

COUNTY OF KERN

Retiree Health Benefits Administration Policy

Revised Effective 5/3/2016

PURPOSE

It is the intention of this policy to provide guidelines for administration of the County's retiree health plans. This policy is specifically intended to direct the administration of retiree health plans in a manner that will be of greatest benefit for participants while maintaining efficiency and effectiveness in the provision of such service.

In recognition of the responsibility to assure the fair and consistent administration of the County's retiree health plans, the Kern County Board of Supervisors adopts this policy.

APPLICATION

This policy applies to all persons who request participation in the County of Kern health benefit plans offered to retirees.

This policy is intended to establish administrative policies for the County only. Each plan offered to retirees maintains policies and rules regarding eligibility and coverage of participants and dependents. This policy is not intended to change any policies maintained by any of the providers of such plans. Any portion(s) which conflict(s) will be governed by the individual plan's policy.

RETIREE RESPONSIBILITIES

Retirees are responsible to submit completed enrollment forms and other documents as necessary for requested coverage and coverage changes. Retiring employees are encouraged to apply for County retiree health benefits approximately one month prior to the effective date of their retirement, but have up to a 30 day grace period following the date of retirement to apply for such coverage. If enrollment requests are not made by the end of the grace period, the retiree must wait for the next open enrollment to enroll. Retirees are responsible to pay for their coverage under the County plans, usually by deduction from their pension check (see "Cash Pay" retiree in the "Definitions" section for the one exception). If a participant pays any portion of their health benefits cost by check and the check is returned unpaid, the participant will be required to pay the current returned check fee in effect for the County. Any application for coverage is an authorization to deduct amounts due from a retiree's pension check.

As applicable, retirees are responsible for notifying Kern County Human Resources – Health Benefits of any changes in eligibility for Medicare, and to make any necessary plan changes required by such change in eligibility.

County retiree health benefit participants may be required to enroll in Medicare Parts A and Part B as soon as they are eligible. As applicable, retirees will not enroll in more than one plan which requires assignment of Medicare, nor will a retiree enroll in an individual (Non-County) plan requiring assignment of Medicare without first canceling any similar County plan. Retirees are responsible to direct questions about their Medicare to the Centers for Medicare & Medicaid (CMS), which is the US federal agency which administers Medicare.

Retirees are additionally responsible for notifying Kern County Human Resources – Health Benefits of any changes in their address.

Any retiree who does not comply with any item in this policy is subject to immediate suspension and/or cancellation of all benefits at the discretion of the County Administrative Officer, or designee, and the retiree will be responsible to make payment for coverage provided prior to the cancellation.

COUNTY RESPONSIBILITIES AND GUIDELINES

It is the County's responsibility to process documents received in a timely manner and adhere to rules established by the providers of the individual County Plans and policies adopted by the Board of Supervisors. Situations which are not specifically described by the Plan Document or the policy will be processed in a consistent manner.

The Retiree health plan documents and this eligibility policy shall be interpreted by the County Administrative Officer, or designee, in accordance with its terms and their intended meaning. If due to errors in drafting, a provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations by the County Administrative Officer, or designee, or other evidence of intention, the provision shall be considered ambiguous and shall be interpreted in a fashion consistent with its intent.

POLICY

ELIGIBILITY

Effective June 22, 2010 a retiree must have had a minimum of five years of qualified Service Credit in the Kern County Employees' Retirement Association to participate in Kern County Retiree health benefits. This service credit must have been earned for Kern County service covered by the Kern County Employees' Retirement Association, and cannot be Golden Handshake credit, reciprocal time or time purchased for Prior Public Service or military time. The retiree, or the beneficiary of the retiree, must receive a monthly pension check from the Kern County Employees' Retirement Association. Any retiree who is currently enrolled as of June 22, 2010 in a Kern County retiree medical plan who had less than five (5) years of qualified service credit, will be allowed to remain enrolled as long as they remain continuously enrolled on or after June 22, 2010.

