



SUMMARY OF MATERIAL MODIFICATIONS

TO: All Participants in the Premium Reimbursement Plan for Retirees of the Santa Monica City Employees Coalition Benefit Trust

FROM: Board of Trustees, Santa Monica City Employees Coalition Benefit Trust

RE: Changes to Plan: Suspension of Benefits for Retirees Employed by City; Priority of Claims; Divorce Orders (Plan Amendment No. 8)

DATE: August 25, 2020

This Summary of Material Modifications contains important information about your rights and benefits under the Premium Reimbursement Plan for Retirees (“Plan”) of the Santa Monica City Employees Coalition Benefit Trust (“Trust”). Please file it with your important documents.

I. PLAN AMENDMENT

The Board of Trustees recently adopted Amendment No. 8 to the Plan. The following are highlights of the Amendment:

Suspension of Benefit Payments for Return to Employment With the City of Santa Monica. Due to requirements of federal law, if you return to employment with the City of Santa Monica, then your benefit payments from the Trust will cease. When you subsequently terminate all employment with the City, your benefit payments will resume. Employment with employers other than the City will not affect your benefits. The Plan Amendment will be effective for benefit claims paid by the Trust Office on or after December 1, 2020.

Benefit Claim Priority: Important for Domestic Partner Coverage. The Plan Amendment sets the priority for payment of claims amongst Beneficiaries within a family. The Plan Amendment establishes an order on reimbursement of claims so that the Plan will pay **non-taxable** premium expenses from the monthly Benefit Amount before reimbursing taxable premium expenses. Almost all reimbursements from this Plan for Premium¹ expenses will be non-taxable to you. Each Eligible Retiree has only one Benefit Amount (currently \$350 per month) for reimbursement of premiums for all Beneficiaries in the Eligible Retiree’s family, which generally will be non-taxable.

However, for Eligible Retirees with a Domestic Partner, the taxation is a bit more complicated, and we urge those families to read the following. Generally, the Plan benefit

¹ “Premium” is defined in the Plan as an insurance premium payment or contribution paid to a health plan that is excludible from gross income under Code Section 105(b) and provides for coverage of a Beneficiary while the Beneficiary is eligible for benefits under the Plan.
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payments are nontaxable; however, federal law prohibits nontaxable benefit payments to Domestic Partners because the IRS does not consider Domestic Partners to be tax dependents. So, benefit payments from the Plan to reimburse premiums of Domestic Partners are taxable to the Eligible Retiree or Surviving Domestic Partner. This will work as follows:

- 1) For example, if an Eligible Retiree and his/her Domestic Partner have premium expenses of \$250 each, the Eligible Retiree will receive a benefit payment equal to the full \$350 Benefit Amount. That benefit payment will consist of a \$250 nontaxable reimbursement of the Eligible Retiree's premiums in full and a \$100 taxable reimbursement of the Domestic Partner's premiums in part.
- 2) Similarly, if a Surviving Domestic Partner submits a claim for reimbursement of \$250 in premiums for him/herself and \$150 in premiums for a Surviving Child of the deceased Eligible Retiree, the Surviving Domestic Partner will receive a benefit payment equal to the full \$350 Benefit Amount. That benefit payment will consist of a \$150 nontaxable reimbursement of the Surviving Child's premiums in full and a \$200 taxable reimbursement of the Surviving Domestic Partner's premiums in part.
- 3) In addition, you can minimize your taxable benefits by submitting claims on behalf of the Eligible Retiree and Children that equal or exceed the Benefit Amount. If the Eligible Retiree submits a claim for reimbursement of premiums for him/herself that equals or exceeds the Benefit Amount, then the full benefit payment to the Eligible Retiree will be for reimbursement of these premiums and will be nontaxable. If only Domestic Partner or Surviving Domestic Partner premiums are submitted for reimbursement, then the full benefit payment will be taxable.

Thus, this plan provision that sets an order for which claims should be paid first, minimizes the taxable portion of the reimbursement.

QDRO Procedures For Divorce. The Amendment includes Plan changes in regard to QDRO procedures for dividing the monthly benefit in the event of divorce of a Plan participant.

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If you have any questions about Plan Amendment No. 8, or would like a copy of the full Amendment, the Summary Plan Description or the full Plan, please contact the Trust Office, Benefit Programs Administration, by phone at (800) 828-0223 or by email at santamoniacity@bpabenefits.com.

II. CURRENT BOARD OF TRUSTEES

The following individuals, your fellow City employees (or retirees), are now serving as active Trustees for the Trust:

Carl Olson (STA), Chairman
Lyn Beckett Cacciatore (PAU)
[Vacant] (SMART/TD)
Steve Gomez (ATA)

Hakhamanesh Mortezaie (RCB), Secretary
Bradley Michaud (PALSSU)
Stephen Jones (MEA)
Araceli Esparza (MTA)

Carlos Rubio (Teamsters)

Mary Ann Yurkonis (EPP)

Address for the Trustees: Board of Trustees, Santa Monica City Employees Coalition Benefit Trust, c/o Benefit Programs Administration, 1200 Wilshire Blvd. 5th Floor, Los Angeles, CA 90017.

III. HIPAA NOTICE AVAILABLE

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) contains a Privacy Rule, which establishes national standards to protect individuals' medical records and other personal health information ("PHI"). The rule requires the protection of personal health information, sets limits and conditions on how such information can be shared, and gives patients certain rights over the disclosure of PHI. The Board of Trustees has appointed a Privacy Contact Person. The Privacy Contact Person will ensure that the privacy of your PHI is maintained in accordance with the terms of the Privacy Rule and other applicable laws. You may file a Privacy Complaint with the Privacy Contact Person whenever you believe that there has been a violation of the Privacy Rule.

The Trust has a HIPAA "Notice of Privacy Practices" that describes how the Trust may use and disclose medical information about you. The Privacy Notice also informs you of your rights under HIPAA and how you can get access to protected health information maintained by the Trust. Please contact the Privacy Contact Person at the Trust Office at any time to obtain further information and assistance or a current copy of the Privacy Notice:

Santa Monica City Employees Coalition Benefit Trust
c/o Benefit Programs Administration
Attn: Privacy Contact Person
1200 Wilshire Blvd., 5th Floor
Los Angeles, CA 90017
Phone: (800) 828-0223
Email: santamoniacity@bpabenefits.com

Please keep this Summary of Material Modifications with your Summary Plan Description for future reference.

NOTE: This Summary of Material Modifications, as required by the Employee Retirement Income Security Act of 1974, as amended (ERISA), is designed to explain recent changes made to the Medical Expense Reimbursement Plan. However, it does not provide all the details and limitations of the Plan. Exact specifications are provided in the "Premium Reimbursement Plan for Retirees of the Santa Monica City Employees Coalition Benefit Trust," effective February 1, 2018, and as amended thereafter, which will prevail in case of conflict with this Notice.