CITY OF STOCKTON
HUMAN RESOURCES DEPARTMENT
STEWART/EBERHARDT BUILDING 22 E. Weber Avenue, Suite 150, Stockton, CA 95202
(209) 937-8233 TELEPHONE (209) 937-5702 FAX
www.stocktongov.com

June 27, 2012

Dear City of Stockton Retiree,

On June 26, 2012, the City Council authorized initiation of bankruptcy proceedings and adopted a budget for Fiscal Year 2012/2013, which is referred to as a Pendency Plan while the bankruptcy case is pending with the court. The letter you received dated June 20, 2012, from City Manager, Bob Deis, explained the changes in retiree medical benefits that would be implemented under the adoption of the Pendency Plan.

Unfortunately, the City has very few options left to close the budget gap for fiscal year 2012-13. Therefore, the changes outlined in the June 20th communication will be implemented effective July 1, 2012.

Retirees currently receiving fully-paid retiree medical will receive a monthly stipend towards the premium cost of retiree medical benefits for the period July 1, 2012, through June 30, 2013. *Effective July 1, 2013, all retiree medical benefits will be eliminated.*

The monthly stipend may only be applied to coverage under a City sponsored plan, not any other individual or group plan in which the retiree may be eligible to enroll, nor will the stipend be paid directly to the retiree. Retirees will be required to pay the portion of their monthly premium that exceeds the amount of the stipend. The stipend amounts, which are based on years service with the City of Stockton are as follows:

- Retirees who served Stockton 30 years or more: $450 per month
- Retirees who served Stockton 20 years or more: $300 per month
- Retirees who served Stockton 10 years or more: $150 per month

Retirees who served Stockton less than 10 years will not receive a stipend. Retirees with less than 10 years service, or who have exhausted their City-paid retiree medical benefit and are paying their own monthly premium, may continue to participate in the City's medical plan, by paying the full applicable monthly premium.

The City currently has two self-funded medical plans that cover retirees. The monthly premium rates for coverage under these medical plans that are effective July 1, 2012, were developed as part of the City's annual actuarial evaluation of its self-funded health plans, and were approved by Stockton City Council at the May 22, 2012, City Council meeting.

The majority of retired employees eligible for retiree medical benefits are covered under the City's Modified Medical Plan. The monthly premium rates and retiree costs are reflected in the following table:

MODIFIED MEDICAL PLAN						
	Under Age 65			Over Age 65		
	Retiree Only	Retiree + One	Retiree + Family	Retiree Only	Retiree + One	Retiree + Family
TOTAL MONTHLY PREMIUM →	**$875.92**	**$1,576.66**	**$2,102.22**	**$428.63**	**$771.53**	**$1,028.71**
	At least 30 years Stockton Service - $450 Stipend					
Retiree Pays	***$425.92***	***$1,126.66***	***$1,652.22***	***$-0-***	***$321.53***	***$578.71***
	At least 20 years Stockton Service - $300 Stipend					
Retiree Pays	***$575.92***	***$1,276.66***	***$1,802.22***	***$128.63***	***$471.53***	***$728.71***
	At least 10 years Stockton Service - $150 Stipend					
Retiree Pays:	***$725.92***	***$1,426.66***	***$1,952.22***	***$278.63***	***$621.53***	***$878.71***
	Less than 10 years Stockton Service or Paying Full Premium (no City-paid Benefit) – No Stipend					
Retiree Pays	***$875.92***	***$1,576.66***	***$2,102.22***	***$428.63***	***$771.53***	***$1,028.71***

A small group of retirees who were Unrepresented Management/Confidential and Fire Unit employees and retired on or before December 31, 1992, were grandfathered under the City's Original Medical Plan. The monthly premium rates and retiree cost for retirees enrolled in the Original Medical Plan are reflected in the following table:

ORIGINAL MEDICAL PLAN *Only Unrepresented Management/Confidential and Fire Unit employees who retired on or before December 31, 1992*				
	Under Age 65		Over Age 65	
	Retiree Only	Retiree + One	Retiree Only	Retiree + One
TOTAL MONTHLY PREMIUM →	**$1,961.21**	**$3,530.18**	**$671.39**	**$1,208.50**
	At least 30 years Stockton Service - $450 Stipend			
Retiree Pays	***$1,511.21***	***$3,080.18***	***$221.39***	***$758.50***
	At least 20 years Stockton Service - $300 Stipend			
Retiree Pays	***$1,661.21***	***$3,230.18***	***$371.39***	***$908.50***
	At least 10 years Stockton Service - $150 Stipend			
Retiree Pays:	***$1,811.21***	***$3,380.18***	***521.39***	***1,058.50***
	Less than 10 years Stockton Service or Paying Full Premium (no City-paid Benefit) – No Stipend			
Retiree Pays	**$1,961.21**	**$3,530.18**	**$671.39**	**$1,208.50**

Delta Health Systems, the third party administrator for the City's self-funded medical plans, will administer the billing and collection of monthly premiums. Enclosed is your first invoice, for July 2012 coverage.