Eligibility to participate in County self-funded medical plans will be determined by the member's final retirement employer as of the date of their retirement under KCERA.

A pension recipient who receives pension money only because of a Qualified Domestic Relations Order ("QDRO"), because they are divorced from a retiree, is not eligible to participate in Kern County retiree health benefits.

Special District retirees (as defined later in this policy) must also meet the following requirements to be eligible:

With the exception of retirees of the Kern County Hospital Authority, a Special District retiree may not participate in a County self-funded plan which is not available to that Special District's active employees. For Special Districts offering Kern Legacy Health Plan to active employees, that Special District's retirees may also opt to enroll or remain enrolled in the "grandfathered" Point of Service (POS) Plan, regardless of current enrollment in active employee plans. Retirees of the Kern County Hospital Authority will be eligible to enroll in the same options available to County employees.

A Special District retiree, or the beneficiary of the retiree, is eligible to participate in any County retiree plans IF the retiree retires from a district that is currently a Qualified Special District (see Definitions). A Special District retiree, or a beneficiary of the retiree, is eligible to participate in ONLY the fully insured plans if the retiree retired from a district that is currently a Non-Qualified Special District.

As described in the action authorized by the Board of Supervisors on January 26, 2010 retirees of the Kern County Superior Court who retired on or after January 1, 2001 may not participate in County self-funded plans after December 31, 2010. This is due to the Kern County Superior Court removing active employees from participation in such plan and offering them alternative coverage.

With the exception of retirees of the Kern County Hospital Authority, any Special District which ends enrollment of their active employees in the County's self-funded plans will immediately disqualify any retirees of that district from continuing their participation in the County's self-funded plans. At the time the Special District ends their active enrollment, any affected retirees will be given the opportunity to enroll in any fully insured plans offered, subject to the enrollment rules of the plans. Beginning June 22, 2010, should there be any retirees that were not identified at the time benefits were terminated for active employees of a Special District, such retirees will be given a 60 day period to switch plans from the date they are later identified.

A retiree of the Kern County Firefighters Association or a beneficiary of such a retiree, who would be ineligible because he or she does not receive pension pay from the Kern County Employees' Retirement Association, will be eligible to participate in the County self-funded plan. As of June 2010 there is one remaining qualified beneficiary who is eligible because of this provision, and this provision will expire when this person ceases to participate.

CHANGES IN ENROLLMENT

Requests for changes should be received by Kern County Human Resources – Health Benefits by the 5th day of the month preceding the requested effective date.

Cancellations: Cancellations of coverage will be allowed at any time during the plan year. A disenrollment form must be completed by the retiree. If the retiree or beneficiary disenrolls, all dependents must also be disenrolled. The cancellation will be effective on the 1st day of the following month provided the disenrollment form is received by Kern County Human Resources – Health Benefits early enough to notify affected carriers by the 1st day of the following month. The request must always be received before last day of the current month. Coverage may NOT be canceled retroactive to the 1st of the month in which the request is received. If the request is received after the 5th day of the month, the retiree may still have a deduction from their pension check which will

be refunded. Refunds may take up to 6-8 weeks following the cancellation request. Cancellations of participation in medical coverage may terminate eligibility for future County contribution through Supplement and Stipend plans.

Plan Transfers: Transfers between County Plans will ONLY be allowed: 1) during Open Enrollment; 2) when a participant changes his or her permanent place of residence to a location outside their current County Plan's service area; 3) at the time a participant's Medicare Parts A and B become effective; OR 4) for compelling reasons under unusual circumstances which are not related to treatment episodes. Under items (2) and (4) the effective date of the change will be the 1st day of the following month if the proper documentation is received by Kern County Human Resources – Health Benefits early enough to notify affected carriers by the 1st day of the following month, but receipt can never be later than the last day of the current month. Coverage may not be changed retroactive to the 1st of the month in which the request is received. If the request is received after the 5th day of the month preceding the change month, the retiree may have an incorrect deduction from their pension check. Underpayments are due immediately and overpayments will be refunded. Refunds may take up to 6-8 weeks following the transfer request.

