



REVISED

**ACTION ITEM**

December 8, 2021

**TO:** Board of Directors

**FROM:** **Administration & Finance Committee**  
 (Directors McVicker, Thomas, Dick)

Robert J. Hunter  
 General Manager

Staff Contact: Cathy Harris

**SUBJECT: APPROVE REVISIONS TO SECTION 3307 OF THE PERSONNEL MANUAL REGARDING RETIREE MEDICAL BENEFITS**

**STAFF RECOMMENDATION**

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It is recommended the Board of Directors approve revisions to Personnel Manual, Section 3307, Retiree Medical Benefits, as presented; and direct staff to amend the Retiree Health Plan, establishing the reimbursement amount for retirees with 10 years of service at \$3,080.82 (Option 3), as outlined in the attached Policy.

**COMMITTEE RECOMMENDATION**

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Committee recommends Option 3 which is to approve revisions to the Personnel Manual, Section 3307, as presented; and modify the maximum \$1,800 reimbursement amount to the Consumer Price Index (CPI) inflation adjusted amount of \$3,080.82. This option would cover some of the cost for retirees who may incur the IRMAA in addition to the standard Part B premium.

**SUMMARY**

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In reviewing procedures for processing retiree health care reimbursements, it was determined that some housekeeping changes to Section 3307 of the Retiree Policy regarding Retiree Medical Benefits are needed to assist with processing reimbursements and to provide clarity to retirees submitting for reimbursement. Attached for review are the

<b>Budgeted (Y/N): Y</b>	Budgeted amount: \$101,099	Core X	Choice _
<b>Action item amount:</b> \$5,123.28			
<b>Fiscal Impact (explain if unbudgeted):</b> There are sufficient funds in the current cost center to cover this additional expense. The decrease in health insurance premiums for 2022 will offset the additional cost.			

proposed revisions. Note that a new section was added, Section 3307.3 – Process for Reimbursement which addresses reimbursement for both the 10- and 25-year plans.

Medicare recently released the 2022 monthly premium rate for standard Part B will be \$170.10. This equates to a 14.5% increase over 2021 or \$2041.20/annually. Currently, under the District’s Retiree Health Policy, retirees with 10 years of service may submit for reimbursement up to \$1,800 annually, for Medicare Part B coverage, a Medicare Advantage Plan, a supplemental Medigap policy, or a Medicare Prescription Drug plan covering the retiree only.

The 10 year service Retiree Policy was first established in 1987 in the amount of \$1,000. The reimbursement amount was increased in 1997 to \$1,800 and has been in effect since. When the policy was established, the intent was to reimburse the retiree for the purchase of a supplemental insurance policy to help reduce out of pocket expenses that were not covered under Medicare. Over the years, the District revised its policy to allow the \$1,800 reimbursement to go towards a Medicare Advantage Plan, Medicare Prescriptions Drug Insurance (Part D), or the retiree’s Medicare Part B coverage.

Medicare Part B monthly premiums for the last 10 years are shown below:

Year	Premium Amount
2012	\$99.90
2013	\$104.90
2014	\$104.90
2015	\$104.90
2016	\$121.80
2017	\$134.00
2018	\$134.00
2019	\$135.50
2020	\$144.60
2021	\$148.50

The Medicare Part B premiums vary each year and one factor is the annual Social Security Cost of Living Adjustment (COLA). Social Security recently reported a 5.9% COLA will be going into effect in January 2022. The 2022 Medicare Part B premium increase is being partially attributed to the pandemic and a costly new Alzheimer’s drug.

All Medicare recipients pay a monthly premium for Medicare Part B which is typically deducted from one’s Social Security check. If a retiree does not receive Social Security, they are billed monthly for the Part B premium. If the retiree’s modified adjusted gross income is above a certain amount, they pay an Income Related Monthly Adjustment Amount (IRMAA) (see chart below). Medicare uses the modified adjusted gross income reported on the retiree’s IRS tax return from 2 years ago to determine the Medicare Part B Premium amount. It is the most recent tax return information provided to Social Security by the IRS.

2021

The standard Part B premium amount in 2021 is \$148.50. Most people pay the standard Part B premium amount. If your modified adjusted gross income as reported on your IRS tax return from 2 years ago is above a certain amount, you'll pay the standard premium amount and an Income Related Monthly Adjustment Amount (IRMAA). IRMAA is an extra charge added to your premium.

