

# PERSONNEL RULES & REGULATIONS MANUAL

## SECTION 900 FRINGE BENEFITS

### **Section 901. Insurance Programs**

#### **901.1 Introduction**

The City provides classified employees and unclassified management employees with certain group insurance programs and offers them the opportunity to voluntarily elect participation in other optional insurance programs. These programs include a wide range of plans including health, dental, long-term care, life, and other specialized insurance plans. The City strives to remain competitive in its benefit programs and to maintain a reasonable level of cost sharing with employees. Payments for the employee's share of insurance premiums of both provided coverage and elected optional programs are made through payroll deduction during each payroll period.

#### **901.2 Medical, Dental & Vision Insurance**

All classified employees and unclassified management employees are eligible for medical, dental, and vision insurance through the City's group insurance providers. Employees may elect to enroll in medical, dental and/or vision insurance policies under one of the coverage options offered. The City retains the right to review the insurance policies on an annual basis and change providers, change the type of plans, or institute other cost saving measures. Any changes to insurance coverage, premiums, etc., are effective at the beginning of the fiscal year.

Monthly premiums for the City's group medical, dental, and vision insurance plans are a shared responsibility; the City pays a portion of the lowest monthly premium in each tier offered (e.g., single, two-person, family, etc.) and the employee pays the remainder. An employee that selects coverage under another more expensive plan, if one is offered, must pay the additional premium cost.

Employee paid medical, dental, and vision insurance premiums are paid with pre-tax dollars, thereby reducing the employee's taxable income and increasing the employee's take-home pay.

Information outlining the medical, dental, and vision benefit plan options is provided to eligible employees at the time of employment and prior to the City's Open Enrollment period (see below).

##### **a. New Enrollments**

New employees have up to 30 calendar days to enroll in medical, dental, and/or vision insurance coverage. Coverage is effective on the employee's first day of employment. If the employee's coverage begins prior to the 15<sup>th</sup> of the month, he/she will be responsible for paying his/her portion of the premium for that month (through payroll deduction). If the employee's coverage begins on or after the 15<sup>th</sup> of the month, the employee will begin paying his/her portion of the premium in the first paycheck of the next month.

An employee who does not enroll in the City's medical insurance within thirty 30 calendar days of his/her hire date, or who waives medical coverage and does not provide proof of other current medical insurance coverage, will automatically be enrolled in employee only single coverage in the lowest cost health care plan. An employee who does not enroll in the City's dental insurance within 30 calendar days of his/her hire date will not be able to enroll until the next open enrollment period (July 1) unless the employee has a qualified change in status.

##### **b. Reenrollment/Open Enrollment**

Employees who do not initially enroll in a group medical, dental, and/or vision program when they begin employment with the City, or desire to transfer from one offered plan to another may do so during the annual open enrollment period. Open enrollment is conducted prior to the start of each fiscal

year, and all changes, transfers, etc., become effective at the beginning of the fiscal year and remain in effect for the entire fiscal year unless the employee experiences a qualifying life change event.

c. **Change Due to Qualifying Event**

An employee and/or his/her eligible family members may be able to enroll or disenroll in a medical, dental, or vision plan during the plan year if they experience a "qualifying event" as defined in the plan documents:

1. Birth/adoption or legal custody of a child.
2. Marriage or addition of a qualified domestic partner.
3. Separation from employment of employee's spouse/domestic partner.
4. Divorce.
5. Death of spouse/domestic partner or other eligible family member.
6. Eligible family member no longer qualifies for coverage.
7. Eligible family member becomes qualified for coverage.
8. Employee becomes eligible for coverage under spouse's/domestic partner's health/dental care (i.e., new employment, spouse's/domestic partner's employer's open enrollment period, etc.).

A change due to a qualifying event must be made within 30 days of the qualifying event (i.e., the date of the marriage or birth of the child, the effective date of the adoption or divorce, etc.). Appropriate documentation of the qualifying event will be required. If the change is not made within 30 days, the employee must wait until the next annual open enrollment period to change medical, dental, and/or vision coverage. It is the responsibility of participating employees with medical, dental, and/or vision coverage to keep the Human Resources Department informed of all current eligible family member information.

d. **Medicare Coverage**

An employee and/or his/her spouse enrolled in a group medical insurance plan offered by the City should not enroll in Medicare Part A and/or Part B coverage when they become eligible for Medicare coverage at the age of 65 as long as the insured employee remains an active classified or unclassified management employee of the City of Gaithersburg.

