



MEMORANDUM

DATE: May 13, 2026

TO: Water Utility Commission

FROM: Cortney Nagel, Administrative Services Manager

RE: Retiree Insurance Benefits

Currently, employees hired prior to January 1, 1994 are eligible for retiree insurance benefits beginning at age 62. Coverage is provided in accordance with the Utility's policy governing premium contributions and is aligned with the insurance plans offered to active employees. This benefit extends to eligible retirees and their dependents from age 62 until they reach Medicare eligibility at age 65.

While all eligible employees are offered family coverage under the current policy, it is recognized that some individuals may only require single coverage. To promote greater equity and flexibility in the administration of this benefit, the Utility recommends an amendment to the policy. The proposed revision would maintain family coverage eligibility from age 62 to 65, while also allowing employees who elect single coverage to begin eligibility earlier, at age 60 through age 65. Providing this option at the single coverage rate is a cost savings to the Utility when compared to the family coverage rate from 62 to 65.

Attached for your review and consideration is the revised Retiree Insurance Benefit Policy 202.2. All proposed changes are highlighted in yellow. It is recommended that the updated policy become effective June 1, 2026.

Recommended Motion: Move to approve implementation of the updated Retiree Insurance Benefit Policy 202.2, effective June 1, 2026.

Health and Life Insurance - Employees hired on or after January 1, 1994 shall not be eligible for continuation of health and life benefits paid by the Utility (see section 2 below). Employees formerly covered by a collective bargaining agreement should refer to the applicable collective bargaining agreement.

1) Only full-time employees who are hired and on the payroll as of January 1, 1994 shall be eligible for the following:

- A. Eligible employees may request retirement at age 55 with documentation of age. Employees who retire, apply for and receive a WRS pension between age 55 and Medicare eligibility age and who have less than twenty (20) years of continuous service may continue regular Utility life and health coverage (if available, and if they meet the plan eligibility requirements) but must timely pre-pay the premiums until reaching age 65. At age 65 all life and health insurance benefits under this subsection are terminated.
- B. Eligible employees who retire, apply for and receive a WRS pension or disability annuity at or after age 62 if under a family plan and at or after age 60 if under a single plan and who have twenty (20) years of continuous full-time service with the Utility are eligible to continue family or single coverage in the group health insurance plan with premiums paid by the Utility in accordance with the Utility policy language governing premium payments and the insurance plan for active employees (if available, and if they meet the plan eligibility requirements). If a person retires under a single plan and wants to switch to a family plan, they must timely pre-pay the difference in premium until age 65.
- C. When retired employees with twenty (20) years of service are eligible for benefits under paragraph B become eligible for Medicare coverage and have maintained continuous insurance coverage during their retirement ⁽¹⁾, they become eligible for family or single coverage supplemental to Medicare with premiums paid by the Utility in accordance with the Utility policy language governing premium payments and the insurance plan in effect for active employees (if available, and if they meet the plan eligibility requirements).
- D. In order to be eligible for retiree health coverage as defined in paragraphs A. or B. herein, the employee must be enrolled in that plan at the time of retirement and must continuously maintain coverage while retired⁽¹⁾. Failure to timely pre-pay premiums shall result in cancellation of coverage. All coverage is pursuant to the terms of the applicable plan.
- E. The Utility has the right to change insurance carriers or alter the benefit structure with the proper notice to affected retirees and, if available, substantially equivalent or better coverage shall be maintained provided the cost to the Utility does not exceed the applicable monthly premium under the active employees' plan.
- F. Surviving dependents of retirees are eligible for coverage at the dependent's expense and in accordance with applicable state and federal continuation (COBRA) requirements.
- G. Dental Insurance – Retired employees are eligible to continue dental insurance coverage at their own expense in accordance with applicable state and federal continuation (COBRA) requirements and the contract with the dental provider.

⁽¹⁾ Employees who retire prior to Medicare eligibility may choose to voluntarily waive coverage (for themselves and/or their spouse) in the Utility's group health insurance plan if they can verify that coverage has been secured through another individual or group policy. If the retired employee has met all of the other criteria and is eligible for Medicare supplement insurance through the Utility, they may

participate in the Utility' group supplement plan, provided Medicare Part A and B is secured. The retired employee choosing this option will be responsible for any risks associated with waiving coverage in the group plan and is encouraged to speak with all providers involved to weigh their options.

