

ADMINISTRATIVE RULES – CITY OF KNOXVILLE

8 – Benefit Continuation in the Event of Absence or Separation

8.01 **GENERAL PROVISIONS**

Continuation of Health Plan benefits when an employee is absent from work will be according to the following rules. During all periods of leave the employee must continue to pay all premiums due, and nothing in these rules prohibits suspending or terminating benefits for failure to pay premiums within thirty (30) days of the date premium is due. It is the employee's responsibility to be aware of what benefit premiums are due and when they are due. Failure to receive a notice shall not negate the employee's responsibility to make payments to the City or its designated administrator. To be considered in a paid leave status, the employee's earnings must be sufficient to pay all deductions including benefit premiums due. If earnings in any period are not sufficient to pay all deductions including benefit premiums, that period shall be treated as a period of unpaid absence for purposes of this rule.

For purposes of this Rule, the term "unpaid absence" shall mean:

1. Leave of absence without pay;
2. Do not pay; or
3. Any other type of leave or absence from work in which the employee does not receive compensation from the City other than FMLA and Military Leave.

Alternating paid and unpaid leave may not be used to prolong the period that benefits are provided. If paid and unpaid leave are alternated, unpaid leave will be calculated to have begun on the date the appropriate paid leave balance(s) would have been used up.

8.02 **COBRA**

The City of Knoxville, in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), provides employees and eligible dependents the opportunity to continue health care coverages (other than the dependent care spending account) in the City's Health Plan in certain instances in which coverages under the plan would otherwise be terminated. Definitions, procedures, and policies under this section are to be interpreted according to COBRA regulation. This coverage is at the employee's or dependent's expense. Continuation of coverage under COBRA may occur as follows:

An employee is entitled to continuation coverage for an eighteen (18) month period for the following reasons:

1. Termination of employment (for reasons other than gross misconduct); or
2. Reduction of work hours.

A covered dependent (spouse and/or child) of an employee is entitled to continuation coverage for an eighteen (18) month period for the following reasons:

1. Employee's employment was terminated (for reasons other than gross misconduct); or

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2. Employee's work hours are reduced.

A covered dependent (spouse and/or child) is entitled to continuation coverage for a 36-month period for the following reasons:

1. Death of employee;
2. Employee's divorce;
3. Employee becomes eligible for Medicare; or
4. Loss of dependent eligibility as defined in Section 6.01 of this Rule.

Under the law, the employee or other subscriber has the responsibility to inform the City of Knoxville of a divorce or loss of dependent eligibility under the City's Health Plan within sixty (60) days of the date of the event or the date in which coverage would end because of the event, whichever is later. Failure of the employee or other subscriber to notify the City of such a change will result in loss of continuation rights under this rule. Additionally, the employee will be responsible for repaying the City for any costs incurred under its Health Plans as a result of the failure to notify the City of the divorce or loss of dependent eligibility.

When the City of Knoxville is notified of an employee's death, termination, reduction in work hours or the employee's decision to terminate coverage due to Medicare entitlement, the City will notify the employee and any qualified beneficiaries that they have at least sixty (60) days from the date they would lose coverage because of one of the events described above, or the date their elections rights notice is sent to them, whichever is later, to inform the City that they want continuation coverage.

If a determination is made that a qualified beneficiary who is continuing coverage under COBRA due to a termination or reduction in hours worked is disabled (for Social Security purposes) at any time during the first sixty (60) days of COBRA coverage, the eighteen (18) month period is extended to twenty-nine (29) months for the disabled. The individual must notify the City of the determination of disability by the Social Security Administration within the initial eighteen (18) month COBRA continuation period. The disabled individual must also notify the City within thirty (30) days of any final determination by Social Security that the individual is no longer disabled.

A child who is born to or placed for adoption with the covered employee during a period of COBRA coverage will be eligible to become a qualified beneficiary. In accordance with the terms of the City of Knoxville's Health Care Plan and the requirements of federal law, these qualified beneficiaries can be added to COBRA coverage by notifying the City of Knoxville's COBRA administrator within sixty (60) days of the birth or adoption.

If any employee elects continuation coverage, the City of Knoxville is required to make available coverage which is identical to the coverage the employee would have had if the qualifying event had not occurred. If continuation coverage is not elected, the employee's coverage will end on the last day of the month in which the qualifying event occurred.

