



City of Temecula

City Council Compensation Plan

Effective July 1, 2017

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Section 1: Introduction

This City Council Compensation Plan (CCP) will govern the compensation and schedule of benefits for the City Council of the City of Temecula (City). As authorized by the provisions of Government Code Sections 53200 to 53299 and 36516 and other applicable law, Members of the City Council will receive certain retirement, health and welfare benefits as specifically designated in this CCP, and in the City of Temecula Fair Political Practices Commission Form 806.

Section 2: Health and Wellness Benefits

The City shall provide each City Council Member with a Health Flex Contribution of \$400 per month. This allotment is intended to bring the City into compliance with the U.S. Patient Protection and Affordable Care Act (“ACA”). The Health Flex Contribution may only be used toward City-sponsored health, dental, and vision insurance premiums, or deposited into a health flexible spending account as permitted by IRS laws. Any unused portion of the \$400 allotment shall be forfeited by the City Council Member (i.e. this is a “use it or lose it” benefit).

The City shall also provide each City Council Member with a Cafeteria Contribution of \$1,200 per month. Consistent with past practice, this payment includes the PERS statutory minimum payment for each calendar year of this Agreement for both active City Council Members and annuitants (retirees). The Cafeteria Contribution must be applied to all mandatory benefits as determined by the City. The first day of the month following the date of hire, a City Council Member shall be covered under mandatory benefits as set forth in the contract between the City and the carrier(s). The City Council Member can then apply the remainder of the Cafeteria Contribution to optional benefits provided by the City, including: health insurance premiums, dental insurance premiums, vision insurance premiums, additional life insurance premiums, flexible spending accounts, and other supplemental insurance premiums. Any unused portion of the \$1,200 allotment may be deposited into a deferred compensation account.

2.1 Health Coverage

While this CCP is in effect, the City will continue offering the PERS Health Plan. A City Council Member seeking to opt out of City-sponsored medical insurance must provide documented evidence of minimum essential health coverage pursuant to the ACA, which must cover both the City Council Member and all individuals in the employee’s expected tax family, if any. Each year, during open enrollment or as otherwise required by the City, the City Council Member must provide the City with an attestation or other reasonable documentation, subject to the City’s approval confirming such alternate coverage. According to the ACA, the City must not allow the City Council Member to opt out of City-sponsored medical insurance if the City knows that the City Council Member or family member does not have the alternative coverage.

2.2 Dental Coverage

While this CCP is in effect, the City will continue to offer dental coverage to City Council Member covered by the CCP.

2.3 Vision Coverage

While this CCP is in effect, the City will continue to offer vision coverage to City Council Member covered by the CCP.

2.5 Flexible Benefits Program

While this CCP is in effect and as long as lawfully permitted, the City will continue to offer a Flexible Benefits Program in accordance with applicable IRS statutes in order to provide City Council Member the greatest possible tax benefit.

Included in the Flexible Benefits Program are reimbursement accounts for eligible healthcare expenses and eligible child/dependent care expenses.

2.6 Retiree Medical, Dental and Vision Premium Reimbursement

The City will provide medical, dental and vision benefits, for eligible City Council Members and their spouse, upon retirement from the City, as follows:

- A. Eligible retired City Council Members are those City Council Members that were hired or rehired on or before June 30, 2005 and have, upon retirement, completed a minimum of 12 years of cumulative service to the City; who retire from the City of Temecula on or after July 1, 2003, in accordance with CalPERS standards.

If a retired City Council Member reinstates to a regular benefited position with any California PERS Agency, including the City of Temecula, this benefit will be discontinued and will not be reinstated.

- B. Retirement from the City shall be defined as a PERS service or industrial disability retirement, and the City Council Member must be eligible for such retirement at the time of or within 120 days of separation from City service. The date of eligibility shall be the City Council Member's official CalPERS retirement date.
- C. City Council Members who have retired prior to the effective date of this CCP will be eligible for this benefit in accordance with the terms the CCP at time of retirement.
- D. Eligible City Council Members (as defined above), who retire will be eligible for a reimbursement, for monthly premiums (not including co- payments, prescriptions, and other non-premium expenses) purchased and paid for by them, of up to the current monthly cafeteria plan allotment, for continued medical, dental and vision coverage as provided for in sections 2.1, 2.2 and 2.3 of this CCP. This payment will begin within 30 days of the City Council Member's PERS retirement, and upon written notice from the City Council Member and verification of current payment amounts and will continue while this CCP is in effect.
- E. The amount of actual payment will be based on proof of continued medical, dental and vision insurance and verification of the payment amount. The PERS medical premium on a PERS retiree's check is the premium amount AFTER the City's mandatory employer contribution has been deducted. Therefore, the City will be calculating the reimbursable amount based on the AFTER the mandatory employer

contribution rate established by PERS annually. In addition, the maximum amount of payment will include any mandatory medical payments made by the City. If the City Council Member moves from PERS service area, and coverage under the City's medical, dental, and vision plans is not available, the City Council Member may request that alternate medical, dental, and vision plans be approved by the City, if allowed by law. Coverage is limited to the City Council Member, and if applicable, to his/her spouse. The medical, dental, and vision insurance benefits will continue for eligible City Council Members, even after the employee qualifies for Medicare coverage. Medicare supplemental coverage and related premiums will be set in accordance with CalPERS benefit standards.