2) This section applies to full-time employees hired after January 1, 1994.

- A. The Utility will offer coverage in the group plans for health insurance for employees who retire, apply for, and receive a WRS pension at age 55 or after, if coverage is available and subject to the terms of the health insurance provider. Continuation will be at the employee's expense until Medicare eligibility age when utility funded insurance benefits will terminate. Medicare eligible retirees may elect the Utility's group Medicare supplement at their own expense. Failure to timely pre-pay premiums shall result in cancellation of coverage. All coverage is pursuant to the terms of the applicable plan.
- B. The Utility has the right to change insurance carriers or alter the benefit structure with the proper notice to affected retirees and, if available, substantially equivalent or better coverage shall be maintained provided the cost to the Utility does not exceed the applicable monthly premium under the active employees' plan.
- C. Surviving dependents of retirees are eligible for coverage at the dependent's expense and in accordance with applicable state and federal continuation (COBRA) requirements.
- D. **Dental Insurance** – Retired employees are eligible to continue dental insurance coverage at their own expense in accordance with applicable state and federal continuation (COBRA) requirements and the contract with the dental provider.
- E. **Conversion of Sick leave (ELB) at Retirement (eff 01/01/2024)** - Upon retirement, employees may elect to have any accumulated unused sick leave converted to a dollar value for the purpose of funding participation in the Utility's group health insurance plan or, at Medicare eligibility age, the Utility's group Medicare Supplement of which the retired employee is the primary beneficiary.

The conversion formula shall be the employee's last full year's base wage, including longevity pay (if any), divided by 2080 hours, and multiplied by the number of hours of accumulated unused sick leave. The resulting amount may then be applied to the employee's monthly premiums when needed. After the converted sick leave is exhausted, retired employees can continue group health insurance or group Medicare supplement at their own expense pursuant to the terms of section 2.A above.

Application of unused accumulated sick leave shall continue until the earlier of the following occurs:

1. The Retired employee dies;
2. The Retired employee becomes covered by a non-Utility sponsored health insurance plan or Medicare supplement. Retired Employees may postpone use of accrued Sick Leave Funds if they have coverage available through a spouse's or other health plan. The retired employee (and spouse if applicable), must continuously maintain creditable coverage in a group health plan or Medicare Supplement plan to be eligible for coverage in the Utility retiree health plan.
3. The Retired employee's coverage under a Utility group policy ends for any other reason.

*Employees Terminating employment for any reason other than Retirement are not eligible for sick leave conversion, and all unused, accumulated sick leave is forfeited on Termination with the exception of death of an employee (refer to Policy 202.4)

3) Health Reimbursement Arrangement (HRA) for Retirees:

- A. It is the intent of the Utility to offer the high deductible health plan to eligible retirees.
- B. For pre-1994 employees who meet the retirement eligibility criteria and who are at least 62 **if under a family plan or age 60 if under a single plan**, the Utility would continue to pay the insurance premiums per applicable Utility policy. Because they qualify for a Utility paid benefit after retirement per policy, the Utility would also provide an HRA and contribute a supplement to the HRA at the same level as that in effect for active employees. However, there would be no carry over dollars available on unused funds.
- C. For pre-1994 employees who meet the retirement eligibility criteria and retire before the age of 62 **if under a family plan and age 60 if under a single plan**, the Utility would continue to allow them to remain on the Health Care plan without a Utility funded HRA, given the fact that those employees are required to prepay the insurance premiums in accordance with the **applicable Utility policy**. In accordance with the **applicable Utility policy**, in order to be eligible for this benefit, the employee must maintain prepaid health coverage through the utility and must prepay the premiums. Failure to do so would result in cancellation of coverage.

For post-1994 employees who meet the contractual requirements, they may stay on the Utility Health policy without a Utility funded HRA, until reaching Medicare age, again in consideration of the fact that health care premiums are pre-paid, by the employee, or funded from available accrued sick leave. Failure to prepay the premiums would result in cancellation of coverage. All coverage is pursuant to the terms of the applicable plan.