Enrollments: Enrollments in plans will ONLY be allowed: 1) during Open Enrollment; and 2) within the 30 day period following, and consistent with, a Qualifying Event. For enrollments based on Qualifying Events, coverage will become effective the 1st day of the month following the latter of: 1) the Qualifying Event, or 2) the receipt of enrollment documents by the Kern County Human Resources – Health Benefits. However, if the Qualifying Event is retirement and active employee health benefits are in force on the date of retirement, coverage will become effective on the day following the day active health benefits end. Also, if the enrollment request is for a County self-funded medical plan and is based on the retiree acquiring a new dependent through birth or adoption, coverage will become effective on the Qualifying Event date.

PARTIAL MONTH COVERAGE

In most instances, partial month coverage is not allowed. However, partial month coverage is provided for newly retiring employees and Qualifying Events involving the retiree acquiring a new dependent through birth or adoption. The following applies to the month in which someone retires:

If a retiring employee is not changing plans/administrators or is changing between County self-funded medical plans, coverage will start on the retiree plan the day after active coverage ends. The cost of the partial month will be pro-rated based on the number of days covered as a retiree on this plan.

If the retiring employee is changing between County self-funded and fully insured medical plans or between two fully insured plans, by selecting a retiree plan other than the current active employee plan, the retiring employee will have continuous coverage, but the following rules determine when each plan's coverage begins and ends. The new plan's coverage will become effective the 1st of the month following the latter of: 1) the retirement date, or 2) the date the enrollment form is received in the Kern County Human Resources – Health Benefits office. During the time between active coverage ending and the new retiree plan coverage starting, the retiring employee will be covered either 1) on the retiree plan that has the same plan administrator that the retiring employee had on their active plan or 2) on a self-funded retiree plan option of the retiree's choosing. This "bridges" the coverage until the new plan starts. "Bridge" coverage will usually be for one partial month. The maximum time allowed is one partial month plus one full month, depending on when the enrollment forms are received in the Kern County Human Resources – Health Benefits. The cost of this "bridge" coverage will be calculated using the retiree premium for the plan the retiring employee is enrolled in for the "bridge" coverage. The cost of the partial month

will be pro-rated based on the number of days covered as a retiree on this plan.

RETIREE STIPEND

The retiree stipend is available to qualifying, eligible Kern County or Kern County Hospital Authority retirees (but not retirees of any other Special Districts), if the retiree 1) is currently receiving the stipend and remains continuously enrolled in a County plan; OR 2) retires from service (not deferred retirements), enrolls upon retirement and remains enrolled continuously thereafter in a County plan; OR 3) re-enrolled and has been continuously enrolled in a County plan for three years without benefit of the County stipend contribution; OR 4) retires, but postpones enrollment in County retiree health benefits until a qualifying event which is related to loss of other employer group insurance and who then remains enrolled continuously thereafter in a County plan. Under this last option, the retiree must provide documentation that there has not been ANY gap in employer group coverage between the date active County health benefits ended and the date the County retiree health benefits began.

RETIREE HEALTH PREMIUM SUPPLEMENT PROGRAM

This program will be governed by the Retiree Health Premium Supplement Program plan document and that plan document shall prevail in the event of any inconsistencies between the language herein and that plan document.

Service Connected Disability Retirement (“SCDR”):

This section applies to participants who had already separated from County or Kern County Hospital Authority service at the time a Service Connected Disability Retirement (“SCDR”) is granted. This section does not apply to retirees who are already collecting the 100% Supplement benefit based on 25 or more years of service, as their benefit does not change.

