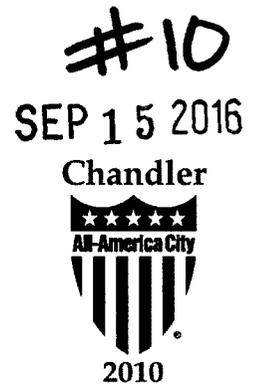




Chandler · Arizona
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MEMORANDUM

Law Department - Council Memo

DATE: SEPTEMBER 12, 2016

TO: MAYOR AND CITY COUNCIL

FROM: GLENN A. BROCKMAN, ACTING CITY ATTORNEY *GAB*

SUBJECT: RESOLUTION NO. 4995 -- ADOPTING AND APPROVING A STATEMENT OF EMPLOYEE ELIGIBILITY TO BE INCLUDED AS PART OF THE CITY'S EMPLOYEE BENEFITS PROGRAM AND PLANS.

RECOMMENDATION: Recommend approval of Resolution No. 4995.

BACKGROUND/DISCUSSION: In the fall of each year, the City Council acts to establish the employee benefits to be made available to those eligible employees, retirees, and their respective dependents for the next benefit (calendar) year. Beginning with the year 2017, benefit eligibility determinations will be the responsibility of the Human Resources Division. To some extent, this has already been occurring. Nevertheless, at least with respect to the City's self-funded Medical Plans, the provisions of the Administrative Services Agreement (ASA) with Blue Cross Blue Shield of Arizona (BCBSAZ) placed responsibility for eligibility determinations with BCBSAZ and provided the only approved, written statement of the eligibility criteria to be applied. For 2017, these provisions will not be included in the ASA, but rather, will be included as part of new administrative regulations to be approved through City Manager's office.

While it is appropriate for eligibility determinations to be made administratively, the actual eligibility criteria to be applied in making such determinations is a matter of policy to be established by the City Council. This is true even though several of the eligibility requirements are made necessary by various state or federal laws. Accordingly, Council is requested to adopt and approve the Statement of Employee Eligibility set out in Exhibit A to Resolution No. 4995.

FINANCIAL IMPLICATIONS: Eligibility can be a factor in the cost to the City in providing employee benefits. However, the eligibility requirements set out in the Statement of Employee Eligibility approved through Resolution No. 4995 are consistent with the requirements established and/or applied for the current year (2016).

PROPOSED MOTION: Move that Council adopt Resolution No. 4995, approving a Statement of Employee Eligibility as set forth in Exhibit A to the Resolution, which shall be included as part of the City's employee benefits program and plans.

Attachment: Resolution No. 4995 with Exhibit A attached thereto

RESOLUTION NO. 4995

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, MARICOPA COUNTY, ARIZONA, ADOPTING AND APPROVING A STATEMENT OF EMPLOYEE ELIGIBILITY TO BE INCLUDED AS PART OF THE CITY'S EMPLOYEE BENEFITS PROGRAM AND PLANS.

WHEREAS, the City of Chandler has established a self-funded insurance program for health benefits for its employees through: i) adoption of Ordinance No. 4245 authorizing establishment of the Chandler Health Care Benefits Trust Fund and Health Care Benefits Plan; and ii) adoption of Resolution No. 4447 authorizing and approving the Trust Document required by State law to establish the Trust as a separate legal entity and the terms and conditions under which the Trust is to function; and

WHEREAS, prior to the creation of the Chandler Health Care Benefits Plan, the requirements for City employees, retirees and their dependents to participate in the City's health insurance coverage (the "Plan Eligibility Requirements") were set forth in the City's agreements with specific health insurance providers with whom the City contracted for insurance; and

WHEREAS, after the creation of the Chandler Health Care Benefits Plan, the City's Plan Eligibility Requirements were contained within the terms of the Administrative Services Agreements executed with the Plan Administrator (Blue Cross Blue Shield of Arizona); and

WHEREAS, the City now desires to have its Human Resources Division be responsible for administering and determining benefits plan eligibility for its active employees, retirees, and their respective dependents, all in accordance with procedures established in a series of detailed Administrative Regulations issued by the City Manager for such purpose; and

WHEREAS, because the actual Plan Eligibility Requirements are a matter of policy, the City Council is now requested to set forth the Plan Eligibility Requirements in summary form through the adoption of a written "Statement of Employee Eligibility" in the form and content set out in Exhibit A, attached hereto and incorporated by this reference;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chandler, Arizona, as follows:

The Statement of Employee Eligibility attached hereto as Exhibit A is adopted and approved as a summary statement of the Plan Eligibility Requirements to be in effect and applied in connection with the Chandler Health Care Benefits Plan effective January 1, 2017 and each benefit year thereafter unless or until modified by a subsequently adopted resolution.

