

Retiree Assistance Program

A Benefit Proposal March 13, 2002

INTRODUCTION

In 1993, the members of the Riverside Sheriffs' Association received health insurance benefits through Riverside County's Flexible Benefit Program as agreed to in the organization's Memorandum of Understanding with the County. In this arrangement, the County was solely responsible for negotiating and administering the employee benefit plans, the vast majority, if not all, of which were CalPERS plans. The costs of health insurance were considered high and on the rise during this time, and the County vigorously fought any efforts by the Association to secure additional benefits for its retired members, such as full-paid medical.

On May 31, 1994, the Riverside County Board of Supervisors ratified an agreement between the County and the Riverside Sheriffs' Association, thereby creating what is now known as the Riverside Sheriffs' Association Benefit Trust. The idea to form the Benefit Trust came from a movement and desire within the Association to better control the rising costs of health insurance by administering the organization's own benefit programs. In addition to this mission, the Association also set a goal to develop a retiree benefit that the County had so long fought against providing.

In its agreement with the County, the Association was permitted to add a \$10.00 monthly administrative fee to insurance premiums to help offset the costs of administering the program. Since that time, through cooperative efforts with the Association and good fiscal policy, the Benefit Trust has been able to save and invest much of the fees. As a result, the Benefit Trust has nearly \$1 million dollars invested today.

In 1997, the Benefit Trust began providing retirees with a \$25.00 monthly grant to help offset insurance costs. This grant was in addition to the \$25.00 monthly benefit the County agreed to discontinue providing under the Public Employees' Medical and Hospital Care Act (PEMHCA), and transfer to the Benefit Trust on behalf of retirees. While the \$25.00 monthly grant to retirees was a nice benefit, it did not seem likely that the Benefit Trust could do much in the way of increasing the grant amount, and it was far from attaining the lofty goal set in 1994. The primary reason for the Benefit Trust's inability to achieve the goal of providing full-paid medical is that the framers of the Trust failed to identify and secure a sufficient funding mechanism.

In December 2000, the Association was successful in negotiating a bi-weekly contribution from the County to its Benefit Trust. This contribution was set based on a formula of \$25.00 times the number of members represented in the County's Law Enforcement Bargaining Unit, the bargaining unit the Association has represented for over 34 years. The value of this benefit was estimated at approximately \$1.1 million per year – a significant funding source that could be used by the Benefit Trust to continue its work towards providing full-paid medical benefits to retirees.

While this new funding source is quite significant, it likely cannot provide for the entire benefit of full-paid medical for retirees. However, with a carefully crafted benefit plan, coupled with prudent fiscal and investment strategies, it can significantly improve and increase the grant the Benefit Trust provides to its retired participants.

What follows is a draft of just such a plan. Of course, as with any plan of this type, the particulars are subject to modification based upon recommendations from legal and financial professionals who work for the Trust.

PLAN SUMMARY

This program is known as the Retiree Assistance Program, hereinafter referred to as "RAP." It is a program designed to provide financial assistance to eligible participants and their surviving spouses and dependants by granting a benefit that can be used to pay a portion of the costs of insurance premiums for plans sponsored by the Riverside Sheriffs' Association Benefit Trust, hereinafter referred to as "Trust." The Board of Trustees of the Trust, hereinafter referred to as "Board," will administer the program. This program is not a defined benefit plan. The benefit level will be reviewed annually by the Trustees and adjusted in order to ensure stability or enhance benefits.

This benefit program is created for the purpose of subsidizing the cost of retiree health insurance premiums only. The term "health insurance" may be defined from time to time by the Trust and may include, but not be limited to, major medical insurance, dental insurance, vision care insurance, mental health insurance, or any other insurance deemed appropriate by the Trust. The Board reserves the right to amend, modify, increase, decrease, or discontinue all or part of this program and its eligibility requirements, whenever, in its judgment, conditions so warrant.