If the participant is currently enrolled in County retiree health benefits and is receiving the Supplement benefit at less than the 100% benefit level, and the SCDR would increase the Supplement benefit to the 100% benefit level, the increased Supplement benefit will begin the 1st of the month following the date the SCDR was granted. The amount will be based on the Supplement rates in effect on the date the participant originally retired for service. If the participant is currently enrolled in County retiree health benefits and is receiving no Supplement benefit, and the SCDR would add the Supplement benefit at the 100% benefit level, the new Supplement benefit will begin the 1st of the month following the date the SCDR was granted. The amount will be based on the Supplement rates in effect on the date the SCDR was granted. If the participant is not currently enrolled in County retiree health benefits, and the granting of the SCDR (Qualifying Event) causes the Supplement benefit to be paid by the County, coverage and County Supplement contribution will begin the 1st of the month following the later of: 1) date the SCDR was granted or 2) the date the retiree requests enrollment within the 30 day grace period. The amount will be based on the Supplement rates in effect on the date the SCDR was granted.

Loss of Supplement due to break in County retiree health benefits coverage:

Generally, a break in County retiree health benefits coverage will cancel all future Supplement benefits. However, if a County retiree can provide acceptable written documentation which establishes that they have had other employer group coverage for the entire time they were without County retiree health benefits coverage, the Supplement benefit can be reinstated upon proper re-enrollment in County retiree health benefits coverage. In this

instance, the documentation must show that there has not been ANY gap in employer group coverage between the date County health benefits ended and the date of re-enrollment in County retiree health benefits.

SPLIT ENROLLMENT

A retiree will be allowed to select a different County Plan for his/her dependent(s) than he/she selects for him/herself ONLY IF 1) the retiree is not Medicare eligible and at least one of his/her dependents is Medicare eligible OR 2) the retiree is Medicare eligible and at least one of his/her dependents is not Medicare eligible. A retiree and his/her dependents collectively will not be allowed to participate in more than two plans at any given time.

OVER 65 PLAN/UNDER 65 PLAN

Over 65 plans are those plans which require a participant to have Medicare parts A and B (generally applies to participants over the age of 65 years, but also applies to persons under age 65 if they are disabled and Medicare eligible). Under 65 plans are those plans which do not require a participant to have Medicare (generally applies to participants under the age of 65 years). Under 65 plans do not allow participants who are age 65 or older. If someone is under age 65, but has Medicare due to disability, they may be allowed to stay in an Under 65 plan until they reach age 65 if the plan allows, but may be subject to additional rules of the plan or Medicare. For instance, once a retiree becomes eligible for Medicare, the County self-funded plans will only pay as secondary plans when allowed by Medicare. Additionally, Medicare may later impose penalties if retirees do not enroll upon initial eligibility for Medicare. Questions about Medicare should be directed to the Centers for Medicare & Medicaid Services (CMS), which is the US federal agency which administers Medicare.

RETIREE DENTAL COVERAGE

Any retiree who draws a monthly pension check from KCERA may enroll in retiree dental coverage. The full cost of retiree dental coverage is paid by the retiree. If a new retiree requests enrollment in COBRA dental and retiree dental, retiree dental will not be put in force. When the COBRA dental coverage expires, the retiree may enroll in retiree dental if the request is made within 30 days of the COBRA end date.

NOTICES

Notices to retirees relating to County Plans (other than open enrollment notices) shall be deemed to have been made upon deposit into U.S. Mail by the County. The notice will have first class postage affixed and will be addressed to the retiree at the address listed in the Health Benefits master file at the time of mailing.

Notices to retirees regarding open enrollment will be made by deposit of such notice into U.S. Mail by the County with postage affixed. Such notice will be addressed to retirees at the address on file with the Kern County Employees' Retirement Association at the time the notice is prepared.

Notices to the County shall be mailed or delivered to: Kern County Human Resources – Health Benefits; 1115 Truxtun Avenue, 1st floor, Bakersfield, CA 93301.