PASSED AND ADOPTED by the Mayor and City Council of the City of Chandler, Arizona, this _____ day of September, 2016.

ATTEST:

CITY CLERK

Jay Tibshraeny, MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4995 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the _____ day of September, 2016, and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY *CAB*

STATEMENT OF EMPLOYEE ELIGIBILITY

I. INTRODUCTION

A. The City of Chandler has established a benefits program that makes several benefit plans available to those active employees eligible to receive such benefits. Some plan benefits also are made available to eligible dependents of such eligible employees. Benefits are also made available to eligible retired employees and their eligible dependents. The benefits program is administered through the City's Human Resources Division.

B. Most of the benefit plans are made available through private service providers with whom the City has contracted. Of these plans, the following are offered to both eligible employees and their eligible dependents: Dental Plan(s); Vision Plan(s); Employee Assistance Program (EAP); and Voluntary Life Insurance. The remainder of these plans are "employee only" plans and include: Accidental Death and Dismemberment Insurance (AD&D); Short Term Disability; Long Term Disability; Travel Accident Benefit; Flexible Spending Account (FSA); Basic Life Insurance Plan; Health Savings Account (HSA); and Retirement Health Savings Plan (RHSP).

C. For most employees, the most significant benefit plan is the Medical Plan, which includes outpatient service and prescription drugs. There are several plan design options from which an eligible employee can select, but, in each case, the Medical Plan is a self-funded plan provided directly by the City and administered by Blue Cross Blue Shield of Arizona ("BCBSAZ"). It is available to both employees and their dependents if they meet the eligibility requirements.

II. PLAN ELIGIBILITY AND PARTICIPATION

A. Whether an employee or a dependent is eligible to participate in any benefit plan offered through the City's benefits program is a matter to be determined by Human Resources in accordance with the criteria for eligibility set forth below.

B. Furthermore, an eligible employee or a dependent must have completed all steps necessary to properly enroll in any benefit plan and to maintain enrollment in order to be an actual participant in the benefit plan. Human Resources shall be responsible to determine whether or not all steps necessary to enroll and maintain enrollment have been met.

C. In making these determinations, Human Resources shall follow the procedures and other administrative rules set forth in the City's Administrative Regulations. In the event of a conflict between the provisions of these Administrative Regulations and the provisions of this Statement of Employee Eligibility, the provisions of this Statement shall prevail and control. However, this Statement of Employee Eligibility is summary in nature, so the fact that the Administrative Regulations may contain more detail than this document does not by itself constitute a conflict.

III. CRITERIA FOR ELIGIBILITY

A. **Active Employees, Members of the City Council, and Their Dependents**

1. A full-time employee, regular or probationary, who serves in a budgeted position, is eligible for all benefit plans under the Benefits Program.
2. A part-time employee, who serves in a budgeted position averaging at least 20 hours of service per week, is eligible for all benefit plans under the Benefits Program.
3. A member of the City Council (while serving on the City Council) is eligible for all benefit plans under the Benefits Program.
4. An employee, who does not serve in a budgeted position, but who averages at least 30 hours of service per week is eligible to receive Medical Plan benefits only.
5. Any other employee is not eligible for benefits under any of the benefits plans under the Benefits Program.
6. Eligible dependents of (i) a full-time employee serving in a budgeted position, (ii) a part-time employee serving in a budgeted position averaging at least 20 hours of service per week, or (iii) a member of the City Council (while serving on the City Council), are eligible for any of the benefit plans under the Benefits Program that are not “employee only” plans.
7. Eligible dependents of an employee who does not serve in a budgeted position, but who averages at least 30 hours of service per week, are eligible to receive Medical Plan benefits only.

