RESOLUTION NO. 3317

A RESOLUTION OF THE CITY COUNCIL OF HEMET, CALIFORNIA PROVIDING FOR RETIREE SUPPLEMENTAL MEDICAL BENEFITS

WHEREAS, on March 13, 1996, the Council adopted Resolution No. 3209, which, among other things, recognized the vested contractual medical benefits for a portion of the City's retirees and, by this reference, Resolution No. 3209, together with its exhibits, is made a part hereof.

WHEREAS, Resolution No. 3209 directed the following:

"1. The City Council finds that its termination of the Plan (City of Hemet Employee Benefit Plan) on or about September 1, 1994 and its substitution of the various market health plans resulted, in some cases, in a loss of health benefits for retired employees, which may have adversely affected their vested contractual rights to such health care benefits.

2. The City Manager is directed to cause the establishment of a schedule of benefits which identifies and specifies the vested contracted health benefits of retired employees and report back to the Council within 60 days.

3. The City Manager is further directed to include in his report a plan for restoring the loss of any vested contractual medical benefits to retired employees and a proposed written handbook describing retiree benefits.

4. The City Manager is further directed to include the Retired Employee Benefit Committee in the process of complying with the aforementioned schedule and report.

5. The City Manager or his/her designee is hereby appointed as the liaison between the City and retired employees for the purpose of resolving future questions and disputes relating to retired employee rights and benefits."

WHEREAS, between 1982 and September 1994, the City provided retired employees and their eligible spouses and dependents with fully-paid medical benefits with a plan which is sometimes referred to as the "self-funded medical plan," and attached to Attachment "2" of this Resolution.

WHEREAS, effective July 24, 1990, the City adopted a policy which affected eligibility for retired employees health benefits, which policy is attached hereto as Attachment "3."

WHEREAS, the July 24, 1990 policy, among other things, reserved to the City the right to modify retiree health benefits as follows:

"The City reserves the right to alter the medical plan designed to provide the most efficient delivery system to the retirees. This includes, but is not limited to, changing the deductibles, co-insurance, cost containment provisions, second opinions, outpatient benefits, preferred providers, utilization reviews, etc. ..."

WHEREAS, pursuant to Resolution No. 3209, the City Manager has met with the Retired Employee Benefit Committee and the Council Committee, which meetings have developed the following documents:

(1) Four matrices of benefits in a letter dated June 20, 1996 from Heller Associates, outlining the required "Schedule of Benefits," which is attached hereto as Attachment "1".

(2) The City of Hemet Retiree Supplemental Plan as developed by Heller Associates, which is attached hereto as Attachment "2."

WHEREAS, the Council finds the adoption and implementation of Attachments "1" and "2" will adequately protect the vested contractual rights of all employees hired before July 24, 1990 and who have subsequently retired, or may retire from City service.

NOW THEREFORE BE IT RESOLVED:

1. The City of Hemet Retiree Supplemental Plan, which is attached hereto as Attachment "2," is approved and adopted, and the City Manager is ordered to implement the Plan.

2. The benefits of the Supplemental Plan shall be administered in accordance with the Schedule of Benefits attached as Attachment "1."

3. The City Manager is further directed to continue his efforts to develop the handbook described in Resolution No. 3209 and include in its development the comments of the Retired Employee Benefit Committee. The handbook shall include, but not necessarily be limited to, retiree health benefit plans and options; spouse and dependent coverage; open enrollment periods; benefits for out-of-area retirees; effects of death of retirees; effects of Medicare or other eligible insurance.

4. The City Manager shall further establish a plan/procedure to process existing medical claims incurred by retired employees and their eligible dependents from the termination date of the self-funded plan to the effective date of this Resolution. All retirees shall be provided with adequate notice of the procedures to process such claims and assisted in that effort as reasonably necessary.

APPROVED, PASSED, AND ADOPTED by the Hemet City Council this 29th day of July, 1997 by the following vote:

AYES:	Lowe, Pollom, VanArsdale, Tandy, and Alberg
NOES:	None
ABSTAIN:	None
ABSENT:	None

C. Robin Reeser Lowe
Mayor

ATTEST:

Gene Graves
City Clerk

APPROVED AS TO FORM:

Robert T. Henderson
City Attorney

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HELLER ASSOCIATES
"Quality You Can Count On"

June 20, 1996

Steve Temple
Finance Director
City of Hemet
450 East Latham Ave.
Hemet, CA 92343

Re: City of Hemet Employees Benefit Plan - Retirees

Dear Steve:

Enclosed are four matrix reflecting pertinent plan amendments and dates of changes in benefits (they do not reflect dates for changes in waiting periods, eligibility or restatement/clarifications).