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The law provides that a COBRA beneficiary's coverage may be cut short for any of the following five reasons:

1. The City of Knoxville no longer provides a group health plan to any of its employees;
2. The premium for the COBRA beneficiary's continuation coverage is not paid;
3. A COBRA beneficiary becomes covered under another group health plan that does not contain any exclusion or limitation with respect to any preexisting condition the COBRA beneficiary may have;
4. The COBRA beneficiary becomes entitled to Medicare; or
5. The COBRA beneficiary has extended coverage for up to twenty-nine (29) months due to a disability and there is a final determination that the employee is no longer disabled.

The law also requires that the COBRA beneficiary must notify the City of Knoxville's COBRA Administrator, if numbers 3, 4, or 5 occur.

An employee does not have to show that he/she is insurable to choose continuation coverage. However, continuation coverage under COBRA is provided subject to an employee's eligibility for coverage. The City of Knoxville reserves the right to terminate an employee's COBRA coverage retroactively if the employee is determined to be ineligible. The City shall have the right to be reimbursed by the COBRA beneficiary for any costs the City incurs as a result of failure to provide such notification.

An employee will be required to pay full premium charges plus an additional 2% during the period the employee continues coverage. Premiums to extend coverage due to approval of disability by the Social Security Administration for up to twenty-nine (29) months because of a disability are subject to a 50% increase.

An application must be filled out and returned to the City of Knoxville's COBRA Administrator within the employee's sixty (60) day COBRA election period. Premium payments are to be made within forty-five (45) days of the date a COBRA beneficiary elects to continue coverage. The first payment must include premiums for any prior months for which premiums have not been paid. An employee has a thirty (30) day grace period from the first day of the month to pay the current month's COBRA premium.

If a former employee does not respond within the sixty (60) day election period or does not make the required payments within the time frame stated above, he/she will forfeit his/her right to COBRA coverage.

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8.03 **RESIGNATION, RETIREMENT, OR TERMINATION OF EMPLOYMENT**

A. Life

Coverage terminates on the last day of active employment unless waiver of premium is in effect under the terms of the policy then in place. Conversion and portability are offered according to the terms of the policy then in place.

B. Long Term Disability

Coverage terminates on the last day of active employment unless the employee has a qualifying disability and is approved for disability benefits under the terms of the policy in effect at the time the disability began.

C. Medical, Dental, Vision, EAP, Health Care FSA

Coverage terminates at the end of the month during which active employment terminates. COBRA benefits are offered.

D. Dependent Care FSA

Coverage terminates at the end of the month during which active employment terminates.

8.04 **UNPAID ABSENCE**

Regardless of whether the unpaid absence is at the employee's option or due to suspension from employment, all Life, Long Term Disability, Medical, Dental, Vision, EAP, Healthcare FSA and Dependent Care FSA benefits will end on the first of the month following the month in which an unpaid absence of greater than forty (40) hours (forty-eight (48) hours for Fire Department shift positions) begins.

This provision does not apply to situations addressed in 8.05 through 8.10 below.

8.05 **MILITARY LEAVE**

A. Life

Coverage terminates as of the thirty-first (31st) day of active duty. Conversion and portability may be offered under the terms of the policy then in place.

B. Long Term Disability

Coverage terminates as of the thirty-first (31st) day of active duty.

C. Medical, Dental, Vision, EAP, Health Care FSA

Coverage terminates at the end of the month following 12 months of consecutive military leave. COBRA / USERRA are offered.

D. Dependent Care FSA

Coverage terminates at the end of the month during which military leave begins.

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8.06 **FAMILY MEDICAL LEAVE-NOT DUE TO A WORK RELATED INJURY TO EMPLOYEE**

A. Life

Coverage terminates on the last day of FMLA leave if the employee has no remaining paid leave balance. If the employee has paid leave available at the conclusion of the twelve (12) week FMLA period, coverage ends on the day that paid leave is exhausted or if paid leave remains, twelve (12) weeks following the last day of FMLA leave, whichever comes first, unless a waiver of premium is in effect under the terms of the policy then in place. Conversion and portability may be offered under the terms of the policy then in place.

B. Long Term Disability

Coverage terminates on the last day of FMLA leave if the employee has no remaining paid leave balance. If the employee has paid leave available at the conclusion of the twelve (12) week FMLA period, coverage ends on the day that paid leave is exhausted or if paid leave remains, twelve (12) weeks following the last day of FMLA leave, whichever comes first, unless the employee has a qualifying disability and is approved for disability benefits under the terms of the policy in effect at the time the disability began.