When an insured City employee age 65 or older retires from active employment, or otherwise loses employer health coverage (due to resignation, layoff, etc.), the employee and his/her spouse (if applicable) must enroll in Medicare Part A and Part B within eight months of the date the insured employee's coverage as an active employee ends (to avoid a late penalty). For information on medical insurance/Medicare coverage at the time of retirement, please see Section 1000, Retirement Benefits.

e. **Contribution in Lieu of Medical/Dental Insurance**

Employees who are covered by another medical and/or dental plan (outside of the City's coverage) must provide proof of that coverage each year during open enrollment. Those employees may elect not to participate in the medical and/or dental plans offered by the City and may request that the City contribute a portion of its share of the cost of individual coverage under the City's medical and/or dental plan to a Retirement Health Savings (RHS) Plan, a non-taxable savings plan. Employees may use monies contributed to the RHS Plan for eligible health, dental, and long-term care expenses not reimbursed through the employee's insurance.

f. **End of Coverage**

When an employee separates from City service, his/her medical, dental, and/or vision insurance coverage will end on the last day of the month following separation. See Section 901.7, COBRA for more information on continuation of coverage under the City's group plans.

For information on medical/dental/vision insurance coverage at the time of retirement, please see Section 1000, Retirement Benefits.

### **901.3 Long-Term Care Insurance**

Long-term care is the assistance received when someone needs help with two or more activities of daily living – such as dressing, bathing, going to the bathroom, eating, or moving about – or when someone suffers a severe cognitive impairment. This care could be provided in the home, in an assisted living or residential care facility, or in a skilled nursing facility such as a nursing home. Long-term care insurance will assist the employee in paying these associated costs; it can help an employee preserve independence and financial security, and can help relieve the employee's family members of the burden of making decisions about how to pay for care.

Long-term care insurance base plan coverage is provided free of charge to all classified employees and classified management employees. Base plan coverage provides an employee with a maximum benefit of \$72,000 (\$2,000 per month for facility care for a period of three years; 50% coverage for home care). Employees also have the option of purchasing an inflation protection feature and/or increased levels of coverage and benefit duration for themselves and/or long-term care insurance coverage for their spouse/domestic partner at group rates; these costs are paid by the employee through payroll deduction during each payroll period. Other family members of the employee (parents, grandparents, siblings, children (18 or over), or the employee's spouse's/domestic partner's parents or grandparents) are eligible to apply for long-term care insurance coverage at group rates by submitting enrollment materials directly to the provider.

#### **a. New Enrollments**

New employees have up to 30 days to enroll in long-term care coverage. Employees who enroll in the basic plan, as well as employees who select additional benefits up to and including \$4,000 per month benefit amount and facility benefit duration of 3 or 6 years, are guaranteed issue of coverage and are not required to complete a medical questionnaire. Employees who enroll after 30 days, as well as those who choose to buy benefits over the guarantee issue limits (\$5,000 or \$6,000 per month benefit amount and/or unlimited facility benefit duration) will be required to complete a medical questionnaire and must be approved for coverage by the provider. An employee's spouse/domestic partner who is applying for long-term care insurance coverage must always complete a medical questionnaire and be approved for coverage by the provider.

#### **b. Open Enrollment**

Employees who do not initially enroll in long-term care coverage when they begin employment with the City, or employees who desire to make a change in their coverage, may do so during the annual open enrollment period. Open enrollment is conducted prior to the start of each fiscal year, and all changes, transfers, etc., become effective at the beginning of the fiscal year and remain in effect for the entire fiscal year unless the employee experiences a qualifying life change event.

Employees must complete a medical questionnaire and must be approved for coverage by the provider whenever a change in guaranteed issue coverage is requested.

#### **c. Qualifying Event**

An employee and/or his/her spouse/domestic partner may enroll or disenroll in long-term care coverage during the plan year if they experience a "qualifying event. For information on qualifying events, refer to the Medical/Dental insurance above.