There are four different plan matrix - 1) Medical plan - Basic Benefits and Major Medical, 2) Prescription Plan - PCS, 3) Dental Plan, and 4) Vision Plan.

The significant dates for purposes of processing claims are:

Medical Plan
Basic Benefits and Major Medical

8/1/82 Self funded plan initiated.

1/1/90 Plan Amendment #8 - Physician Home & Office Visits modified to a $20 deductible for Illness.

3/1/92 Plan Amendment #11 - Addition of PPO network and changes in definitions and eligibility.

9/1/92 Plan Amendment #11 - Substantive changes in definitions and covered charges and benefits including the creations of benefit plans A and B.

12/31/94 Plan terminated.

Prescription Drug Plan - PCS

8/1/89 Plan Implemented.

3/1/92 Plan amendment #11 - Plan co-pays increased by $2.00.

12/31/94 Plan terminated.

MEMBER

Attachment "1", page 1

California Office
2755 Bristol Street, Suite 250
Costa Mesa, CA 92626
(714) 549-7052
FAX: (714) 549-4816
CA LIC.# 0606237
CA LIC.# 0184280

Nevada Office
2235 Flamingo Road, #406
Las Vegas, NV 89119
(702) 737-6881
FAX: (702) 737-8525
NV LIC.# 25464
NV LIC.# 31910

Ohio Office
8228 Mayfield Road, Suite 5-B
Chesterland, OH 44026
(216) 729-1999
FAX: (216) 729-2566
OH LIC.# TPA 000272

Dental Plan

1/1/87 Plan Implemented

9/1/92 Plan Amendment #11 - Benefit Change - TMJ excluded from Dental Plan and covered under Major Medical Plan.

Vision Plan

1/187 Plan Implemented.

1/1/90 Plan Amendment #9 - Benefit Change Maximum increased from $150 to $300.

9/1/92 Plan Amendment #11 - Change in definitions of covered charges and services.

The Plan Amendment No. 11 forwarded with other information to me on June 4, 1996 is different than the Plan Amendment No. 11 that we have in our records. Most significantly, the amendment recently forwarded shows an effective date of August 11, 1992. Amendment No 11 in our records has an effective date of 3/1/92 for some changes and 9/1/92 for the bulk of the substantive changes.

Hope the enclosed is what you had in mind.

Cordially,

HELLER ASSOCIATES

Frank Heller
CEO

encl. 3 pages

cc: Phil Steffensen
Mary Manchester

Schedule of Benefits

	8/1/82	1/1/90	3/1/92 - 9/1/92	12/31/94
BASIC BENEFITS				
Hospital Room and Board, Misc.	100% up to 365 days*		**Benefits Change Amend. #11**	**PLAN TERMINATED**
Hospital Room & Board Maximum	Semi-Private		**If non network providers are used benefits are reimbursed at 80% instead of 100%. Non network providers are reimbursed at 80%.**	
Skilled Nursing Facility	100% Semi-Private room rate* up to overall combined maximum of 365 days			
Surgeon/Assistant Surgeon	100% of usual, reasonable and customary charges (URC)		**Non network providers are reimbursed at 80%.**	
Anesthesia	100% of usual, reasonable and customary charges		**Non network providers are reimbursed at 80%.**	
Physician In-Hospital Visits	100% of usual, reasonable and customary charges		**Non network providers are reimbursed at 80%.**	
		Amend. #8		
Physician Home & Office Visits	100% for Injury 100% after $50 deductible for Illness	**100% after $20 deductible for Illness**	**100% for injury/live threatening illness 100% in network after $50 calendar year deductible. 80% if non network.**	
Out-Patient Laboratory & X-ray	100% of usual, reasonable and customary charges up to $250 per calendar year			
In-Patient Mental/Nervous Care	100% of usual, reasonable and customary charges up to 30 day maximum per disability		**Alcoholism, chemical dependency and mental healthcare maximum benefit is $25,000 per calendar year and $50,000 lifetime per individual plus other changes.**	
Ambulance	$50 per trip			
Home Health Care	100% of usual, reasonable and customary charges up to a maximum of 90 visits per calendar year			