If your yearly income in 2019 (for what you pay in 2021) was			You pay each month (in 2021)
File individual tax return	File joint tax return	File married & separate tax return	
\$88,000 or less	\$176,000 or less	\$88,000 or less	\$148.50
above \$88,000 up to \$111,000	above \$176,000 up to \$222,000	Not applicable	\$207.90
above \$111,000 up to \$138,000	above \$222,000 up to \$276,000	Not applicable	\$297.00
above \$138,000 up to \$165,000	above \$276,000 up to \$330,000	Not applicable	\$386.10
above \$165,000 and less than \$500,000	above \$330,000 and less than \$750,000	above \$88,000 and less than \$412,000	\$475.20
\$500,000 or above	\$750,000 or above	\$412,000 or above	\$504.90

Being that the \$1,800 reimbursement amount for retirees with 10 years of service has been in effect for 24 years, and will be below the 2022 standard Medicare Part B premium amount, staff is recommending the policy be revised, establishing the Part B premium reimbursement amounts in accordance with the standard Medicare Part B premium, as established by Medicare each year. This would provide a consistent reference point that determines the reimbursement amounts for retirees with 10 years of service.

Four retirees are currently receiving this benefit at a total annual cost of approximately \$7,200. If the Board establishes the reimbursement for retirees to be consistent with the standard Medicare Part B premium, the annual amount for 2022 would be \$2041.20 per retiree for an annual cost of approximately \$8,165. The total amount is based on retirees currently seeking reimbursement. The financial impact of \$965/year would still be within the budgeted amount. Within the next five years, there could be a total of 8 retirees eligible for the 10 year plan. Also, note that in 2012, the Board revised the Retiree Health Benefits Policy to apply to those Regular Full-time Employees hired prior to July 1, 2012, therefore employees hired after that period are not eligible to receive Retiree Health and Welfare Benefits.

## BOARD OPTIONS

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**Option #1** – It is recommended the Board of Directors approve revisions to the Personnel Manual, Section 3307 as presented; and direct staff to amend the Retiree Health Plan, establishing the reimbursement amount for retirees with 10 years of service to be based on the standard Part B Premium amount established by Medicare each year.

**Fiscal Impact:** \$965

**Business Analysis:** The revisions to the Personnel Manual helps to clarify the policy to assist with processing of reimbursements and to the retirees when requesting reimbursement. In addition, the maximum \$1,800 reimbursement amount for the 10 year retiree plan has been in effect for 24 years. Due to rising health care costs and to reduce out of pocket costs, establishing the reimbursement amount based on the standard Medicare Part B Premium would help to stay current with the rising costs and provide consistency in having a reference point when applying the policy.

### Option #2

- Approve the revisions to the Personnel Manual, Section 3307, as presented; and do not make any changes to the current \$1,800 reimbursement amount for the 10 year retiree plan.

**Fiscal Impact:** None

**Business Analysis:** The revisions to the Personnel Manual helps to clarify the policy to assist with processing of reimbursements and to the retirees when requesting reimbursement. Leaving the \$1,800 reimbursement amount in place will require more out of pocket expenses by the Retirees, as the Medicare Part B Premiums will continue to increase.

### Option #3

- Approve revisions to the Personnel Manual, Section 3307, as presented; and modify the maximum \$1,800 reimbursement amount to the Consumer Price Index (CPI) inflation adjusted amount of \$3,080.82. This option would cover some of the cost for retirees who may incur the IRMAA in addition to the standard Part B premium.

**Fiscal Impact:** \$5,123.28

**Business Analysis:** The revisions to the Personnel Manual helps to clarify the policy to assist with processing of reimbursements and to the retirees when requesting reimbursement. Establishing the reimbursement amount to the CPI inflation adjusted amount of \$3,080.82 is the current purchasing power of the \$1,800 that was established by the Board in 1997.

Please note the highlighted sections are those that have been moved to another area within the document.

Also, note that language changing the reimbursement amount has not been revised, until input from the Board is received.

### 3307 RETIREE MEDICAL BENEFITS

*\*\*Retiree health and welfare benefits upon retirement (Applies to Regular Full- Time employees hired prior to July 1, 2012)\*\**

The District shall provide retiree health and welfare benefits as set forth in this policy for retired employees who are at least 55 years of age, including their spouses or domestic partner registered with the State of California (at the time of retirement), and that have accrued a specified number of years of service.

In order to be eligible for retiree medical benefits, there shall be no lapse in service. Employee must transfer directly from active status directly to retired status.

