



# Retiree Health Benefits Policy

Policy Number: PP 6-2

Effective Date: July 1, 2017

Approved By: Roger L. Stancil, Town Manager

## POLICY

Eligible employees hired on or before June 30, 2010 participate in a defined benefit plan. Employees in this plan who retire from Town service are eligible to continue health insurance under the Town's retiree health insurance plan.

Qualifying employees hired after June 30, 2010 participate in a defined health savings contribution plan.

## PURPOSE

The Town provides a retiree health benefit in recognition of an employee's service to the Town. Retiree health benefits promote the well-being of Town employees.

## R.E.S.P.E.C.T. VALUES



**Safety:** We strive to maintain our own mental and physical well-being and the well-being of those around us. We are dedicated to a work environment that minimizes risk of injury or accident. We are also dedicated to an environment that provides for honest and courteous discussion of workplace issues without fear of repercussion.

## APPROVAL

Roger L. Stancil Town Manager



# Retiree Health Benefits Procedures

Policy Number: PP 6-2

Effective Date: July 1, 2017

Approved By: Cliff Turner, Human Resources Development Director

These procedures are issued by the Director of Human Resource Development to implement the Retiree Health Benefits Policy, PP 6-2 issued by the Chapel Hill Town Manager. These procedures may be periodically updated.

## I. RETIREE HEALTH BENEFIT PROVISIONS FOR EMPLOYEES HIRED PRIOR TO July 1, 2010

### A. Ordinance Language:

“Employees who retire from town employment without a break in service between town employment and retirement and begin receiving benefits under the local government employees' retirement system may continue medical insurance coverage for themselves, either under the town's group policy if they are under sixty-five (65) years of age or under the Post-65 Retiree Plan if they are sixty-five (65) years of age or older. Upon turning sixty-five (65), retired employees receiving coverage are transferred to the Post-65 Retiree Plan. The town will pay the premium for the coverage (whether on group coverage or Medicare supplement) based on the number of years of town service of the retired employee.

Retire with Town Service of		Individual Medical Insurance Premium	
At Least	Not More Than	Town Pays	Employee Pays
5 years	10 years	25%	75%
10 years	15 years	50%	50%
15 years	20 years	75%	25%
20 years		100%	0

Retired employees may elect to purchase medical insurance coverage for their dependents, and shall pay the full cost of this dependent coverage. In the event of the death of a retired employee who was receiving medical insurance coverage, the spouse or dependent may elect to continue group coverage by continuing to pay the full cost of this coverage. A retiring employee eligible for this benefit who will reside outside the geographic area covered by the town's insurance plan may elect to receive a sum equal to that paid by the town for use in obtaining other coverage.” [\(Town of Chapel Hill, Code of Ordinances, Section 14-54\).](#)

PROCEDURES

B. General Provisions:

1. Retire under Local Governmental Employee's Retirement System: Employees must retire under the Local Governmental Retirement System and be eligible to draw benefits from the system in order to qualify for full or partial payment of the health insurance premium. Retirement system regulations on eligibility for retirement govern eligibility for the Town Program.
2. Eligibility for Benefit Level Based on Years of Town Service: Eligibility for insurance premium payment benefit is based on total years of TOWN service, not total years of Local Government service. For example, someone who retires from the Local Government system with 20 years of total service, but only 11 years of service with the Town of Chapel Hill, is only eligible for 50% premium benefit assistance.
3. Attainment of Age 65: At 65 years of age, the retired employee and/or the dependent must switch from regular coverage to the Post-65 Retiree Insurance Option. Retirees under 65 years of age continue on the Town's Pre-65 Coverage Option.

C. Election of Coverage

1. Decide within 30 days of Retirement: Retiring employees must notify the Town no later than thirty (30) days after their retirement date of their intent to continue coverage under the Town's plan. Failure to notify the Town within 30 days will result in permanent loss of benefits.
2. Retiree Dependent Coverage: The rules established by the insurance carrier will determine when dependents can be added or removed from coverage. *Employees are responsible for the full cost of dependent coverage.* Please contact Human Resource Development (HRD) for more information.