Attachment "1", page 3

Schedule of Benefits

	8/1/82	1/1/90	3/1/92 - 9/1/92	12/31/94
MAJOR MEDICAL				**PLAN TERMINATED**
Maximum Benefit per Disability	$300,000			
Individual Deductible	$100 per calendar year			
Family Deductible	$200 per calendar year			
Co-Payment	80%of the first $15,000 of eligible charges paid by the Plan and 100% of eligible charges thereafter during the same calendar year for that individual. Psychiatric charges for out-patient services will remain 50% of a $40 maximum charges to a yearly maximum of $750		**Benefits Change Amend. #11**	

Schedule of Benefits

	8/1/82	8/1/89	3/1/92	12/31/94
PRESCRIPTION DRUG PLAN	**No Plan**	**Plan Added Amend. #10**	**Benefit Change Amend. #11**	**PLAN TERMINATED**
Deductible Amount				
Generic - per prescription		$3.00	$5.00	
Brand Name - per prescription		$5.00	$7.00	

Attachment "1", page 4

Schedule of Benefits

	8/1/82	1/1/87	1/1/90	9/1/92
DENTAL BENEFITS	**No Benefit**	**Benefit Added Amend. #4**		**Benefit Change Amend. #11 ***
Maximum Amount Calendar Year Maximum per Covered Person	No Benefit	$1,500		***TMJ, malocclusions or misalignment of teeth are excluded from Dental Plan and Basic Benefits of Medical Plan and are covered under Major Medical plan to an overall lifetime maximum of $1,500.**
Orthodontia Lifetime Maximum per Covered Person	No Benefit	$2,000		
Deductible Amount Calendar Year Deductible per Covered Person	No Benefit	$ 50		
Co-Payment				
Class 1 - Preventive and Diagnostic Services	No Benefit	80%		
Class 2 - Routine Services	No Benefit	80%		
Class 3 - Major Services	No Benefit	50%		
Class 4 - Orthodontic Services	No Benefit	50%		

Schedule of Benefits

	8/1/82	1/1/87	1/1/90	9/1/92
VISION BENEFITS	**No Benefit**	**Benefit Added Amend. #4**		
Deductible Amount Deductible Amount, per Covered Person	No Benefit	None		
Co-Payment	No Benefit	100%		
Maximum amounts	No Benefit		**Benefit Change Amend. #9**	**Benefit Change Amend. #11 ***
Maximum Benefit per family per calendar Year	No Benefit	$150* $300	$300	***Definitions of providers added and limitations defined/expanded.**
*First year of plan Carry-Over of unused benefit to next year	No Benefit	$150	$300	

CITY OF HEMET

RETIREE SUPPLEMENT PLAN

PLAN DOCUMENT

EFFECTIVE DATE: JANUARY 1, 1995

Contract Administrator:

HELLER ASSOCIATES
2755 BRISTOL STREET, SUITE 250
COSTA MESA, CA 92626

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A copy of a birth certificate may be required for dependent coverage. If the dependent is disabled, a doctor's statement may be required. Subsequent proof of disability will be required periodically as determined by the City and/or the carrier. A dependent may elect to drop coverage at any time but in such event, may not be re-enrolled later.

10. Employee Payments - The monthly contributions for the employee's share shall be billed in advance by the City on the first of each month and will be delinquent on the 15th. Non-payment for two successive months may result in cancellation of coverage. Upon cancellation re-enrollment shall be at the discretion of the medical insurance carrier and the City of Hemet.

11. Plan-to-Plan Transfers - Upon retirement the retiree may transfer from plan to plan during an open enrollment period if accepted by the provider. Retirees electing to enroll in the city-funded program will be required to provide a health certificate or other medical information in order to determine eligibility to join the city plan.

12. Meet and Confer - Prior to modifying this policy the City will meet and confer with employee organizations to whom this policy applies.

6. Grandfather Clause - For employees hired, but not retired, prior to June 30, 1990, and their spouses, the City will contribute 100% of medical premiums in accordance with Section 8 of this policy for both normal service and disability retirements irrespective of the number of years employed by the City. For employees retired prior to June 30, 1990, and their spouses, the City will continue to contribute 100% of the medical premiums regardless of the plan selected.

7. Coordination of Benefits - The City's retiree plan will be secondary to all other group plans available to the retiree and will be coordinated with any medical group plans available to the retiree and spouse in accordance with applicable insurance law. The intent is to reimburse no more than 100% of the medical charges of the retiree, spouse, and dependents.

8. Calculation of monthly contributions - Except as provided in Section 6 above, the contribution to the retiree's medical plan will be the current premium contribution to the self-funded plan as determined by the City of Hemet or the rate set by memoranda of understanding which would affect the retiree if he were actively employed by the city, whichever is lower. The City reserves the right to alter the premium contribution to an amount that may be lower than the current rate, without setting a precedent for future years. The responsibility for the calculation of the contribution and its collection from the retiree will rest with the city Finance Department. In the event that proposed alterations require the City to meet and confer with employee bargaining groups, the City will notify affected retirees of proposed changes.