DEFINITIONS

Beneficiary of a Retiree: A person who was married to an eligible retiree, or was a dependent child of the retiree, when the eligible retiree died. Beneficiaries who will continue to receive a monthly pension benefit from the Kern County Employees' Retirement Association after the death of the retiree are eligible to participate in County retiree health benefits. However, on or after June 22, 2010, if a beneficiary remarries, the new spouse and any of the new spouse's dependents will not be eligible to join Kern County retiree health benefits. Additionally, former (divorced) spouses of deceased retirees, and the spouse's children, are specifically excluded from the definition of a beneficiary of a retiree for purposes of retiree health plan eligibility and may not participate.

“Cash Pay” or “Non-Payroll” retiree: A retiree, or beneficiary of a retiree, will pay for County retiree health benefits by payroll deduction from their Kern County Employees' Retirement Association pension check. The ONLY time payment will be accepted otherwise is IF the pension check is not large enough to make the full deduction. These members will then become “Cash Pay” or “Non-Payroll” members, and will submit payment quarterly to the CAO-Health Benefits Division as directed. Late payment will result in cancellation of coverage at the discretion of the County Administrative Officer.

County Plans: Any health plans administered by Kern County Human Resources – Health Benefits on behalf of retired members of the Kern County Employees' Retirement Association.

Day: A day is defined as a calendar day.

Medicare Eligible: Being Medicare eligible means the retiree or dependent is eligible to enroll in Medicare Part A and Part B. This may be because they have reached age 65 or because they have been granted Medicare Part A and Part B due to a disability before reaching age 65. All questions about Medicare should be directed to the Centers for Medicare & Medicaid Services (CMS), which is the US federal agency which administers Medicare.

Open Enrollment: A period designated annually by Kern County Human Resources – Health Benefits during which changes in coverage under County Plans may be made by participants.

Qualified Domestic Relations Order (QDRO): A Qualified Domestic Relations Order is a legal document pertaining to divorced members.

Qualifying Event: A Qualifying Event may also be referred to as a Permitting Event in the County of Kern active employee Health Benefits Eligibility Policy. A Qualifying Event will include 1) a change in family status (marriage, birth or death of dependent, etc.) as defined by the County's Health Benefits Eligibility Policy; 2) retirement from active duty as a Kern County or Special District employee; 3) loss of coverage under an employer group plan due to the death of a spouse, loss of employment or loss of spouse's employment; 4) the date Medicare Part A and Part B becomes effective, 5) being granted a Service Connected Disability retirement by the Kern County Employees' Retirement Association.

Qualified Special District: A Special District, including the Kern County Hospital Authority, whose active employees: 1) are members of the Kern County Employees' Retirement Association, and 2) participate in a health plan which is self-funded by the County of Kern. A Non-Qualified Special District is any Special District whose

active employees do not participate in a health plan which is self-funded by the County.

Retiree Stipend: A fixed amount contributed by the County toward the cost of retiree health insurance purchased through the County. The current, monthly amount of the stipend is \$39.75 for single coverage, \$53.69 for two-party coverage or \$61.50 for family coverage.

Retiree Supplement: An amount contributed by the County toward the cost of retiree health insurance purchased through the County. The benefits under this program are determined based upon the rules regarding years of service, age, etc. in the Retiree Health Premium Supplement Program plan document. The benefit is calculated at the time of service retirement or the date a Service Connected Disability Retirement is granted, and does not change after that date. This benefit ends at the start of the month when a retiree turns age 65.

Retirement Employer or Department: The final employer or department from which the retiree took service or disability retirement. This will be the last employer or department for whom the member worked for which either the employee received service credit or reciprocal credit from the Kern County Employees' Retirement Association.

Special District Retirees: Special District Retirees include employees who retired from Special Districts who receive pension benefits through the Kern County Employees' Retirement Association. Within this policy, the definition includes retirees of all Non-County entities, including Kern County Superior Court retirees.

Split Enrollment: Enrollment of the retiree in one County plan with (a) dependent(s) enrolled in a different County plan.