cost share of this coverage is shown on the table above. The retiree is responsible for enrolling in and purchasing his own Medicare Part A and Medicare Part B coverage. The coverage offered by the Town is a supplement to Medicare. Medicare Supplement coverage is not offered to spouses of retirees. However, dependents that lose insurance coverage due to the retirement of the employee may be eligible to continue their coverage through the COBRA continuation program if they qualify under COBRA guidelines. See **Policy on Benefits - Regulatory Issues**.

- B. Retirees, their spouses and any eligible, covered dependent may be covered by dental insurance as long as the retiree is living, the dependents are covered at the time of the employee's retirement and as long as the dependent continues to meet the eligibility requirements of a dependent. Upon the retiree's death, the spouse and any covered dependent have the option of continuing dental coverage under COBRA provisions. See Section 4.7 above and related references.

- C. Dependents may be covered on an under age 65 retiree's health and dental insurance until age 26. As long as the retiree is under age 65, a dependent child who is, and continues to be either mentally or physically handicapped and incapable of self-support, may continue to be covered under this benefit plan regardless of age, if the condition exists and coverage is in effect when the child reaches the end of eligibility for a dependent child. The handicap must be medically certified by the child's doctor and is subject to annual verification.

- D. Upon the retiree's attainment of Medicare eligibility at age 65, the retiree will be enrolled in a suitable Medicare Supplement Plan and a Medicare Prescription Drug Plan chosen by the Town. The retiree is responsible for purchasing their own Medicare Part A and Medicare Part B coverage. The coverage offered by the Town is a supplement to Medicare, which will be the retiree's primary insurance.

- 5.3 Enrollment

- A. Retirees may enroll dependents in health insurance at the time of retirement. Retirees **must** enroll dependents in dental insurance at the time of retirement if they wish to have dependents covered on the Town's dental plan.

- B. After retirement, dependents may be enrolled in health insurance at Open Enrollment, usually in June of each year, for the next plan year as long as the retiree is under age 65. Dependents cannot be added to dental insurance at Open Enrollment.

- 5.4 Coverage Changes
 - A. Retirees may make changes to health insurance coverage levels at Open Enrollment each year or during the year if they have a qualified family status change that is consistent with the coverage change. The benefits change must be made within 30 days of the qualified family status change.
 - B. Retirees may drop dependents from dental insurance coverage at Open Enrollment each year or during the year if they have a qualified family status change that is consistent with the coverage change. The benefits change must be made within 30 days of the qualified family status change. Retirees may add dependents to dental coverage after retirement **only** if they are newly acquired dependents under a qualifying family status change event.
 - C. Retirees may make changes in benefit plan elections only at Open Enrollment.
 - D. Benefit coverage for spouses or dependents of the retiree will terminate if the retiree dies or the spouse or dependents lose their eligibility for coverage through legal separation or divorce, the age-out of a dependent child or if the retiree removes the dependent from coverage at Open Enrollment. However, dependents that lose insurance coverage may be eligible to continue their coverage through the COBRA continuation program if they qualify under COBRA guidelines. See **Policy on Benefits - Regulatory Issues**.

- 5.5 Notification
 - A. It is the retiree's responsibility to notify the Human Resource Department of a change in family status that would impact eligibility of the retiree or his dependent to participate in a benefit program. The notification of status change must be made within 30 days of the qualifying event.
 - B. Failure to notify the Human Resource Department of a family status change will not change benefit eligibility. It may result in the retiree paying for non-refundable insurance premiums without receiving the benefit or not having coverage for a new dependent.
 - C. The Town is entitled to reimbursement for any benefit expense unduly paid on behalf of an ineligible retiree or dependent because the retiree failed to notify the Town of the change causing the ineligibility.

- 5.6 Insurance Premium Refunds - Refunds of insurance premiums due to a qualified family status change will be made only on premiums paid in the current month and only if the request is received within 30 days of the qualifying event. Any premiums paid in previous months due to the retiree's failure to notify the Human Resource Department will not be refunded.

6.0 PROCEDURES

- 6.1 Retiree Benefit Enrollment - At the time an employee applies for retirement, he will be given the opportunity to make changes to his benefits coverage. Dependents may be added at the time of retirement to health insurance. Dependents **must** be added to dental insurance at retirement, if not already covered, as dependents cannot be added after retirement unless they are newly acquired. Retirees are responsible for providing, in a timely manner, the dependent information necessary for enrollment.
- 6.2 Annual Open Enrollment - During Open Enrollment each year, the Human Resources Department will provide retirees with information about the coming year's benefits program as well as enrollment paper work indicating current year benefit choices. Retirees may attend any education sessions conducted for employees. Retirees wishing to make changes will complete the Open Enrollment paperwork and submit it to the Human Resource Department for processing in a timely manner.

- 6.3 Family Status Changes – An under age 65 retiree who has a qualified family status change may add or drop dependents on health insurance throughout the year if the add or drop is consistent with the status change. Retirees of any age may drop dependents from the dental program with a qualified family status change but may only add dependents to dental in circumstances where the dependent is newly acquired. To make a benefits change resulting from a family status change, the retiree must contact the Human Resources Department and make the change within 30 days of the family status change. The retiree must provide proof of the family status change if required by policy.

7.0 APPENDIX, APPENDICES

None