I. RAP Eligibility Requirements

A. Participant Eligibility

A Trust participant will be eligible to receive a RAP benefit only after all of the following requirements have been met:

1. A Trust participant must be retired from the County of Riverside, California, hereinafter referred to as "County," and be receiving, or be approved to receive, a monthly retirement benefit from CalPERS or any other such retirement system in which the Riverside Sheriffs' Association, hereinafter referred to as "RSA," determines its members may participate through its Memorandum of Understanding (MOU) with the County.

a. A participant who receives a service connected disability retirement from the County and who has met all other eligibility requirements, shall be eligible to receive a RAP benefit.

b. A participant with a minimum of sixty (60) continuous months of RSA membership who receives a non-service connected disability retirement and who has met all other eligibility requirements shall be eligible to receive a RAP benefit.

c. A participant with less than sixty (60) continuous months of RSA membership who receives a non-service connected disability retirement shall not be eligible to receive a RAP benefit.

d. A participant who has requested a service or non-service connected disability retirement shall not be eligible to receive benefits under RAP until a determination of disability status is made. Any such participant will not be entitled to benefits for periods prior to the date of determination of disability and until all other eligibility requirements have been met. During the interim period, the participant must continue coverage in a Trust sponsored major medical plan at his/her expense. A lapse in coverage will result in forfeiture of the RAP benefit.

2. A Trust participant must have served as an active, full-time employee in a County bargaining unit that is represented by the RSA at the time of his/her retirement.

3. A Trust participant must have retired on or after May 31, 1994.

4. A Trust participant must have been enrolled in one of the Trust's major medical plans on January 1st of the year preceding application to the Trust and continuously thereafter.

5. A Trust participant must have been an RSA member in good standing at the time of his/her retirement.

6. All eligible participants and spouses age sixty-five (65) or older, must be enrolled in Medicare Part A and Part B in order to be eligible for the RAP benefit.

7. A Trust participant must submit a fully completed enrollment application.

B. Deferred Participation

Notwithstanding Section IA(4) to the contrary, a participant who retires in accordance with Section IA(1) and is otherwise eligible for a RAP benefit may be eligible for Deferred Participation in this program. The purpose of Deferred Participation is to accommodate a participant who retires but has insurance coverage available and provided by a spouse or subsequent employer. Under this provision, a participant may temporarily suspend participation in a Trust sponsored major medical plan and reenroll later, in accordance with normal enrollment rules.

1. Participants who choose to exercise this option shall be required to sign a RAP deferral agreement with the Trust and provide to it annual proof of continued alternate coverage before they will be permitted to reenroll in a Trust plan and to receive a RAP benefit.

2. Participants who choose to exercise this option will not receive participation credits for the deferral period.

C. Surviving Spouse and Dependant Child(ren) Eligibility

The surviving spouse or dependant child(ren) of a deceased participant, who qualified for and was participating in the RAP at the time of his/her death, may be eligible for continuing benefits as set forth under section IIB. In order to be eligible to receive a RAP benefit, surviving spouses and dependant children must meet all of the following respective conditions:

1. The surviving spouse of an eligible participant shall be entitled to continuing benefits under the RAP only if the surviving spouse was lawfully married to the deceased participant at and for at least one (1) year prior to the date of the participant's death and until one of the following conditions occurs:

- a. the surviving spouse remarries; or
- b. the surviving spouse dies.

2. The surviving dependant child(ren) of an eligible participant shall be entitled to continuing benefits under the RAP only if and only as long as all of the following conditions are met:

a. At the time of the participant's death, the child(ren) was(were) dependent upon the participant for more than half of the child's(ren's) support and the child(ren) is(are) either:

- i. not more than eighteen (18) years of age; or

ii. not more than twenty-five (25) years of age and enrolled as a full-time student(s) in an accredited educational institution. For the purposes of this provision, full-time students means those persons enrolled in courses totaling at least twelve (12) semester units or the equivalent.

b. To determine a dependant child's support, an applicant must provide the Trust a copy of the first page of the deceased participant's last filed federal income tax return.

c. For the purposes of this program, the term "dependent child(ren)" includes natural children, stepchildren of a current marriage but not of non-marriages, adopted children as of the date the adoption becomes final, and children for whom the deceased participant was the legal guardian.