9. Surviving Spouse and dependent coverage - Coverage for the surviving spouse and family will be provided by the City so long as PERS 1957 or 1959 retirement benefits continue. Should the surviving spouse's PERS benefits be withdrawn or terminated, the City's paid medical benefits will also terminate. Medical coverage for surviving spouse and dependents will cease should spouse remarry.

   For a spouse to be eligible for coverage the marriage date must be not less than one year prior to the date of retirement. The employee may be required to provide (a copy of the marriage certificate may be required) to the Personnel Department to be eligible for spouse coverage.

ADOPTION OF THE PLAN DOCUMENT

Adoption
Plan Sponsor hereby adopts this Plan Document as the written description of its Retiree Supplement Plan (the "Plan"). This Plan Document is effective on the date shown below.

Intent of Plan
It is intended that the Plan Document will serve to describe the nature, funding and benefits of the Plan. It is further the intent of the Plan Sponsor to secure the vested health benefits of its retirees as required by law and the directives of Resolutions 3209 and _____.

Acceptance of the Plan Document
IN WITNESS WHEREOF, the Plan Sponsor has caused this instrument (pages 1-10 inclusive) to be executed, effective as of January 1, 1995.

City of Hemet

By: _____

Title: _____

DESCRIPTION OF SUPPLEMENT BENEFITS

Purpose of the Plan

The purpose of the Plan is to supplement the Plan Sponsor's current health care coverages for eligible retired employees of the Employer and their eligible dependents so that any such individual's total benefits will be equal to the benefits contractually vested to them as ordered by Employer's Resolution No. 3209, adopted March 13, 1996. The Employer recognizes that health benefits constitute part of an eligible retired employee's vested pension benefit and that an employee's contractual pension expectations are measured by benefits not only in effect upon the date hired, but also which may be thereafter conferred during the employee's subsequent tenure. (See Betts v. Board of Administration 21 C3d 859). Therefore, where required by law, this Supplemental Plan is intended to bridge decreases in health coverage benefits as measured between Current Coverage benefits and the highest level of such benefits as conferred during the employee's tenure with Employer.

For example, if coverage actually in force at the time of a claim (herein "Current Coverage") provides an equal or greater benefit than the individual would have been entitled to if the expense had been incurred during an eligible employee's tenure prior to retirement, then no supplement benefit will be provided by this Plan. If, however, benefits would have been greater had expenses been incurred during such tenure, then this Plan will supplement Current Coverage benefits to the extent necessary to provide such greater benefits.

NOTE: On and after January 1, 1995, the Plan Sponsor has offered a choice of health care coverages through a variety of qualified HMOs and other health care products. Any and all such coverages are referred to herein as "Current Coverage" (see **Definitions**).

Prior to January 1, 1995, the Plan Sponsor provided health care coverages through a self-funded plan. That plan and its amendments are incorporated by reference herein and included as part of this Plan as EXHIBIT B through EXHIBIT M. See EXHIBIT A (page 11) for an INDEX to EXHIBITS B-M.

Plan Benefits

Plan benefits are determined on a case-by-case basis. That is, for each item of expense, the Contract Administrator will determine total benefits (see "Purpose of the Plan" above) and will then reduce such total benefits by amounts (or the equivalent in Current Coverage services where prepaid-type coverage is involved) that the individual has received or is eligible to receive from the Plan Sponsor's Current Coverage, provided that the Plan Sponsor acknowledges the Self-Funded Plan referred to herein provides eligible covered persons with a choice of health care providers in accordance with that Plan. Nothing contained in this Plan Document shall be deemed to abridge, impair or diminish the choice of care providers as contained in the Self-Funded Plan.

NOTE: THIS IS A SUPPLEMENTAL PLAN ONLY WHICH, FOR ELIGIBLE RETIREES, IS INTENDED AS PART OF THE PLAN SPONSOR'S TOTAL HEALTH BENEFITS TO ITS RETIRED EMPLOYEES, AS DIRECTED BY RESOLUTION 3209. THEREFORE:

- **MEDICAL** - COVERED MEDICAL EXPENSES ARE AS DEFINED IN THE CITY OF HEMET EMPLOYEE BENEFIT PLAN MEDICAL PLAN DOCUMENT (EXHIBIT B) AND AMENDMENTS #1-#11 (EXHIBITS C-M). THE SUPPLEMENTAL BENEFITS OF THIS PLAN WILL BE DETERMINED ON THE BASIS OF SUCH EXHIBITS, MINUS ANY BENEFITS WHICH ARE PROVIDED UNDER THE CURRENT COVERAGE, IF ANY.

