

HUMAN RESOURCES

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August 15, 2018

name
address
city, state zip

RE: Changing Process for Paying Medical Insurance Contribution for Retirees

Dear Retiree:

This letter is to advise you that, effective November 1, 2018, there will be a change in how the City of Davis's (City) contribution towards your medical insurance premium is paid, thereby affecting your pension payments from CalPERS. **Please note that your actual medical contribution benefit from the City will not change – the change will be in the method by which the contribution is paid.**

Why the method is changing:

Currently, the City has contracted with CalPERS to have a City contribution of up to \$1321.58, meaning that the amount paid directly to CalPERS on behalf of retirees is the cost of the retirees' medical plan up to \$1321.58. If the retirees' medical plan cost is higher than this amount, the difference is deducted from the retiree's pension payment.

Going forward, the City has negotiated different retiree medical tiers. To properly implement the different tiers, CalPERS requires that the City's contribution to retiree medical benefits (amount City pays directly to CalPERS) be set at the Public Employees' Medical and Hospital Care Act (PEMHCA) Minimum amount, which is determined annually by CalPERS. This CalPERS requirement will change the payment process of how City contributions for retiree medical insurance are paid.

This does not change the value of benefit you are currently receiving.

How this Contract Change will Affect Retirees:

The new process required by CalPERS allows the City to pay only the PEMHCA Minimum to CalPERS and, therefore, the remainder of the premium owed to CalPERS must be deducted from a retiree's monthly pension check (warrant). The City will pay the remaining premium amount up to the maximum City contribution, on or before the last day of the month, prior to the premium payment being due, directly to its retirees. We

strongly encourage all retirees to complete direct deposit forms so that funds are deposited directly to your banking account prior to the end of the month.

Specifically, beginning November 1, 2018, the City will pay CalPERS \$133 per month per retiree for the PEMHCA Minimum. This amount may change year to year and is determined by CalPERS (amount will be \$136 in 2019).

The difference between the health insurance premium for the plan you have selected and the PEMHCA Minimum (\$133 per month in 2018) will be deducted from your monthly warrant. The City will reimburse you directly for the difference between the payment to CalPERS for the PEMHCA Minimum (\$133 in 2018) and the medical insurance premium benefit you are eligible to receive (as determined by the Retiree medical benefit described in the applicable MOU under which you retired).

Please refer to the attachment to see examples of this change in process.

Further Education on this Change:

This letter is provided to you to initiate the education process leading to this change. You will receive an additional letter in early September that will include further details, including the following:

- Details specific to YOUR benefit premium and how it will be impacted by this change in method.
- A direct deposit form for you to complete and return to the City.
- An introduction to BASICpacific, a third party with whom the City is contracting to process the premium reimbursements to ensure they occur in a timely manner and are compliant with IRS regulations and CalPERS.
- Details about an informational session to be held at City Hall in Community Chambers in late September. If you are unable to attend, we will also provide specific dates on which to schedule individual one-on-one conference calls to answer your questions (late September through early October). We also hope to record the informational session so that those who cannot attend may be able to view it.

Information from CalPERS:

Some of you may receive a letter from CalPERS in early September regarding this change in method for handling premiums. This letter will be addressed to those individuals where the premium for the medical plan is actually more than the amount of pension being received monthly. If you fall into this category, City staff will be reaching out to you directly to assist you with an additional form that is needed by CalPERS.

Next Steps:

You do not need to do anything at this time. This letter is simply an introduction to announce a change is coming soon. City staff will be reaching out to you to assist you in understanding this change and ensuring the paperwork is properly completed.

The only action needed by you at this time is to keep us informed of any change of address and to stay alert for additional communications. You will need to complete a direct deposit form in September. Although we highly recommend direct deposit to ensure your premium is handled in a seamless manner, you do have the option of receiving your reimbursement as a paper check. Again, more information will be coming in September.

If you have any questions at this time, please feel free to call or email (better option) either of the following Human Resources staff members:

Janet Emmett, Human Resources Director at 530/757-5618 – jemmett@cityofdavis.org

Chris Bensch, Human Resources Analyst at 530/757-5634- cbensch@cityofdavis.org

Sincerely,

Janet Emmett
Human Resources Director

Attachment: Examples (3)

EXAMPLES

All rates used are examples and not related to an actual plan

EXAMPLE 1 – Retiree eligible for a benefit with a value up to 100% Kaiser, Family coverage – (\$2,000 per month). Retiree covered on Kaiser, Sacramento, with 2–party coverage at a cost of \$1,400 per month.

