

# Benefits - Active Employees

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## 1.0 POLICY

In keeping with its compensation philosophy, the Town of Carolina Beach offers a comprehensive package of benefits to full time and part-time benefit-eligible employees.

## 2.0 PURPOSE

A competitive benefits program is an integral part of a successful total compensation program. Many benefit programs provide tax advantages for employees. As a result, a number of laws have been established to govern how benefits are provided to employees. In order to comply with these laws, the Town has a number of requirements that govern benefit eligibility, enrollment and coverage changes. This policy focuses on these requirements and how they impact the Town's employee benefit programs. See **Policy on Benefits - Regulatory Issues**.

## 3.0 SCOPE

This policy covers benefit-eligible employees of the Town of Carolina Beach.

## 4.0 DEFINITIONS

- 4.1 **Benefit-Eligible** - Full time and part-time employees who are eligible for coverage and participation in the Town's benefit programs in addition to legally mandated coverage. See **Policy on Position Types**.
- 4.2 **Dependent** - For benefit purposes, dependents are defined as: a spouse under an existing marriage that is legally recognized under any state law; your or your spouse's dependent children through the end of the month of their 26<sup>th</sup> birthday; 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.
- 4.3 **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**.
- 4.4 **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**.
- 4.5 **Section 125 of the Federal Internal Revenue Code (Flexible Benefits Plan)** - A Federal law, enforced by the United States Internal Revenue Service that provides for an employee to voluntarily reduce his salary, and thereby his income taxes and social security taxes, to direct those funds to tax free benefits as long as certain requirements are met. Benefits eligible for this tax-favored treatment are

health and dental premiums, vision premiums, health and dependent care spending accounts.

- 4.6 **Qualified Family Status Change** - Changes in the legal status of a family that permits 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 employee or spouse.
- 4.7 **Open Enrollment** - An annual period, normally in June of each year, when employees may make benefits coverage changes for the following plan year without a qualified family status change.

## 5.0 ORGANIZATIONAL RULES

- 5.1 Eligibility - All benefit-eligible employees and eligible dependents, as defined in Section 4.2, are eligible to enroll in Town benefit programs.
  - A. When requested, employees must complete a Handicapped Dependent Eligibility Verification Form and a physician's written statement providing proof of the dependent child's handicapped status.
  - B. Employees who are retired from the military or from other documented municipal agencies and in receipt of health insurance coverage through the government or through another agency from which the employee retired, or who are covered as a dependent under group health/dental insurance coverage issued by the Federal Government (spouse is an employee, or retiree, of the Federal Government), may voluntarily elect to waive out of the town's group insurance plan. If the employee elects to waive his eligibility under the medical plan then the Town will provide a stipend of \$500 per plan year, payable over 26 pay periods. Employees must annually provide proof of coverage under military or another municipality, Federal Government or retirement system sponsored insurance.
- 5.2 Enrollment - Benefit-eligible employees shall be enrolled in the Town's benefit programs at New Hire Orientation, which occurs within 30 days after employment. Benefits are effective the first of the month following 30 days of employment, or when administratively feasible.
  - A. Employees may enroll dependents in Town benefit programs during Benefits Sign-Up. If dependents are not added to benefit plans when first eligible, they must wait until the next open enrollment period or when a qualified family status change occurs. This restriction is imposed by Section 125 of the Internal Revenue Code.
- 5.3 Coverage Changes
  - A. Employees may change 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. Benefit changes during the year, due to family status change, must be made within 30 days of the qualified family status change event.
  - B. Employees may make changes in benefit plans only during the Open Enrollment period.
  - C. Benefit coverage will terminate when any of the following occurs:
    - Termination of employment
    - Exhaustion of FMLA eligibility
    - Notification of the death of a covered participant
    - Notification of a legal separation with written proof of the separation unless a legal document requires coverage for the separated spouse
    - Notification of a divorce with written proof of the divorce
    - Loss of eligibility of a dependent child

An employee removes a dependent at Open Enrollment, or the Benefit plan is terminated

- 5.4 Notification
  - A. It is the employee's responsibility to notify Human Resources of a change in family status that would impact eligibility of the employee or 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 Human Resources of a family status change will not change benefit eligibility and may result in the employee paying for non-refundable insurance premiums.
  - C. The Town is entitled to reimbursement for any benefit expense unduly paid on behalf of an ineligible employee or dependent because the employee failed to notify the Town of the family status change causing the ineligibility.
- 5.5 Continuation of Coverage - Employees and dependents that lose insurance coverage may be eligible to continue their coverage through the COBRA continuation program if they qualify under the COBRA guidelines. See **Policy on Benefits - Regulatory Issues**.
- 5.6 Insurance Premium Refunds - Refunds of insurance premiums due to valid reduced coverage will be made only for premiums paid during the two immediately preceding pay cycles prior to notification of the pre-dated change causing the refund request. If the pre-dated change is further back than two payroll cycles from the date of notification, refunds will not apply to those premium payments.

## **6.0 PROCEDURES**

- 6.1 Initial Benefit Enrollment - Newly hired benefit-eligible employees shall be enrolled in the Town's benefit programs during New Hire Orientation, which normally occurs within 30 days following employment. Town benefits are effective the first of the month following 30 days of employment, unless an employee is hired on the first day of the month, then the employee will be effective for benefits on the first day of the next month. A representative of the Human Resources Department will explain the benefit options, answers questions and assist the employee in enrollment. Employees who wish to enroll eligible dependents may do so. Employees are responsible for providing the dependent information necessary for enrollment.
- 6.2 Annual Open Enrollment - During Open Enrollment each year, the Human Resources Department will provide employees with information about the coming years' benefits programs. The Human Resources Department will be responsible for providing educational opportunities for employees to learn about benefit options and ask questions. All employees will complete the Open Enrollment paperwork and submit it to Human Resources for processing in the timeline allotted. Some benefit programs such as Flexible Spending Accounts require a new enrollment each year. During Open Enrollment, employees may add or drop dependents from benefit coverage without having a family status change.
- 6.3 Family Status Changes - An employee who has a qualified family status change may add or drop dependents throughout the year if the change is consistent with the status change. To make a benefits change resulting from a family status change, the employee must contact Human Resources and make the change within 30 days of the family status change event, providing proof of the family status change.

## **7.0 APPENDIX, APPENDICES**

None