- **DENTAL** - COVERED DENTAL EXPENSES ARE AS DEFINED IN EXHIBIT F AND G, MINUS ANY BENEFITS WHICH MAY BE PROVIDED UNDER CURRENT COVERAGE, IF ANY.

- **VISION** - COVERED VISION EXPENSES ARE AS DEFINED IN EXHIBIT F, G AND K, MINUS ANY BENEFITS WHICH MAY BE PROVIDED UNDER CURRENT COVERAGE, IF ANY.

- **PRESCRIPTION DRUGS** - COVERED PRESCRIPTION EXPENSES ARE AS DEFINED IN EXHIBIT B OR L, MINUS ANY BENEFITS WHICH MAY BE PROVIDED UNDER CURRENT COVERAGE, IF ANY.

COORDINATION OF BENEFITS (COB)

EXHIBIT B includes a Coordination of Benefits provision. The Current Coverage contracts may include provisions of similar purpose. Therefore, if a Covered Person is covered by another plan or plans (as defined by EXHIBIT B or the Current Coverage) and which would cause the individual to be eligible for reimbursement of 100% of his allowable expenses between the two or more coverages, NO BENEFITS will be available under this supplement Plan.

It should also be noted that EXHIBIT B benefits are coordinated with Medicare and charges eligible for Medicare coverage will be deducted from Supplemental Plan benefits.

ELIGIBILITY, EFFECTIVE DATE, AND WHEN COVERAGE ENDS

Individuals eligible for these supplement benefits are those employees of the Plan Sponsor (and their dependents) who retired from employment with the Plan Sponsor. Any such retiring Employee and Dependent must have met the Plan Sponsor's eligibility criteria for continuing health care coverage as of the date of the Employee's retirement.

Supplemental coverage provided by this Plan will terminate when the retiree's eligibility ceases. Such date is determined by the written policies of the Plan Sponsor.

See "EXHIBIT N" which is attached hereto.

CLAIMS PROCEDURES

Timely Submission of Claims
A request for reimbursement must be furnished to the Contract Administrator as soon as possible after the Current Coverage has completed its handling but not later than ninety (90) days after the Covered Person's receipt of the Current Coverage explanation of benefits (EOB). Failure to file the request within the time required may invalidate the claim.

In general, a copy of the Current Coverage explanation of benefits form, if such a form is provided, will be sufficient for claims processing. The Plan Sponsor reserves the right, however, to request copies of itemized bills or other data it deems necessary to support the claim.

Heller Associates, Inc.
2755 Bristol Street, Suite 250
Costa Mesa, CA 92626

Assignments to Providers
All eligible expenses reimbursable under the Plan will be paid to the covered retiree except that assignments of benefits to hospitals, physicians or other providers of service will be honored.

Claims Denials and Appeal Procedures
If the Plan Sponsor determines that a claim should be wholly or partially denied, the Claimant will be given written notification of such denial. This notice will include:

the reason(s) for the denial;

specific reference to the Plan provision(s) on which the denial is based.

A Claimant may request a review of his claim, provided such request is filed in writing to the Plan Sponsor (at the address shown above) within 60 days after the date his claim is denied.

At such time as the Claimant requests a review of the denied claim, he may review any pertinent documents and should submit issues and comments in writing.

The Plan Sponsor will make a decision with regard to such claim not later than 60 days after the receipt of the request for review, unless special circumstances require an extension of time. If such an extension is required, written notice of the extension will be furnished to the Claimant prior to the termination of the initial 60-day period. The extension notice will explain the special circumstances requiring an extension and the date the Plan Sponsor expects to render the final decision.

The decision on review will be in writing, will include the specific reason(s) for the decision and will reference the pertinent provisions on which the decision is based.

DEFINITIONS

When capitalized within, the following items will have the meanings shown below. Other terms are defined in the EXHIBITS and those definitions will apply to these coverages as well.

Claimant - Any Covered Person on whose behalf a claim is submitted for benefits under the Plan.

Covered Person - An eligible retired employee of the Employer (or a dependent of such an employee) who was covered under the terms of EXHIBIT B (as amended) on the date of such employee's retirement from active service for the Employer and who meets the Plan Sponsor's eligibility criteria for coverage under this Plan.