#### **d. End/Continuation of Coverage**

Long-term care insurance coverage for the employee (and the employee's spouse/domestic partner) end on the employee's last day of employment. However, the employee and his/her spouse/domestic partner have the option of continuing long-term care insurance coverage under the City's group plan when the employee has separated from City employment. If the employee desires to continue coverage, he/she must assume the portion of the premium paid by the City. More information on continuing long-term care insurance coverage will be provided to the employee during the exit interview.

For information on long-term care insurance coverage at the time of retirement, please see Section 1000, Retirement Benefits.

#### **901.4 Long-Term Disability Insurance**

Long-term disability insurance is provided as a source of income protection for all classified employees and unclassified management employees if an employee is injured on or off the job. This coverage will provide the employee with up to 60 percent of his/her salary, up to a maximum of \$6,500 per month, beginning 90 days after the onset of disability; however, income received from third party payees, such as Social Security, Workers' Compensation, etc., may be an offset to long-term disability benefits. This is an employer taxable fringe benefit; therefore, any income an employee receives from long-term disability insurance is not taxed. An employee's long-term disability coverage is effective the first of the month following the employee's hire date.

Medical, dental, and life insurance benefits will be provided to the disabled employee on the same basis as an active employee. Long-term disability insurance benefits continue if an employee's active service ends due to a disability for which benefits under the policy are or may become payable. Premiums for the employee will be waived while disability benefits are payable. In the event the employee does not return to active service, this insurance ends when the disability ends or when benefits are no longer payable, whichever occurs first.

An employee that meets the definition of disabled is encouraged to apply for Family Medical Leave (FMLA). FMLA provides the employee job protection for up to twelve (12) weeks. At the expiration of FMLA, the employee has the right to, and shall be reinstated to, the position he/she vacated, if the position still exists; or, if not, to any other vacant position in the same class. An employee who is unable to, or who chooses not to, return to work at the expiration of his/her FMLA is subject to termination. (See Section 713, FMLA.)

A disabled employee, as outlined in the City's long-term disability policy that meets the City's criteria for retirement would continue to be provided the same benefits as a retiree.

An employee, as outlined in the City's long term disability policy, that does not meet the City's criteria for retirement would continue to be provided medical, dental, long term care and life insurance benefits on the same basis as an active employee, as long as the employee meets the long term disability policy's definition of disabled.

If an employee is unable to return to duty to perform the material duties of his/her position because of a physical or mental condition, including the continuation of a serious health condition, the City's obligations under the Americans with Disabilities Act (ADA) will govern.

Human Resources can assist any employee who wishes to apply for Long-Term Disability Benefits.

#### **901.5 Life Insurance**

Life insurance benefits are provided to all classified employees and unclassified management employees at no cost to the employee.

a. **Basic Life**

In the event of the employee's death due to natural causes or accident, the employee's beneficiary will receive three times the employee's annual salary up to a maximum of \$350,000.

b. **Accidental Death & Dismemberment**

In addition to the above policy, if an employee's death or severe bodily injury is due to an accident, the employee's beneficiary will receive seven times the employee's annual salary up to a maximum of \$600,000.

## **901.6 Unemployment Insurance**

Employees of the City may apply for Unemployment Insurance Benefits at the expiration of their employment. Rules and regulations regarding eligibility are available through the State of Maryland's Division of Unemployment Insurance.

## **901.7 COBRA**

### **a. General Guidelines**

The City of Gaithersburg adheres to all requirements of the Consolidated Omnibus Budget Reconciliation Act (COBRA) as they apply to City employees. The City is required to offer covered employees and covered family members the opportunity for a temporary extension of health coverage at group rates when coverage under the health plan (a medical, dental, and/or vision plan) would otherwise end due to certain qualifying events.

The covered employee may have the right to elect COBRA health plan continuation coverage if the employee loses his/her City of Gaithersburg sponsored group health coverage because of a separation from employment (for reasons other than the employee's gross misconduct) or a reduction in hours of employment.

The covered spouse of an employee may have the right to elect COBRA health plan continuation coverage if the spouse loses City of Gaithersburg sponsored group health coverage because of any of the following reasons:

1. The employee's separation from employment with the City of Gaithersburg (for reasons other than gross misconduct) or reduction of the employee's hours of employment with the City of Gaithersburg.
2. Death of the City of Gaithersburg employee.
3. Divorce or, if applicable, legal separation from the employee.
4. The employee becomes entitled to Medicare.