B. **Eligibility Criteria for Dependents**

1. The dependents of a City employee who is an eligible participant in a benefits plan, other than “employee only” plans, are also eligible to participate in the benefits plan.
2. Such eligible dependents may be the following individuals: the participant employee’s spouse under a legally valid existing marriage; and the participant employee’s children or the children of the employee’s spouse, including: (a) birth or biological children; (b) legally adopted children or children placed for adoption with the employee; (c) stepchildren (when the parent is legally married to the eligible employee); (d) foster children; (e) children under the legal custody or legal guardianship of the Employee; and (f) children who are the subject of a valid Qualified Medical Child Support Order (QMCSO), as determined by Human Resources.
3. For any individual dependent, eligibility and/or continued coverage under a benefits plan can change if the circumstances under which the individual qualified as an eligible dependent should change. For a dependent spouse, one such circumstance may be

divorce. For a dependent child, such a circumstance may be reaching the age of majority or such other age at which the terms of the benefits plan provide for discontinuance of coverage as a child.

4. Under the Medical, Dental, Vision, EAP and Life Insurance Plan, an employee's children who are not disabled are eligible for dependent coverage only until their 26th birthday.

5. A disabled child of an eligible employee who has reached age 26 may continue coverage as a dependent under the Medical Plan (but not the dental, vision, EAP, or voluntary life plans) if the disabled child is unmarried, primarily supported by the Employee, and incapable of sustaining employment by reason of mental or physical disability.

(a) *Disability* refers to the inability of a person to be self-sufficient as the result of a physically or mentally disabling injury, illness, or condition, and the person is permanently and totally disabled in that they are unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months and the condition was diagnosed by a Physician, and accepted by the Plan Administrator or its designee, as a permanent and continuing condition.

(b). A child whose coverage has terminated at age 26, who thereafter becomes disabled, is not eligible to re-enroll as a disabled dependent child under the Medical Plan.

IV. PLAN ENROLLMENT AND TERMINATION

A. Initial Enrollment and Benefit Eligibility Start Dates shall be set out in the Administrative Regulations.

B. Termination of Participation and/or Eligibility for an employee, a dependent or a surviving spouse or dependent child shall be addressed in the Administrative Regulation.

C. Mid-Year/Special Enrollment Changes are specifically addressed in the Administrative Regulations.

D. The spouse and eligible children of an employee, who are covered dependents under City-sponsored medical, dental and vision plans at the time the employee is killed in the line of duty in the course and scope of the employee's employment with the City, may continue their coverage under the City-sponsored medical, dental and vision plans.

V. RETIREE BENEFIT PLAN ELIGIBILITY

A. **Retiree Eligibility.**

1. Upon retirement from the City of Chandler, through the Arizona State Retirement System (ASRS) or the Public Safety Personnel Retirement System (PSPRS), the Retiree (and the eligible Dependents) may continue Medical, Dental, Vision and Basic Life Insurance coverage only if the Retiree was active on the Plan at the time of retirement.

2. An Eligible Retiree is eligible to enroll for coverage within **30 calendar days** from the date coverage as an active employee ceases.

3. An Eligible Retiree may continue in the Employee Assistance Program through COBRA election only.

4. No Plan changes can be made upon retirement, with the exception of dropping covered dependents, until Annual/Open Enrollment.

5. The Retiree is required to pay the entire premium for each such coverage, and for eligible dependent coverage for which the Retiree enrolls.

B. Dependent Eligibility

1. Any eligible dependent of an eligible retiree may be covered by this Plan if the Retiree enrolls for dependent coverage.

2. If a Retiree, who is on one or more of the City's plans, dies, the spouse and dependent children may remain on the current plans as long as they meet eligibility requirements.

3. Eligibility for participation in the City's group health insurance programs shall terminate upon the surviving spouse's remarriage or attainment of the age of Medicare eligibility or the last day of the month in which the surviving eligible child attains age 26 for, for eligible children, the surviving spouse loses coverage under the plan.

C. Administrative Regulations

More detailed provisions relating to coverage, termination of coverage, medicare entitlement matters, and similar topics are set out in the Administrative Regulations.