

## **Employee Benefits Trust**

### **District Administrative Regulations**

One of the primary reasons for these regulations is to reduce adverse selection against School Risk and Insurance Management (SRIMG) plans. Adverse selection occurs when individuals are allowed to opt out of a plan because of other coverage or because of a lesser short-term need. The whole purpose of an insurance pool is to spread the risk to all participants *over the long-term*. By charging each participating district a premium for every full-time employee, SRIMG can guarantee that there will be a sufficient pool to meet all short-term and long-term needs.

#### **1. Employee Groups**

The term "Employee Group" in these regulations is defined as follows:

- a. Any group defined under existing applicable collective bargaining law.
- b. The Board, the Superintendent, Management Employees, Confidential Employees, Charter School Employees, Classified Employees, Certificated Employees and Retirees may always be considered individual Employee Groups even in districts where there are no organized bargaining groups.
- c. Retired employees generally follow the group they would belong in if they were active employees. Districts may, however, treat all retirees from all groups as one group and offer a single benefit plan for all retirees (see "Retirees").

#### **2. Full-time Employees**

Each participating district is responsible for the payment to SRIMG of a full medical, or medical, dental, and/or vision premium (of the plans offered to the individual's Employee Group - see "Employee Groups") for every full-time employee of the district that is in a paid status. Individual employees may select medical coverage only or medical coverage with dental and/or vision. They may not select dental or vision coverage or both without medical coverage. If the district allows waivers and an individual employee waives benefits, they must waive the whole benefit package offered to their employee group. The premium paid will be no greater than the lowest-priced medical plan available to all SRIMG Districts for active employees unless otherwise approved by the governing Board.

"Full-time" is defined as, an employee that works an 8 hour day for 9, 10, or 11 months for classified employees, a full annual contract for management employees, a full teaching load for certificated employees and Charter School employees, and a full bus schedule for bus drivers.

Full-time employees who initially elect not to participate may enroll during a subsequent open enrollment period or within 30 days of a Special Enrollment qualifying event. However, once enrolled in the program, no employee can opt out of the program (except during a Board approved leave of absence) and later re-enroll without conditions (see "Break in Coverage").

If more than one family member is full-time employees of SRIMG districts then each district must pay the premium for the plans offered to each individual's Employee Group.

### **3. Less than Full-time Employees**

Benefits are only available to part-time employees who work a minimum of twenty hours per week. SRIMG has grandfathered-in all part-time employees who had benefits as of June 30, 2003 and work less than twenty hours per week. These employees kept their benefits subsequent to June 30, 2003. Classified Employees who drop below twenty hours are no longer eligible. Certificated employees working less than 50% of a full-time contract are not eligible for benefits.

Less than full-time employees may elect not to participate in benefits.

New less than full-time employees have 30 days to enroll (from the date they become eligible). If less than full-time employees enroll, they may select medical coverage only or medical coverage with dental and/or vision. They may not select dental or vision coverage or both without medical coverage.

Less than full-time employees who initially elect not to participate may enroll during a subsequent open enrollment period. However, once enrolled in the program, no employee can opt out of the program and later re-enroll, unless conditions of employment change or within 30 days of a Special Enrollment qualifying event.

An "employment change" occurs when an employee's hours or work-year change sufficiently to affect the amount of premium self-paid by the employee or changes the employee from an ineligible to an eligible status. Temporary hour changes are not considered an "Employment Change". An employee has 30 days from the effective date of the employment change to elect benefit coverage.

### **4. Retirees**

Continued coverage for retired employees is at the option of each district. Premiums may be retiree or district paid. Retirees and covered spouses must secure Medicare Parts A & B if eligible. Effective July 1, 2011 retirees over 65 who terminate their SRIMG medical plan and also have Medicare coverage may re-enroll in a SRIMG medical plan during open enrollment within three (3) years of the initial coverage termination date. This re-enrollment option may be exercised one time only. The "Break in Coverage" regulations do not apply. Spouses and dependents of retirees can re-enroll in SRIMG during open enrollment. Retirees under 65 who discontinue coverage cannot re-enroll in any plan (medical, dental or vision) even during open enrollment.

Retirees may select medical coverage only or all offered benefits. If allowed by their district, retirees may select dental or vision coverage (or both) without medical coverage. However, if the dental or vision coverage is terminated by the retiree, they cannot re-enroll later, even during open enrollment. Retirees are not eligible for SRIMG sponsored group life insurance coverage.

## 5. Board Members

Coverage for Board Members is at the option of each District.

New Board Members have 30 days to elect coverage.

Board Members who initially elect not to participate may enroll during a subsequent open enrollment period. However, once enrolled in the program, no Board Member can opt out of the program and later re-enroll without conditions (see "Break in Coverage").

Board Members may select medical coverage only or medical coverage with dental and/or vision. The same rules will apply to Board Members as all other SRIMG members, except that Board members are not eligible for SRIMG-sponsored group life insurance coverage.