Current Coverage - Health care coverage which is: (1) offered by the Plan Sponsor, (2) has been selected by a Covered Person and (3) is in effect on the date a Covered Person's expense is incurred for which supplemental benefits are claimed under the terms of this Plan.

NOTE: The "Current Coverage" choices offered by the Plan Sponsor may change from time to time.

Employer - The Employer participating in the Plan as stated in the **General Plan Information** section.

Fiduciary - A Fiduciary of the Plan has binding power to make decisions regarding Plan policies, interpretations, practices or procedures. A Fiduciary will thus include, but not be limited to, the Plan Administrator, officers and directors of the Plan Sponsor, investment committee members and Plan trustees, if any.

Plan - The benefits described by the Plan Document or incorporated by reference. The name of the Plan is shown in the **General Plan Information** section.

Plan Administrator - see "Plan Sponsor"

Plan Document - A formal written document which describes the plan of benefits and the provisions under which such benefits will be paid to Covered Persons, including any amendments.

Plan Sponsor - The entity sponsoring this Plan. The Plan Sponsor may also be referred to as the Plan Administrator. See **General Plan Information** section for further information.

GENERAL PLAN INFORMATION

Name of Plan:	**City of Hemet Employees Retiree Supplement Plan**
Plan Sponsor: Address:	**City of Hemet** 450 E. Latham Hemet, CA 92543
Employer:	**City of Hemet**
Plan Sponsor ID Number (EIN):	**95-6000179**
Plan Year:	**August 1 through July 31**
Plan Benefits:	**Supplemental Medical, Dental, Vision and Prescription Benefits**
Named Fiduciary: Address:	**City of Hemet** 450 E. Latham Hemet, CA 92543 (See also definition of "Fiduciary")
Designated Legal Agent: Address:	**City of Hemet** 450 E. Latham Hemet, CA 92543

(Legal process may be served upon the Plan Sponsor or a Fiduciary)

Funding Provisions

Employer-Provided Benefits
The Employer will provide the benefits of the Plan out of its general assets.

Administrative Provisions

Administration
The benefits of the Plan are administered by the Plan Sponsor.

Amendment or Termination of the Plan
The Plan Sponsor expects the Plan to be permanent, but since future conditions affecting the Plan Sponsor or Employer(s) cannot be anticipated or foreseen, to the extent permitted by law, the Plan Sponsor must necessarily and does hereby reserve the right:

to determine eligibility for benefits or to construe the terms of the Plan;

to make any modifications or amendments to the Plan as are necessary or appropriate to qualify or maintain the Plan as a plan meeting the requirements of the applicable law, sections of the Internal Revenue Code or ERISA.

NOTE: Any modification, amendment or termination action will be done in writing, and by resolution of a majority of the Plan Sponsor's City Council.

Anticipation, Alienation, Sale or Transfer
No benefit payable under the provisions of the Plan will be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any

attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge will be void; nor will such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of, or claims against, any Covered Person or beneficiary, including claims of creditors, claims for alimony or support, and any like or unlike claims.

Clerical Error
Clerical error by the Employer or Plan Sponsor will not invalidate coverage otherwise validly in force nor continue coverage otherwise validly terminated.

Discrepancies
In the event that there may be a discrepancy between the booklet(s) provided to Covered Persons (the "Summary Plan Description") and the Plan Document, the Plan Document will prevail.

Entire Contract
The Plan Document, any amendments, and the individual applications, if any, of Covered Persons will constitute the entire contract between the parties. The Plan does not constitute a contract of employment or in any way affect the rights of an Employer to discharge any employee.

Facility of Payment
Every person receiving or claiming benefits under the Plan will be presumed to be mentally and physically competent and of age. However, in the event the Plan determines that the employee is incompetent or incapable of executing a valid receipt and no guardian has been appointed, or in the event the employee has not provided the Plan with an address at which he can be located for payment, the Plan may, during the lifetime of the employee, pay any amount otherwise payable to the employee, to the husband or wife or relative by blood of the employee, or to any other person or institution determined by the Plan to be equitably entitled thereto; or in the case of the death of the employee before all amounts payable have been paid, the Plan may pay any such amount to one or more of the following surviving relatives of the employee: lawful spouse, child or children, mother, father, brothers, or sisters, or the employee's estate, as the Plan Sponsor in its sole discretion may designate. Any payment in accordance with this provision will discharge the obligation of the Plan.

