



City of Temecula

City Council Compensation Plan

Effective July 1, 2022

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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 \$600 per month effective July 1, 2022. 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 Health Flex Contribution shall be forfeited by the City Council Member (i.e. this is a "use it or lose it" benefit) and the forfeited funds will be used toward enhancing wellness and morale for all City employees.

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, and flexible spending accounts. Any unused portion of the \$1,200 allotment will be paid as taxable income.

2.1 Health Coverage

While this CCP is in effect, the City will continue offering the CalPERS Health Plan. The City has established an Eligible Opt Out Arrangement as a condition to a City Council Member receiving the Cafeteria Contribution as taxable income (i.e., cash) in lieu of enrolling in City-sponsored health insurance. The conditions that must be satisfied for the Eligible Opt Out Arrangement are as follows:

- A. The City Council Member must have minimum essential health coverage through another source (other than coverage in the individual market, whether or not obtained through Covered California).
- B. All individuals in the City Council Member's expected tax family must have (or will have) the required minimum essential health coverage. A City Council Member's expected tax family includes all individuals for whom the City Council Member reasonably expects to claim a personal exemption deduction for the taxable year(s) that cover the City Council Member's plan year to which the opt-out arrangement applies.

- C. The City Council Member must provide reasonable documentation of minimum essential health coverage pursuant to the ACA, which must cover both the City Council Member and all individuals in the City Council Member's expected tax family, if any, for the applicable period. Reasonable evidence may include an attestation by the City Council Member.
- D. 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.
- E. The City Council Member must provide the attestation or reasonable documentation no earlier than a reasonable time before coverage starts (e.g., open enrollment). The attestation or reasonable documentation may also be provided within a reasonable time after the plan year starts.
- F. According to the ACA, the City cannot make payment if the City knows or has reason to know that the City Council Member or a member of the City Council Member's expected tax family does not have the alternative minimum essential health 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 Spending Account

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

Included in the Flexible Spending Account 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 of Temecula, as follows:

- A. The City Council Member must meet all of the following criteria in order to qualify for the Retiree Medical, Dental and Vision Premium Reimbursement benefit:
 - 1. Must have been hired on or before June 30, 2005 in a regular, authorized position;
 - 2. Must have, upon retirement, completed a minimum of 12 years of cumulative service to the City of Temecula in a regular, authorized position status;

3. Must have retired from the City of Temecula on or after July 1, 2003 in accordance with CalPERS standards; and,
4. Must have been continuously employed in a regular, authorized position from July 1, 2005 until his or her retirement from the City of Temecula

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

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

- B. Retirement from the City of Temecula shall be defined as a CalPERS service or industrial disability retirement, and employee 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 CPP will be eligible for this benefit in accordance with the terms of the agreement at time of retirement.
- D. Eligible City Council Members (as defined above), who retire during the term of this CPP 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, 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 CPP. This payment will begin within 30 days of the City Council Member's CalPERS retirement, and upon written notice from the employee and verification of current premium payment amounts and will continue through the term of this agreement.
- E. The amount of the actual reimbursement will be based on proof of continued medical, dental or vision insurance and verification of the premium payment for employee and spouse coverage. The maximum reimbursement is inclusive of any required employer contributions. Be advised – the CalPERS medical premium on a retiree's check is the premium amount AFTER the City of Temecula's mandatory employer contribution has been deducted. Therefore, the net amount reimbursed will be the monthly premium less the mandatory employer contribution rate, as established by CalPERS annually.

If the retired City Council Member moves from a CalPERS service area, and coverage under the City provided medical, dental, and/or vision plans is not available, the retired City Council Member may request that an alternate medical, dental, and/or vision plan be approved by the City, if allowed by law.

The medical, dental, and/or vision insurance benefits will continue for eligible retired City Council Members and their spouse, even after qualifying for Medicare coverage. Medicare supplemental coverage and related premiums will be set in accordance with CalPERS benefit standards. When a retired City Council Member transitions to a CalPERS Supplement/Managed Medicare or Combination medical plan, the City will automatically reimburse the standard Part B premium, not to exceed the maximum

monthly allotment. Proof of coverage and premium payment will be required for retirees not enrolled in CalPERS medical, or for Medicare premiums exceeding the standard Part B premium.

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.

- F. For all coverages, excluding CalPERS medical, , 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 payment for the upcoming year. The timeframe for submissions will be determined by Human Resources and a schedule of the reimbursement dates including deadlines for submitting changes will be established and distributed annually. If proof of coverage is not received within the identified timeframe, reimbursements will not be made until the proof of coverage is received for that year.

It is the responsibility of the retired employee to notify the Human Resources Department of any changes in premium amounts or change in status. Retroactive payments will not be made if the employee fails to submit this information on a timely basis.

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 PEPR. New members shall also be subject to all other applicable provisions of PEPR. 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 employer contribution. The City shall pay 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.