C. Medical, Dental, Vision, EAP, Health Care FSA

Coverage terminates at the end of the month during which the twelve (12) weeks of FMLA leave is exhausted and COBRA coverage is offered. If the employee has paid leave available at the end of the 12 week FMLA period, the City will contribute the employer contributions toward coverage until the day that paid leave is exhausted or if paid leave remains, twelve (12) weeks following the last day of FMLA leave, whichever comes first. Once the City's contributions end, the employee will be charged the 102% COBRA rates (which can be paid through payroll deduction as long as the employee continues to receive paid leave from the City) for as long as the employee is eligible for COBRA continuation.

D. Dependent Care FSA

Coverage terminates at the end of the month during which the twelve (12) weeks of FMLA leave is exhausted.

8.07 **FAMILY MEDICAL LEAVE-DUE TO A WORK RELATED INJURY TO EMPLOYEE**

A. Life

Coverage terminates on the last day of FMLA leave if the employee is not receiving supplemental temporary total disability benefits (STTD) per Rule 7 of these Administrative Rules and Regulations. If the employee is receiving STTD, coverage ends on the day that STTD ends or if STTD continues, at the end of twelve (12) weeks following the last day of FMLA leave, whichever comes first, unless a waiver of premium is in effect under the terms of the policy then in place. Conversion and portability may be offered under terms of the policy then in place.

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B. Long Term Disability

Coverage terminates on the last day of FMLA leave if the employee is not receiving STTD. If the employee is receiving STTD, coverage ends the day that STTD ends or if STTD continues, at the end of twelve (12) weeks following the last day of FMLA leave, whichever comes first, unless the employee has a qualifying disability and is approved for disability benefits under the terms of the policy in effect at the time the disability began.

C. Medical, Dental, Vision, EAP, Health Care FSA

Coverage terminates at the end of the month during which the twelve (12) weeks of FMLA leave is exhausted and COBRA coverage is offered. If the employee is receiving STTD, the City will contribute the employer contributions toward COBRA coverage until the date that STTD ends or if STTD continues, until twelve (12) weeks after FMLA ends, whichever comes first. Once the City's contributions end, the employee will be charged the 102% COBRA rates (can be paid through payroll or TTD deduction as long as the employee is receiving a check) for as long as the employee is eligible for COBRA continuation.

D. Dependent Care FSA

Coverage terminates at the end of the month during which the twelve (12) weeks of FMLA is exhausted.

E. Return to Work after Benefits End

Following an absence of greater than one hundred eighty (180) calendar days, if employment has not been terminated and the employee returns to full duty for ninety (90) calendar days, the employee will be eligible for benefits not addressed in 7.04 as of the first day of the month following return to work.

8.08 ADMINISTRATIVE LEAVE

For benefit purposes Administrative Leave shall be treated in the same manner as Annual Leave.

8.09 EXTENDED PAID LEAVE NOT SUBJECT TO FAMILY MEDICAL LEAVE

A. Life

Coverage terminates when the paid leave is exhausted or at the end of twenty-four (24) weeks of leave, whichever comes first, unless waiver of premium is in effect under the terms of the policy then in place. Conversion and portability are offered under the terms of the policy then in place.

B. Long Term Disability

Coverage terminates when paid leave is exhausted or at the end of twenty-four (24) weeks of leave, whichever comes first, unless the employee has a qualifying disability and is approved for disability benefits under the terms of the policy in effect at the time the disability began.

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C. Medical, Dental, Vision, EAP, Health Care FSA

Coverage terminates on the date that paid leave ends or at the end of twelve (12) weeks of paid leave, whichever comes first. If the employee has paid leave available at the end of the initial twelve (12) weeks of paid leave, the City will contribute the employer contributions toward coverage until the earlier of the date that paid leave is exhausted or until twenty-four (24) weeks of total paid leave. Once the City's contributions end, the employee will be charged the 102% COBRA rates (which can be paid through payroll deduction as long as the employee continues to receive paid leave from the City) for as long as the employee is eligible for COBRA continuation.

D. Dependent Care FSA

Coverage terminates at the end of the month during which paid leave is exhausted or at the end of the month after twelve (12) weeks of leave, whichever comes first.

E. Definition of Extended Paid Leave

A period of extended paid leave under this section shall mean any period for which the employee is predominantly in a paid leave status. The period shall not be treated as being interrupted by any periods of unpaid leave or of isolated short periods of work.

8.10 CONTINUATION OF BENEFITS DURING RETIREMENT

A. Medical Insurance

A City of Knoxville employee who is approved for a normal (not disability) retirement from City employment while covered under the City's employee medical insurance program may continue coverage unless or until the earlier of (1) the employee reaches the age at which they would become eligible for Medicare due to age, (2) the employee becomes eligible for Medicare due to disability other than due to end stage renal disease (ESRD), or (3) thirty-six (36) months after the employee has become eligible for Medicare due to ESRD. The employee must elect to continue coverage at the time of retirement unless other eligibility is available as described below.