D. Other Provisions:

1. Post-65 coverage options: After age 65, the retiree may continue on the Town's post-65 plan or may secure their own post- 65 coverage. If the employee secures their own coverage, the Town will reimburse the employee up to the amount the employee qualifies for under this policy. Employees must provide proof of coverage and receipts that verify payment.
2. Employees who move out of the area: An employee who relocates out of the area covered by the Town's health insurance plan can receive a sum equal to that paid by the town for use in obtaining other coverage. Again, the employee must provide proof of coverage and receipts that verify payment.
3. Death of Covered Employee: Upon the death of an employee covered under the provisions of this policy, any currently covered dependents may continue on the Town's insurance plan by paying the full cost of coverage, as legally permissible.
4. Failure to Pay Results in Permanent Loss of Coverage: Failure to pay the employee's portion of the required premiums by the due date may result in loss of coverage. **Once coverage has been discontinued, it cannot be reinstated, and the employee permanently loses the insurance benefit.**

## II. RETIREE HEALTH BENEFIT PROVISIONS FOR EMPLOYEES HIRED AFTER JUNE 30, 2010

Employees hired after June 30, 2010 who retire from Town service participate in a defined contribution Retirement Health Savings Plan (RHSP).

### A. Ordinance Language:

“Employees hired after June 30, 2010, will participate in a defined contribution post-employment benefits plan funded with pre-tax contributions from the employee and a flat rate contribution from the town. Employee contributions will be one (1) percent of pre-tax pay deducted each pay period. The town's contribution will be a flat rate payment of thirty-five dollars (\$35.00) per bi-weekly payroll. The town's contribution will be set each year as part of the annual budget adoption process. Accumulated funds in employee accounts may be used for reimbursement of qualified medical expenses. Employee contributions will accrue (*clarification: employee's original contributions plus earnings on those contributions will be returned*) to the employee upon termination of employment, whereas town contributions will be vested based on years of employment as follows:

Years of Service at Separation		Vesting of Contributions to Plan	
At Least	Not More Than	Employer Contribution	Employee Contribution
5 years	10 years	25%	100%
10 years	15 years	50%	100%
15 years	20 years	75%	100%
20 years		100%	100%

[\*\(Town of Chapel Hill, Code of Ordinances, Section 14-54\)\*](#)

### B. General Provisions:

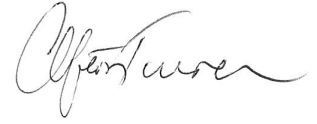
1. Employee Contribution: Employees contribute 1% of their gross earning each pay period.
2. Town Contribution: The Town makes a fixed contribution each pay period. The amount of the contribution is set annually during the budget process.
3. Vesting: The Employer contribution vests according to the table provided in the Ordinance. Employees own 100% of their contributions at all times.
4. Separation from Employment Prior to Retirement: Employees who separate from employment for any reason other than retirement forfeit all Town contributions to the Retirement Health Savings Plan (RHSP).
5. Continuance on Town Health Plan: Employees covered under the defined contribution plan may continue Town health insurance coverage under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA).

FORMS/INSTRUCTIONS

Employees should consult with Human Resource Development as part of their retirement planning process for personalized assistance.

PROCEDURES APPROVED BY

Cliff Turner, Human Resources Development Director



ADDITIONAL CONTACTS

Business Management 919-968-2712  
Human Resource Development 919-968-2700 or [HR@townofchapelhill.org](mailto:HR@townofchapelhill.org)

DEFINITIONS

None

RESPONSIBILITIES

**All Employees are expected to:**

- a) Understand the policy
- b) Pay their portion of health insurance premiums in a timely fashion
- c) Contact HRD in advance of retirement to verify their benefits
- d) Ask questions about anything they do not understand.

**Business Management is expected to:**

- a) Accept payments from retirees
- b) Provide statements for retirees
- c) Remit funds for health insurance coverage

**Human Resource Development is expected to:**

- a) Assist employees in understanding and complying with the policy
- b) Help resolve disputes regarding the policy
- c) Report a separation or retirement to ICMA.

FREQUENTLY ASKED QUESTIONS

Planning for retirement is a complex and personalized process. Please contact your HRD Consultant or your Benefits Technician for individualized assistance.

## SCOPE

This policy covers all regular full and part time employees as outlined.

## POLICY HISTORY

Adopted October 16, 1997

Reissued November 2000

Revised to Incorporate Revisions to the Town Ordinance and reissued July 1, 2017

This policy replaces and supersedes any previous Town policies, departmental policies, handbooks, or unwritten policies or practices covering the same subject. Departmental policies in compliance with this policy are referenced in Section XI **Related Information**. In the event of any disparity between this policy and the Town's Code of Ordinances and/or applicable local, state, or federal laws, the Town's Ordinance and/or applicable laws shall prevail.