If a guardian, conservator or other person legally vested with the care of the estate of any person receiving or claiming benefits under the Plan is appointed by a court of competent jurisdiction, payments will be made to such guardian or conservator or other person, provided that proper proof of appointment is furnished in a form and manner suitable to the Fiduciaries. To the extent permitted by law, any such payment so made will be a complete discharge of any liability therefore under the Plan.

Fiduciaries
Fiduciaries will serve at the discretion of the Plan Sponsor and will serve without compensation, but they will be entitled to reimbursement of their expenses properly and actually incurred in an official capacity. The Plan Sponsor may at any time and from time to time remove any Fiduciary or appoint new Fiduciaries. Any Fiduciary may resign at any time upon 30 days' notice in writing delivered to the Plan Sponsor. Fiduciaries may act at a meeting or without a meeting, by a majority of the Fiduciaries at the time in office. The Fiduciaries may appoint a Covered Person as its secretary who will have such powers and responsibilities relating to the administration of benefits under the Plan as the Fiduciaries may delegate.

Fiduciary Responsibility, Authority and Discretion
Fiduciaries will discharge their duties under the Plan solely in the interest of the employees and their beneficiaries and for the exclusive purpose of providing benefits to employees and their beneficiaries and defraying the reasonable expenses of administering the Plan.

The Fiduciaries will administer the Plan and will have the authority to exercise the powers and discretion conferred on them by the Plan and will have such other powers and authorities necessary or proper for the administration of the Plan as may be determined from time to time by the Plan Sponsor.

In carrying out their responsibilities under the Plan, Fiduciaries will have discretionary authority to interpret the terms of the Plan and Plan Document and to determine eligibility for and entitlement to Plan benefits in accordance with the terms of the Plan. Any interpretation or determination made pursuant to such discretionary authority will be given full force and effect, unless it can be shown that the interpretation or determination was arbitrary and capricious.

The Fiduciaries may employ such agents, attorneys, accountants, investment advisors or other persons (who also may be employed by the Employer) as in their opinion may be desirable for the administration of the Plan, and may pay any such person reasonable compensation. The Fiduciaries may delegate to any agent, attorney, accountant or other person selected by them, any power or duty vested in, imposed upon, or granted to them by the Plan.

Force Majeure
Should the performance of any act required by the Plan be prevented or delayed by reason of any act of nature, strike, lock-out, labor troubles, restrictive governmental laws or regulations, or any other cause beyond a party's control, the time for the performance of the act will be extended for a period equivalent to the period of delay, and non-performance of the act during the period of delay will be excused. In such an event, however, all parties will use reasonable efforts to perform their respective obligations under the Plan.

Gender and Number
Except when otherwise indicated by the context, any masculine terminology will also include the feminine (and vice-versa) and any term in the singular will also include the plural (and vice-versa).

Illegality of Particular Provision
The illegality of any particular provision of the Plan Document will not affect the other provisions, but the Plan Document will be construed in all respects as if such invalid provision were omitted.

Indemnification
To the extent permitted by law, employees of the Employer, the Fiduciaries, and all agents and representatives of the Fiduciaries will be indemnified by the Plan Sponsor and saved harmless against any claims and conduct relating to the administration of the Plan except claims arising from gross negligence, willful neglect, or willful misconduct. The Plan Sponsor reserves the right to select and approve counsel and also the right to take the lead in any action in which it may be liable as an indemnitor.

Legal Actions
No employee, dependent or other beneficiary will have any right or claim to benefits from the Plan, except as specified herein. Any dispute as to benefits under this Plan will be resolved by the Plan Sponsor under and pursuant to the Plan Document. No action may be brought for benefits provided by the Plan or an amendment or modification thereof, or to enforce any right thereunder, until after the claim has been submitted to and determined by the Plan and then action may only be brought within one year after the date of such decision.

Reimbursements
Whenever any benefit payments which should have been made under the Plan have been made by another party, the Plan Sponsor will be authorized to pay such benefits to the other party; provided, however, that the amounts so paid will be deemed to be benefit payments under the Plan, and the Plan will be fully discharged from liability for such payments to the full extent thereof.

Right of Recovery
Whenever any benefit payments have been made by the Plan in excess of the maximum amount required under the terms of the Plan Document, the Plan will have the right to recover all such excess amounts from any persons, insurance companies or other payees, and the employee or dependent will make a good faith attempt to assist the Plan Sponsor in such recovery.