Non-active Board Members (former Board Members) are considered Retirees and are subject to retiree pricing. All the rules applicable to retirees are applied to non-active Board Members.

## 6. Break in Coverage

A break in coverage occurs whenever an employee or their dependents elect to drop coverage for any length of time for any reason. (This may occur, for example, when a less than full-time employee discontinues coverage).

After a break in coverage, an employee or their dependents may only re-enroll during open enrollment period.

There are three exceptions:

- 1) An employee (and the qualified dependents of an employee) who is a member of any military reserve unit or national guard unit that is activated (and who is granted a leave of absence from his/her district) may resume coverage under all SRIMG plans **providing that** a) the employee and dependent(s) are covered by the Government during the leave and b) the employee returns to work for his/her district within thirty days after release from active duty
- 2) An employee (and the qualified dependents of an employee) on an approved leave of absence from a district may be reinstated within 30 days after the leave. Dental incentive level will remain the same as prior to district-approved leave.
- 3) A Special Enrollment qualifying event occurs (see #12).

## 7. Tiered Rates

Effective July 1, 2003 SRIMG will offer a four-tier rating system (employee; employee + spouse; employee + child(ren); and employee + family). This tiered rating system will be used for active members as well as retirees.

Districts will have the option to offer composite rates for medical premiums for active employees. The districts will keep the system internally. SRIMG will bill on a tiered rate system for active employees. The district will do all the accounting for the composite rating system.

## 8. Life Insurance

SRIMG has made available group life insurance to active employees. Individual employee groups can enroll in the program. Districts must select a "flat" rate benefit (i.e. \$40,000; \$50,000 etc.). The option selected must apply for active employees in an employee group (see Employee Groups). Premiums **must be district paid** based on bargaining groups. However, SRIMG will collect the total premiums from the applicable school districts. Active Board members are not eligible for group life insurance.

## 9. Dental Option

Currently, most districts in SRIMG offer composite rates for dental coverage. Tiered rates for dental programs were available only for districts that offered "employee only" coverage when they were grandfathered into SRIMG in 1981. Effective July 1, 2000 bargaining groups within the districts may elect tiered rates for the program.

Tiered individuals that purchase additional dependent coverage can add dependents within 30 days of a qualifying event or during open enrollment. Qualifying event is defined as birth, adoption, or marriage

Should a District or an "Employee Group" choose to opt out of Dental, employees may not continue on an individual basis. Dental Option selected must apply to all individuals in an "Employee Group".

## 10. Vision Option

Districts with "Employee Only" Vision coverage may not allow employees to self pay additional premium for family coverage. The Vision Option selected must apply to all individuals in the "Employee Group".

Should a District or an "Employee Group" choose to opt out of Vision, coverage is not available on an individual basis.

## 11. Open Enrollment

Each district may select a one-month period for open enrollment that shall be within 60 days prior to July 1<sup>st</sup> for all employees and for all plans. The effective date for plan changes shall be July 1<sup>st</sup>.

Districts that negotiate a change in district employee contributions or benefits during the year may arrange for a "Bargaining" open enrollment period for thirty days at the time of the change, subject to the approval of any involved Plans. Movement during a "Bargaining" open enrollment may only be into the district's newly offered plan(s). Employees may not move into any prior existing district plan unless bargaining has an effect on district paid contributions.

## 12. Special Enrollment

Part-time or full-time employees, who elect to sign a waiver not to participate in district negotiated plan options, and have a loss of coverage due to death, divorce, loss of spouse's coverage or other coverage from employment termination or reduction of hours, may elect coverage during a Special Enrollment period. Enrollment must be submitted within 30 days of the qualifying **Eligibility**

## 13. Eligibility

Districts may set eligibility standards for Board Members, employees, dependents and retirees that do not conflict with these regulations. Coverage cannot be extended to non-employees. Individuals must meet the IRS definition of an employee and must be on the district payroll. Individuals cannot be on a contract for services that is not paid through the normal district payroll.

Unless defined otherwise: employees are eligible for coverage on the first of the month following employment. Eligibility usually ends on the last day of the month following termination of employment. Employees are generally eligible if they work twenty hours a week or more. Children may continue to be covered until the end of the month in which their 26<sup>th</sup> birthday occurs.

District eligibility practices must conform to the specific language in the district's plan. Changes in eligibility must be requested in writing to SRIMG prior to implementation.

## 14. Termination of Employment

When an employee terminates employment with the district **for any reason**, the district must, send a termination form to the SRIMG office. Once received, SRIMG will notify the COBRA Administrator to send the COBRA notification to the member's address on file. It is the district's responsibility to offer Group Life Conversion rights to the terminated employee if applicable.