Your July premium must be received by July 30, 2012, or your medical coverage will be canceled, retroactive to July 1, 2012. Subsequent monthly premiums must be received paid by the 30th day of each month, or coverage will be canceled.

Retirees currently enrolled in the *Original Medical Plan* have a one time option at this time to change to the Modified Medical Plan, and any retiree may cancel a dependent if they wish. Changes would be effective July 1, 2012.

Also, effective July 1, 2012, dual coverage under a City sponsored plan will no longer be allowed. If you are covered as a dependent of a City employee or retiree, or are covering a City employee or retiree as your dependent, you must notify us immediately. We will need to know whether you prefer to continue your own retiree coverage, or be covered as a dependent of another employee or retiree covered under a City sponsored plan. If you do not contact us regarding dual coverage, you will be responsible for any claims that are overpaid on a plan participant with dual coverage under a City sponsored plan.

Please be aware, any changes made are irrevocable. Also, if you cancel coverage, or coverage lapses due to failure to pay your monthly premium, you will not be permitted to re-enroll.

If you wish to ***cancel your coverage, or want to make a change*** (remove a dependent or change to the Modified Medical Plan), please contact the City of Stockton Human Resources Department at (209) 937-8233***, no later than July 15, 2012***. If you make a change to your coverage (dependent or plan change) your premium amount for July coverage will be adjusted.

Also enclosed is an explanation of benefit changes effective July 1, 2012. Please read this information carefully and contact us with any questions.

We understand these changes are difficult and may be confusing. Please do not hesitate to contact our Benefits staff at the number above if you have questions.

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DIRECTOR OF HUMAN RESOURCSE

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Enclosure

cc: Joseph Neff, Delta Health Systems

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June 27, 2012

NOTICE OF CHANGES TO RETIREE BENEFITS

A number of changes to the health benefits provided to retired employees covered under the Modified Medical Plan, as well as retired City Managers and Department Heads who receive dental benefits, will be implemented effective July 1, 2012.

MODIFIED MEDICAL PLAN – COVERAGE CHANGES

Rollback of Changes Implemented in Connection with the Affordable Care Act

The federal Affordable Care Act (Healthcare Reform) required most ***employee*** health benefit plans to extend certain benefits to plan participants. Effective January 1, 2011, the City implemented these changes to its self-funded Modified Medical Plan, and these benefit changes were extended to retired employees who were covered under the Modified Medical Plan as well, although the federal Act did not require these benefit changes for retiree plans. In order to lower the cost of premiums for retirees and to lower the claims risk to the City's self-funded medical plans, those Healthcare reform changes implemented in the last few years will be returned to the previous benefit levels.

The following benefit changes will affect retirees covered under the City's Modified Medical Plan, effective July 1, 2012:

Medical Coverage for Adult Children: Coverage for adult children to the age of 26 will no longer be allowed. Children between the ages of 19 and 23 must be a full time student, and qualify as a dependent for income tax purposes, in order to be eligible for coverage as a dependent of a retiree covered under the City's Modified Medical Plan. Under certain circumstances, a disabled child may continue to be covered as a dependent of a retiree.

If you are covering a child is between the ages of 19 – 23, they are a full-time student, and qualify as a dependent for income tax purposes, please provide a copy of his/her school registration/transcript indicating that he/she is a full-time student, no later than July 15, 2012.

Coverage for adult children over the age of 23, and children between the ages of 19 and 23 without proof documenting full-time student status, will be canceled, effective July 1, 2012. A notice from the City's third party administrator, Delta Health Systems, will be sent to dependents that are canceled, advising them of their right to COBRA continuation coverage, and advising them of the monthly premium cost.

Preventative & Wellness Services: Effective July 1, 2012, preventative care and wellness services addressed in the Affordable Care Act, such as annual physicals and most routine lab services, will no longer be 100% covered for retirees enrolled in the City's Modified Medical Plan.

Some routine medical services covered in the past will continue to be a benefit of the plan. Mammograms, Pap Smears, Prostate Screenings and Colonoscopies will continue to be covered. However, services will be subject to the annual deductible and any applicable co-payments.

Lifetime Maximum Dollar Limit: The previous lifetime maximum limit of $2,500,000 will again be applied, effective July 1, 2012. Any claims that have been paid since you have been covered under this plan will be applied to your lifetime maximum.

Other Treatment Limits: Limits on certain specific treatments such as speech therapy, physical therapy, etc. may be limited.

Mental Health: Outpatient psychotherapy will be limited to fifteen (15) visits per year. If you utilize a member provider, the first five (5) visits will be covered at 80%, and the next ten (10) will be covered at 50%.

Emergency Room Treatment: Out of network emergency room treatment may be covered at less than 50% co-insurance rates.

DENTAL BENEFITS FOR CITY MANAGER & DEPARTMENT HEAD LEVEL RETIREES: For those who had been eligible, all retiree dental benefits are eliminated effective July 1, 2012.

We understand these changes are difficult and may be confusing. Please do not hesitate to contact the City of Stockton Human Resources Department at (209) 937-8233 if you have questions.

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