#### **3307.1 10 Years of Service**

Employees with a minimum of 10 consecutive years of full-time service with the District shall receive retiree medical benefits on the following terms:

- Retirees are not eligible for District paid dental and vision benefits.
- Retiree will have the option to continue participation in dental and vision coverage at their own cost in accordance with the Consolidated Omnibus Reconciliation Act (COBRA).
- The District shall pay health coverage premiums for retiree only or couples coverage on the same basis as active employees.
- The District does not make contributions to Health Savings Accounts (HSAs) on behalf of retirees.
- Once the retiree becomes Medicare eligible, coverage will cease for the retiree and any enrolled dependents. COBRA enrollment will be offered at that time.
- Upon becoming Medicare eligible, the retiree must enroll in Medicare in order to obtain reimbursement from the District. The District will not reimburse the retiree for any penalties associated with deferred enrollment in Medicare.
- ~~District will reimburse the retiree, up to \$1,800 per calendar year, for a Medicare Advantage Plan, a supplemental Medigap insurance policy, Medicare Prescription Drug Insurance (Part D) or Medicare Part B coverage covering the retiree only.~~
- ~~Reimbursement will be made to the retiree on a quarterly basis upon submission of proof of payment.~~
- In the event a spouse or registered domestic partner survives a retiree before the District-paid group coverage would normally end, the District will

continue paying the premium for the surviving spouse or registered domestic partner for retiree only coverage until the earliest to occur of the following: remarriage or enrollment under another plan, or becoming eligible for Medicare.

- If retiree discontinues enrollment in a retiree medical care plan, re-enrollment is not permitted.
- Annual open enrollment is not offered to retirees.

### **3307.2 25 Years of Service**

Employees with a minimum of 25 consecutive years of full-time service with the District shall receive retiree medical benefits on the following terms:

- The District shall pay health coverage premiums for retiree only or couples coverage on the same basis as active employees.
- The District does not make contributions to Health Savings Accounts (HSAs) on behalf of retirees.
- Retirees and spouses or registered domestic partners are eligible to participate in the District's Dental and Vision Insurance Plan as follows:
  - Dental
    - Retiree Only Coverage: The District shall pay the monthly insurance premiums on the same basis as active employees.
    - Couples Coverage: The District shall pay 80% of the monthly premium for retiree plus spouse or registered domestic partner.
  - Vision
    - Retiree Only Coverage: The District shall pay the monthly insurance premiums on the same basis as active employees.
    - Couples Coverage: The District shall pay 80% of the monthly insurance premiums.
- Retirees and their spouses are required to enroll in Medicare parts A and B upon eligibility. This must occur when both criteria are met, Medicare eligible and retired. The District will not reimburse the retiree for any penalties associated with deferred enrollment in Medicare.
- ~~The District will reimburse for Medicare Part B for both retiree and his/her eligible spouse or registered domestic partner after submitting verification to the District of official enrollment in Medicare Part B. This results in a reduced premium cost to the District.~~
- In the event a spouse or registered domestic partner survives a retiree, the District will continue paying the premium for the surviving spouse or registered domestic partner for retiree only coverage until the earliest to occur of the following: remarriage or enrollment in another group medical plan.
- If retiree discontinues enrollment in a retiree medical care plan, re-

enrollment is not permitted.

- Annual open enrollment is not offered to retirees.

### 3307.3 Process for Reimbursement:

- Retirees with 10 years of service, the District will reimburse the retiree, up to \$1,800 3,080.82 per calendar year, for a Medicare Advantage Plan, a supplemental Medigap insurance policy, Medicare Prescription Drug Insurance (Part D) or Medicare Part B coverage covering the retiree only.
- Retirees with 25 years of service, The District will reimburse for Medicare Part B for both retiree and his/her eligible spouse or registered domestic partner after submitting verification to the District of official enrollment in Medicare Part B. This results in a reduced premium cost to the District.
- Reimbursements will be made to retiree on a quarterly to yearly basis, upon submission of proper documentation, proof of payment
- Proper documentation for reimbursement includes a written or email request to the Finance Department, with the time period requested, amount to be reimbursed and proof of payment.
- Retirees may submit their requests no sooner than the last month of the coverage period being requested.
- Reimbursements submitted with proper documentation will be issued at the end of the following month from the date the request is received.
- Reimbursements are issued via check and mailed to retirees or by ACH payment.
- Reimbursements for eligible expenses incurred in a calendar year must be submitted no later than 30 days after the conclusion of that calendar year.

Retiree Health and Welfare contribution amounts are established in accordance with benefit administrator's plan Guidelines then in effect and as approved by the MWDOC Board.

Employees hired on or after July 1, 2012 are not eligible to receive District-paid retiree health and welfare benefits.