The covered child of an employee may have the right to elect COBRA health plan continuation coverage if the child loses City of Gaithersburg sponsored group health coverage because of any of the following reasons:

1. The employee's separation from employment with the City of Gaithersburg (for reasons other than gross misconduct) or reduction of the employee's hours of employment with the City of Gaithersburg.
2. Death of the employee of the City of Gaithersburg.
3. Parents' divorce or, if applicable, legal separation.
4. The City of Gaithersburg employee becomes entitled to Medicare.
5. The child no longer qualifies for coverage under the terms of the health plan.

### **b. Employee, Spouse & Child Notifications Required**

In accordance with federal law, the employee, spouse, or other covered family member has the responsibility to notify the City of Gaithersburg Human Resources Department of a divorce, legal separation, or a child no longer qualifying for coverage status while covered by a City of Gaithersburg sponsored group health plan. This notification must be made within 60 days from whichever date is later, the date of the event or the date on which health plan coverage will be lost, under the terms of the insurance contract because of the event.

This notification must be made **in writing** and include the following information: the name of the covered employee, the name of the covered family member, the plan affected, a description of the event, and the date of the event. Verifying documentation must accompany the notification, such as HIPPA certificate from another employer, or the fact page of a divorce or separation decree.

If this notification is not completed according to the above procedures and within the required 60-day notification period, then rights to continuation coverage will be forfeited. Employees should carefully read the family member eligibility rules contained in their provider booklet so they are familiar with when a family member ceases to be eligible under the terms of the plan. The City of Gaithersburg will notify the City's sponsored health plan of the employee's separation from employment, reduction in hours, or death.

c. **Election Period and Coverage**

Once the City of Gaithersburg Human Resources Department has received notice a qualifying event has occurred, the Human Resources Department will notify covered individuals (also known as qualified beneficiaries) of their rights to elect continuation coverage. Each qualified beneficiary has independent COBRA election rights and will have 60 days to elect continuation coverage. The 60-day election window is measured from the later of the date health plan coverage is lost due to the event or from the date of COBRA notification. **This is the maximum period allowed to elect COBRA, as the plan does not provide an extension of the election period beyond what is required by law.** If a qualified beneficiary does not elect continuation coverage within this election period, then rights to continue health insurance will end and they will cease to be a qualified beneficiary.

If a qualified beneficiary elects continuation coverage, they will be required to pay the entire cost for the medical and/or dental insurance. The City of Gaithersburg is required to provide the qualified beneficiary with coverage that is identical to the coverage provided under the plan to similarly situated non-COBRA participants and/or covered family members. Should coverage change or be modified for non-COBRA participants, then the change and/or modification will be made to their coverage as well.

d. **Length of Continuation Coverage – 18 Months.**

If the event causing the loss of coverage is a separation from employment (other than for reasons of gross misconduct) or a reduction in work hours, then each qualified beneficiary will have the opportunity to continue coverage for 18 months from the date of the qualifying event.

e. **Social Security Disability**

The 18 months of continuation coverage can be extended for an additional 11 months of coverage, to a maximum of 29 months, for all qualified beneficiaries if the Social Security Administration determines a qualified beneficiary was disabled according to Title II or XVI of the Social Security Act on the date of the qualifying event or at any time during the first 60 days of continuation coverage. In the case of a newborn or adopted child that is added to a covered employee's COBRA coverage, then the first 60 days of continuation coverage for the newborn or adopted child is measured from the date of the birth or the date of the adoption. It is the qualified beneficiary's responsibility to obtain this disability determination from the Social Security Administration **and provide a copy of the determination to the City of Gaithersburg Human Resources Department within 60 days after the date of determination and before the original 18 months expire.**

This extension applies separately to each qualified beneficiary. If the disabled qualified beneficiary chooses not to continue coverage, all other qualified beneficiaries are still eligible for the extension. If coverage is extended, and the disabled qualified beneficiary has elected the extension, the applicable premium rate is 150 percent of the premium rate. If only the non-disabled qualified beneficiaries extend coverage, the premium rate will remain at the 100 percent level. It is also the qualified beneficiary's responsibility to notify the City of Gaithersburg Human Resources Department within 30 days if a final determination has been made that they are no longer disabled.