Current Premium Payment (City pays CalPERS up to \$1,321.58):

A	B	C	D	E	F
Retiree Eligible to Receive in Benefit	Cost of Benefit Retiree Has Elected	City pays CalPERS directly	Deducted from Retirees Warrant	Reimbursement from the City to Retiree	Retiree's out of pocket cost for premium
			(B-C=D)	<i>(since A is more than B ----- reimbursement is equal to D)</i>	(B-C-E=F)
\$2,000	\$1,400	\$1,321.58	\$78.42	\$78.42	\$0

New Premium Payment Method to Begin November 1st (City pays CalPERS \$133)

A	B	C	D	E	F
Retiree Eligible to Receive in Benefit	Cost of Benefit Retiree Has Elected	City pays CalPERS directly	Deducted from Retirees Warrant *	Reimbursement from the City to Retiree	Retiree's out of pocket cost for premium
			(B-C=D)	<i>(since A is more than B ----- reimbursement is equal to D)</i>	(B-C-E=F)
\$2,000	\$1,400	\$133	\$1,267.00	\$1,267.00	\$0

**If your warrant does not cover your out of pocket cost CalPERS will direct bill you, however, the reimbursement from the City (Column E) will be deposited in your account prior to direct billing being processed (if you complete forms for direct deposit). The City will work with you to help set this up for minimum impact to you.*

All rates used are examples and not related to an actual plan

EXAMPLE 2 – Retiree eligible for a benefit with a value up to 50% Kaiser, Family coverage – (\$1,000 per month). Retiree covered on UnitedHealthcare – Sacramento, single coverage at a cost of \$800 per month.

Current Premium Payment (City pays CalPERS up to \$1,321.58):

A	B	C	D	E	F
Retiree Eligible to Receive in Benefit	Cost of Benefit Retiree Has Elected	City pays CalPERS directly	Deducted from Retirees Warrant	Reimbursement from the City to Retiree	Retiree's out of pocket cost for premium
			(B-C=D)	(since A is more than B ----- reimbursement is equal to D)	(B-C-E=F)
\$1,000	\$800	\$800	\$0	\$0	\$0

New Premium Payment Method to Begin November 1st (City pays CalPERS \$133)

A	B	C	D	E	F
Retiree Eligible to Receive in Benefit	Cost of Benefit Retiree Has Elected	City pays CalPERS directly	Deducted from Retirees Warrant *	Reimbursement from the City to Retiree	Retiree's out of pocket cost for premium
			(B-C=D)	(since A is more than B ----- reimbursement is equal to D)	(B-C-E=F)
\$1,000	\$800	\$133	\$667.00	\$667.00	\$0

**If your warrant does not cover your out of pocket cost CalPERS will direct bill you, however, the reimbursement from the City (Column E) will be deposited in your account prior to direct billing being processed (if you complete forms for direct deposit). The City will work with you to help set this up for minimum impact to you.*

All rates used are examples and not related to an actual plan

EXAMPLE 3 – Retiree eligible for a benefit with a value up to 75% Kaiser, Family coverage – (\$1,500 per month). Retiree covered on Blue Shield Access+ at a cost of \$2,000 per month.

Current Premium Payment (City pays CalPERS up to \$1,321.58):

A	B	C	D	E	F
Retiree Eligible to Receive in Benefit	Cost of Benefit Retiree Has Elected	City pays CalPERS directly	Deducted from Retirees Warrant	Reimbursement from the City to Retiree	Retiree's out of pocket cost for premium
			(B-C=D)	(since A is less than B ----- reimbursement = A-C= E)	(B-C-E=F)
\$1,500	\$2,000	\$1,321.58	\$678.42	\$178.42	\$500

New Premium Payment Method to Begin November 1st (City pays CalPERS \$133)

A	B	C	D	E	F
Retiree Eligible to Receive in Benefit	Cost of Benefit Retiree Has Elected	City pays CalPERS directly	Deducted from Retirees Warrant *	Reimbursement from the City to Retiree	Retiree's out of pocket cost for premium
			(B-C=D)	(since A is less than B ----- reimbursement = A-C= E)	(B-C-E=F)
\$1,500	\$2,000	\$133	\$1,867.00	\$1,367.00	\$500

**If your warrant does not cover your out of pocket cost CalPERS will direct bill you, however, the reimbursement from the City (Column E) will be deposited in your account prior to direct billing being processed (if you complete forms for direct deposit). The City will work with you to help set this up for minimum impact to you.*

****Note to HR Staff – in the letters that went out this was a typo and entered as “D” instead of “E”. I corrected it on some. But if talking to a retiree and they question this particular sample, please note the change made as highlighted.**