## 15. Cafeteria Plans

Districts may offer a variety of "cafeteria plans" or Section 125 plans to employees. Employees *may not*, however, be given the option of opting out of medical, dental or vision plans in exchange for cash or other benefits. However, employees under Cafeteria Plans can take the difference between the District's cap and the cost of the benefits coverage in cash or apply the funds to TSA's or other benefits.

Cafeteria plans may be used to provide a selection of other non-SRIMG benefits or to provide an option to allow employees to pay for premiums or other benefits on a pre-tax basis.

## 16. District Policies and Practices

Districts policies and practices may not allow adverse selection. For example: cafeteria plans cannot allow employees to opt out of benefits in favor of a TSA. Employees may not opt out during summer and return in the fall.

## 17. Penalties

It is understood that past practices in some districts have created existing exceptions to these regulations. It is also understood that unusual situations (outside of normal policies or practices) may occur which force a district into violating these regulations for a small group of employees (lawsuits, grievances or layoffs may create this kind of situation). If the sum total of these exceptions (by program) exceeds 5%, then the district will be in a penalty situation.

These small percentages may be difficult to apply to districts with less than 20 employees. These small districts may request an exception to these percentage levels. The Executive Committee will consider each request on case-by-case basis.

If a district is in a penalty situation, the district will be assessed an amount which, when added to the district's current contributions, will bring the district's total contributions up to the 95% level. In other words, a district's total contribution for a program cannot drop below the 95% level regardless of the number of eligible employees actually enrolled in the program.

## 18. Negotiations

Districts contract with SRIMG for specific plan benefits but districts negotiate with employee groups for benefit levels. Districts need to be cautious that the language in a bargaining contract does not grant benefits that are not provided or allowed under the District/SRIMG agreement.

### **Examples of Things to Avoid:**

- a. Cafeteria plans sometimes contain provisions that allow employees to opt out of medical plans for cash, TSA's or other benefits. This is not allowed under these regulations. However, employees under Cafeteria Plans can take the difference between the District's cap and the cost of the benefits coverage in cash or apply the funds to TSA's or other benefits.
- b. Benefits under SRIMG plans do not vest to employees or retirees. Plan provisions are guaranteed only for the plan year (July through June). SRIMG policy is to not make changes to existing plans that reduce benefits but SRIMG legally reserves the right to do so on a year-by-year basis with the approval of the Joint Powers Board (on which every member district is represented).
- c. Administrators for SRIMG-sponsored plans may change from time to time. Specific references to providers should be avoided in bargaining contracts because they may create a situation where the district cannot honor contract provisions because of a SRIMG initiated change.
- d. Districts cannot offer competing medical, dental or vision plans. Only SRIMG sponsored plans may be offered.

**19. Waiver**

Bargaining Groups within Districts that are members of SRIMG's Benefit Programs cannot offer competing medical, dental or vision plans. Only SRIMG-sponsored plans may be offered.

Individual full-time employees may waive benefits, provided they can prove that they have group insurance through another source. They must waive the whole benefit package offered to their employee group. In addition, they cannot receive cash or other benefits in lieu of employee benefits.

These waiver provisions do not relieve the District's financial responsibility to SRIMG for a full waiver premium for all full-time employees (see Paragraph 2 for full explanation).

**20. Movement Between Plans**

Districts may offer multiple SRIMG medical plans to employees within the same bargaining unit. Only one traditional Kaiser Plan in addition to the Kaiser High Deductible plan may be offered to employees within a bargaining unit. Employees may only change plans during a SRIMG approved open enrollment. Employee Groups may not offer multiple selections within Dental and Vision options. All covered employees must follow "Employee Group" selection.

**21. Withdrawal**

An Employee Group may withdraw from Medical, Dental or Vision programs or any combination thereof. A request to withdraw must be made in writing by the District's Superintendent or Joint Power Board Member by December 31st for the following July 1st. Districts may have a financial liability upon withdrawal (see Policy on Withdrawal).

**22. Survivor Benefit**

Survivor benefit is available in all the SRIMG-sponsored plans. The Surviving Spouse who is enrolled under the Plan as Spouse of an employee or Retiree, may, upon the death of the Employee or Retiree, remain enrolled as a member eligible for coverage under the terms of the plans. Once eligible under Survivor benefits, the eligible party has the right to move within the district's available Retiree "Employee Group" options.

However, the surviving spouse may not add a new spouse or any acquired dependents to the plans. For example, if the surviving spouse remarries, their new husband/wife and his/her children may not be added to the survivor's plan.

Survivor benefits will fall under the retiree rate structure.

**23. Approved Leave of Absence**

If a district allows it, an employee may continue their health benefits while on an approved leave of absence. The employee will remit their premiums or portion thereof to the district. If an employee on leave terminates their coverage, they cannot re-enroll even during open enrollment. An employee returning to work following a leave of absence may re-enroll in the benefits within 30 days. Dental incentive level will remain the same as prior to a district-approved leave. Note: life insurance may be continued for up to 12 months while on leave.