The Plan Sponsor may, in its sole discretion, pay benefits for care or services pending a determination of whether or not such care or services are covered hereunder. Such payment will not affect or waive any exclusion, and to the extent benefits for such care or services have been provided, the Plan will be entitled to recoup and recover the amount paid therefore from the Covered Person or the provider of service in the event it is determined that such care or services are not covered hereunder. The Covered Person (parent, if a minor) will execute and deliver to the Plan all assignments and other documents necessary or useful to the Plan Sponsor for the purpose of enforcing the Plan's rights under this provision.

Rights Against the Plan Sponsor or Employer
Neither the establishment of the Plan, nor any modification thereof, nor any distributions hereunder, will be construed as giving to any employee or any person any legal or equitable rights against the Plan Sponsor, its shareholders, directors, or officers, or as giving any person the right to be retained in the employ of the Employer.

Titles or Headings
Where titles or headings precede explanatory text throughout the Plan Document, such titles or headings are intended for reference only. They are not intended and will not be construed to be a substantive part of the Plan Document and will not affect the validity, construction or effect of the Plan Document provisions.

Type of Plan
This is an employee welfare benefit plan whose purpose is to provide certain welfare benefits for eligible employees of the Employer(s), their eligible dependents.

Workers' Compensation
The benefits provided by the Plan are not in lieu of and do not affect any requirement for coverage by Workers' Compensation Insurance laws or similar legislation.

PROPOSED
CITY OF HEMET
POLICIES AND PROCEDURES

REVISION DATE: June 27, 1990 **APPROVED:** July 24, 1990
SUBJECT: Retirement Benefits Effective Date:
Page: 1 of 3

PURPOSE

To establish the policy, procedure, and responsibility for the retirement benefits of the City of Hemet employees, spouses, and dependents.

INTENT

This procedure shall apply to all management, miscellaneous, police and fire employees. The policy covers currently retired employees and their spouses, all active employees and their spouses, all disabled employees and their spouses, surviving spouses and early retirees. The intent is to provide all employees with a source for medical benefits on a consistent and cost efficient basis during their retirement years, subject to the rights that the City reserves to change benefits, contributions, or financial vehicles for the delivery of these services over the years (such as self funding, carriers, HMOs, PPOs or other cost-containment vehicles that may be implemented).

PROCEDURE

1. Eligibility (normal service) - A length of service requirement and a minimum age requirement are an integral part of the medical benefits for all retirees. Upon leaving the City of Hemet, the retiree must be able to qualify for a normal service retirement benefit with the Public Employees Retirement System (PERS). The employee must be 50 years of age and have worked full time for the City of Hemet for a minimum of five years. The City shall provide the medical benefit program to all retirees so long as the employee or surviving spouse continues to be eligible for PERS retirement benefits. Should the retiree or surviving spouse elect to drop coverage, for any reason, the retiree (or surviving spouse) will not be re-enrolled.

2. Eligibility (disability) - To be eligible, the employee shall have worked full-time for the City of Hemet a minimum of five years and have been approved by the City of Hemet and PERS for a disability retirement. The employee will be included in the retiree plan until the final decision by PERS is made providing the minimum years of service requirement has been met upon applica-

tion date. The City shall provide the medical benefit program to all disability retirees so long as the employee or surviving spouse continues to be eligible for PERS retirement benefits and the employee is not gainfully employed as defined by the Social Security system or defined as follows, whichever provides a greater income: salary and wages from all sources including consulting fees, commissions, etc. in an amount which when added to the disability pension is greater than 100% of the current salary for the position from which the employee retired. This provision is not intended to apply to employees who are eligible for normal service retirement at the time of taking a disability retirement.

3. Schedule of Contributions - The City will contribute to the medical premiums over the lifetime of the retiree in accordance with the schedule below and as provided in Section 8 below.

PERCENT PAID BY THE EMPLOYER

Years of Service With City of Hemet	Employee/Spouse & Dependent Children
0-5	-0-
Over 5	25% + 7.5% for each year over 5

4. Medical Benefits - The City currently self funds and purchases medical benefits for active and retired employees. The City reserves the right to alter the medical plan design to provide the most efficient delivery system to the retirees. This includes, but is not limited to, changing the deductibles, co-insurance, cost containment provisions, second opinions, out-patient benefits, preferred providers, utilization reviews, etc. In the event that proposed alterations require the City to meet and confer with employee bargaining groups, the City will notify affected retirees of proposed changes.

5. Medicare - At age 65, or when eligible, all retirees will be required to enroll in the Medicare program, Part A and B, and benefits will be coordinated as a condition of enrollment in the City plan. Medicare will be an integral part of the plan design for payment of benefits and will provide secondary coverage with the City plan providing primary coverage.