The existing Dental and Vision benefit plans only allow continuation of coverage for retirees for 18 months after retirement. Following this time period, it is the retiree's responsibility to enroll in dental and vision coverage of their choice. In order to receive reimbursement (not to exceed the monthly allotment), the retiree needs to submit proof of coverage annually to the City's Human Resources Department.

For all coverage which is outside the PERS medical plan service area, eligible retired City Council Members, or their authorized legal representative, must submit, to the City's Human Resources Department, proof of coverage and the premium amount for the upcoming year within 30 days of the first payment. If proof of coverage is not received within said 30 days, payments will not be made until the proof of coverage is received for that year. Retroactive payments will not be made if the retiree fails to submit this information on a timely basis. It is the responsibility of the retiree to notify the City's Human Resources Department of any changes in premium amounts or change in status.

This benefit will discontinue upon the death of the retired City Council Member.

Section 3: Life Insurance

The first day of the month following the date of hire, and upon proper application and acceptance by the insurance carrier, a City Council Member will be covered under a group life insurance plan for the amount of \$50,000, with the premium being deducted from the employee's City cafeteria plan allotment amount. For City Council Members covered by this CCP, an additional \$100,000 of group life insurance coverage will also be provided with the additional cost for said coverage being paid for by the City of Temecula.

Dependent Life Insurance and Voluntary Life Insurance is available to City Council Members requesting additional coverage. This coverage is available outside of the City's Section 125 Cafeteria Plan and is purchased directly by the City Council Member with no cost to the City.

Section 4: Retirement

The City has established a multi-tiered retirement benefit. City Council Members who are not eligible to participate in PERS will be able to participate in an alternate City approved retirement plan, as allowable by law. The City's contribution to an alternate retirement plan would be limited to the same cost as provided by the City to PERS.

Tier 3

Pursuant to the Public Employment Pension Reform Act of 2013, (also known as “PEPRA”, Assembly Bill 340), those who first become City Council Members of the City on or after January 1, 2013, and who are “new members” as that term is defined in PEPRA, shall be subject to a third tier Public Employees Retirement System (PERS) formula of 2% @ age 62, and a benefit based on the highest 36 months of employment. New members shall pay their entire PERS member contribution by payroll deduction at a rate set by PERS at 50% of normal cost as that term is defined in PEPRA. New members shall also be subject to all other applicable provisions of PEPRA. This retirement formula shall be known as Tier 3.

Tier 2

The City’s second tier PERS retirement formula of 2% @ age 60 applies to City Council Members hired on or after September 24, 2011, and up to and concluding December 31, 2012, as allowable by law. Tier two also applies to those hired at any time after September 24, 2011, who had prior membership in PERS or in another retirement system that has reciprocity with PERS, as determined by CalPERS. Highlights include the following:

- A three-year final compensation
- Annual 2% COLA
- Post-Retirement Survivor Allowance
- Fourth Level of 1959 Survivor’s Benefit
- Military Service Credit as Public Service

Tier 1

The City’s first tier PERS retirement formula of 2.7% @ age 55 applies to City Council Members hired prior to September 24, 2011 as allowable by law. Highlights include the following:

- One-year final compensation
- Annual 2% COLA
- Post-Retirement Survivor Allowance
- Fourth Level of 1959 Survivor’s Benefit
- Military Service Credit as Public Service.

For retirement tiers 1 and 2, City Council Members shall pay 3% of the PERS member contribution. The City shall pay the balance of the Member Contribution (EPMC), required by the Public Employee’s Retirement System to maintain the current level of benefits for City Council Members covered by this CCP.

City Council Members are not covered under Social Security (Medicare only).

Survivor Benefits: The City of Temecula’s PERS 1959 Survivor Benefit coverage (Government Code section 21574) is a higher level of cash benefit paid to survivors of an employee who dies prior to retirement. The City provides Level 4 of PERS’ Survivor Benefit.

CalPERS Reportability: The City makes no representation as to whether any of the compensation or payments in this CCP are subject to CalPERS service credit or pensionable

income. Any determination by CalPERS to not fully credit the compensation and/or service time provided under this CCP is outside of the City's control.

Section 5: Deferred Compensation

The City will provide for a Deferred Compensation Plan which may be utilized by any City Council Member on an optional basis. Such plan shall be implemented without cost to the City.

Section 6: Automobile Allowance

City Council Members will receive a monthly automobile allowance in lieu of mileage reimbursement. The monthly dollar amount will be set at \$400/month as outlined in the annual operating budget.