II. RAP Benefit

A. Participant Benefit

1. Effective on or about July 1, 2002, upon paid County retirement, an eligible retiree currently enrolled in a Trust offered major medical plan or Medicare Part A or Part B plan shall be eligible for a RAP benefit as described below.

a. The RAP benefit is based upon Trust participation credits, which are earned for each full calendar year of participation in a Trust sponsored major medical plan.

i. For the purposes of determining participation credits, a participant will be awarded one credit for each full year of participation, whether in an active or retired status. Surviving spouses and dependent child(ren) shall not be awarded participation credits.

ii. A participant who either begins participation on or before June 30th or ends participation on or after July 1st shall be awarded one participation credit for that calendar year.

b. The RAP benefit may only be applied towards the cost of retiree and eligible spouse/dependant coverage in a Trust sponsored health insurance plan and/or Medicare supplement premiums, except as otherwise provided under section IIA(1)(e) below.

c. The initial RAP benefit shall be a monthly grant to an eligible participant, as described above, which shall equal seventy-five dollars (\$75.00) for the first participation credit and seven dollars (\$7.00) for each subsequent participation credit, in addition to the \$25.00 monthly contribution from the County of Riverside. The maximum benefit under this program is two hundred sixty-eight dollars (\$268.00) per month; however, in no event shall the benefit exceed ninety (90) percent of the actual cost of health insurance or Medicare supplement premiums. This amount will be continued for the first six (6) months, July 1, 2002, to December 31, 2002. Benefits for the following years will be determined by the Trustees every September and announced every October. The monthly benefit amount shall be paid directly from the Trust to the insurer or health plan provider.

d. A participant will become eligible for benefits on the date that the participant's fully completed enrollment application is received and approved by the Trust, including the approval by the Trust of the participant's enrollment application. A participant will not be entitled to benefits for periods prior to the date on which all eligibility requirements have been met.

e. Notwithstanding sections IA(4) and IIA(1)(b), for participants who, upon retirement or thereafter, move out of the major medical insurance service area, upon written verification of medical coverage and

subject to the benefit formula and limits described above, the Trust will pay any premiums for which the participant may be eligible directly to the insurer or health plan provider selected by the participant. However, on a case-by-case basis, the Trust may, within its sole discretion, directly reimburse eligible participants for premiums paid by the participant, upon satisfactory proof of premium payment.

B. Survivor Benefit

1. The surviving spouse and/or dependant child(ren) who meet the eligibility criteria outlined under section IB, shall each receive fifty (50) percent of the benefit that the deceased participant was receiving at the time of his/her death, subject to the following conditions:

a. In the event that there exists both a qualified surviving spouse and dependant child(ren), whether living in the same household or not, each shall receive the fifty (50) percent benefit, up to a combined total not to exceed the amount the deceased participant was receiving at the time of his/her death.

b. In the event that there are more than two such qualified survivors, the amount the deceased participant was receiving at the time of his/her death shall be divided equally between all qualified survivors.

c. Whenever a qualified survivor becomes ineligible to receive further benefits, the benefit amounts shall be recalculated among the remaining survivors as described above, up to and until the remaining survivors receive the maximum fifty (50) percent survivor benefit.

2. An eligible participant who is also an eligible surviving spouse shall receive the survivor benefit described in IIB(1), above, or his/her own RAP benefit, whichever is greater. In no case shall such a survivor participant receive both the survivor benefit and the participant benefit.

III. Other Provisions

A. The Trust shall administer its health insurance plans for participants subject to the requirements set forth in the Trust's Plan Document.

B. The Board shall review and establish benefits under this program on an annual basis and will cause to notify all program participants of any benefit changes no later than November 1st of the year preceding the effective date of the change. Any change in benefits shall commence on January 1st of the year following the Board's review.

C. The Board may request from participants whatever information or documentation it needs to administer the RAP plan. Participants shall not receive benefits for any period prior to the presentation of any such information or documentation to the Trust, unless the participant can establish good cause for the delay as determined by the Board in the exercise of its sole discretion.

D. The Board reserves the right and authority to interpret all plan provisions and to decide all eligibility and benefit disputes. Appeals of such decisions may be made pursuant to the provisions set forth in the Trust's Plan Document.