If the employee has dependent medical coverage at the time of retirement and elects to continue coverage under the medical insurance program, the employee may elect to continue coverage for any dependents covered at the time of retirement until the earliest of (1) the date the retiree and/or dependent is eligible for Medicare or (2) the date the dependent is no longer an eligible dependent as defined in Rule 6.01 of these Administrative Rules and Regulations. The employee must elect to continue coverage for the dependent(s) at the time of retirement unless other coverage is available as described below. If a retiree acquires an IRS dependent while covered under the medical insurance program, the retiree may add such dependent to the coverage within sixty (60) days of acquiring the dependent, including changing to an appropriate coverage tier, until the earliest of (1) the date the retiree and/or dependent is eligible for Medicare or (2) the date the dependent is no longer an eligible dependent as defined in rule 6.01 of these Administrative Rules and Regulations.

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If an individual employee's retirement or election of the Delayed Retirement Option Plan (DROP) is effective on or after January 1, 2012, and that individual has dependent(s) covered under the medical insurance program at the time of retirement or election of the DROP or adds dependent(s) after the date of retirement or the DROP becoming effective, and (2) that individual becomes eligible for Medicare or dies while covered under the medical insurance program: any covered dependent(s) will no longer be eligible for coverage under the medical plan and will be offered the opportunity to continue coverage for thirty-six (36) months under COBRA as specified in Section 8.02 of these Administrative Rules and Regulations.

If (1) an individual employee's retirement or election of the DROP is effective before January 1, 2012, and (2) that individual has dependent(s) covered under the medical insurance program on the date the retirement or the DROP became effective, and (3) that individual becomes eligible for Medicare or dies while covered under the medical insurance program, such covered dependents will be given the option of choosing:

- (a) to continue coverage in the medical insurance program until the earliest of (1) December 31, 2016, (2) the date the dependent becomes eligible for Medicare, or (3) the date the dependent is no longer an eligible dependent as defined in Rule 6.01 of these Administrative Rules and Regulations, or
- (b) to continue coverage under COBRA as specified in Section 8.02 of these Administrative Rules and Regulations for thirty-six (36) months following the date the retiree is no longer eligible for the medical insurance program.

If the retiree has already become eligible for Medicare or died as of December 31, 2011, dependents will not have the option of electing COBRA. In such case dependents will be allowed to continue coverage in the medical insurance program until the earliest of (1) December 31, 2016, (2) the date the dependent becomes eligible for Medicare, or (3) the date the dependent is no longer an eligible dependent as defined in Rule 6.01 of these Administrative Rules and Regulations.

When a retiree is eligible to continue medical insurance but declines or drops coverage in favor of other insurance coverage and the retiree later becomes ineligible for other coverage, the retiree will be allowed to re-enter the City's retiree medical plan unless or until the retiree is eligible for Medicare. The retiree must apply in writing to participate in the plan within sixty (60) days of losing eligibility for other coverage. A retiree reapplying for coverage will only be allowed to include dependents if such dependents are not eligible for any other medical insurance coverage.

If a retiree is covered under the medical insurance program and has a dependent that is not covered because he/she has other insurance coverage and the dependent becomes ineligible for other insurance, the retiree may add coverage for the dependent within sixty (60) days of the dependent's loss of eligibility for other insurance, until the earliest of (1) the date the retiree or dependent is eligible for Medicare, or (2) the date the dependent is no longer an eligible dependent as defined in Rule 6.01 of these Administrative Rules and Regulations.

The above rules are secondary to any rights provided to employees, retirees and/or dependents by any applicable laws and are intended to describe eligibility that may

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exceed the minimum rights of applicable laws. These rules are not intended to diminish any legal rights. These rules are subject to change at any time without notice.

B. Life Insurance

An employee who retires from the City of Knoxville may only continue life insurance through waiver of premium in effect under the terms of the policy then in place. Conversion and portability are offered under the terms of the policy in effect at the time of retirement. The retiree is responsible for 100% of any cost of converted or ported coverage.

C. Long Term Disability

An employee who retires from the City of Knoxville is not eligible to continue long term disability coverage.

D. Dental, Vision, EAP, Health Care FSA

An employee who retires from the City of Knoxville is only eligible to continue these benefits in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). See Section 8.02 of these Administrative Rules and Regulations.