f. **Secondary Events**

Another extension of the 18 month continuation period can occur, if during the 18 months of continuation coverage, a second event takes place (divorce, legal separation, death, Medicare entitlement, or a child no longer qualifies for coverage). If a second event occurs, then the original 18 months of continuation coverage can be extended to 36 months from the date of the original qualifying event date for eligible qualified beneficiaries. If a second event occurs, it is the qualified beneficiary's responsibility to notify the City of Gaithersburg Human Resources Department in writing within 60 days of the second event within the original 18 month COBRA timeline. In no event, however, will continuation coverage last beyond three years from the date of the event that originally made the qualified beneficiary eligible for continuation coverage. A reduction in hours followed by a separation from employment is not considered a second event for COBRA purposes.

g. **Length of Continuation Coverage – 36 Months**

If the original event causing the loss of coverage was the death of the employee, divorce, legal separation, Medicare entitlement, or a child no longer qualifying for coverage under a City of Gaithersburg sponsored group health plan then each qualified beneficiary will have the opportunity to continue coverage for 36 months from the date of the qualifying event.

h. **Eligibility, Premiums, and Potential Conversion Rights**

A qualified beneficiary does not have to show they are insurable to elect continuation coverage; however, they must have been actually covered by the plan to be eligible for COBRA continuation coverage. An exception to this rule is if while on continuation coverage a baby is born or adopted by a covered employee qualified beneficiary. If this occurs, the newborn or adopted child can be added to the plan and will gain the rights of all other qualified beneficiaries. The COBRA timeline for the newborn or adopted child is measured from the date of the original qualifying event. Procedures and timelines for adding these individuals can be found in the employee's benefits booklet and must be followed. The City of Gaithersburg Human Resources Department reserves the right to verify COBRA eligibility status and terminate continuation coverage retroactively if the employee is determined to be ineligible or if there has been a material misrepresentation of the facts.

A qualified beneficiary will have to pay the entire applicable premium for continuation coverage. These premiums will be adjusted in the future if the applicable premium amount changes. In addition, if continuation coverage is extended from 18 to 29 months due to a Social Security disability, the City of Gaithersburg can charge up to 150 percent of the applicable premium during the extended coverage period. Qualified beneficiaries will be allowed to pay on a monthly basis. In addition there will be a maximum grace period of thirty (30) days for the regularly scheduled monthly premiums. At the end of the 18 months or three years of continuation coverage, a qualified beneficiary must be allowed to enroll in an individual conversion health plan **if an individual conversion plan is available at that time.**

i. **Cancellation of Continuation Coverage**

The law provides COBRA continuation coverage **will end prior** to the maximum continuation period for any of the following reasons:

1. City of Gaithersburg ceases to provide any group health plan to any of its employees.
2. Any required premium for continuation coverage is not paid in a timely manner.
3. A qualified beneficiary first becomes, after the date of COBRA election, covered under another group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition of such beneficiary other than such an exclusion or limitation which does not apply to or is satisfied by such beneficiary by reason of the Health Insurance Portability and Accountability Act of 1996.
4. A qualified beneficiary first becomes, after the date of COBRA election, entitled to Medicare.

5. A qualified beneficiary extended continuation coverage to 29 months due to a Social Security disability and a final determination has been made that the qualified beneficiary is no longer disabled.

6. A qualified beneficiary notifies the City of Gaithersburg Human Resources Department they wish to cancel COBRA continuation coverage.

7. For cause, on the same basis that the plan terminates the coverage of similarly situated non-COBRA participants.

j. **Notification of Address Change**

To insure all covered individuals receive information in a timely manner, it is important that the employee promptly notifies the City of Gaithersburg Human Resources Department of any address change as soon as possible. Failure on the employee's part to do so will result in delayed COBRA notifications or a loss of continuation coverage options.

**Section 902. Retirement Plans**

Classified employees and unclassified management employees are eligible to enroll in all City of Gaithersburg retirement plans immediately upon hire. The City's retirement benefits administrator is ICMA-RC (International City/County Management Association-Retirement Corporation), which manages and administers retirement plans exclusively for the benefit of public sector employers and employees. For information on the Retirement Plans offered, see Section 1013, Retirement Plans.

**Section 903. Other Fringe Benefits**

**903.1 Flexible Spending Accounts**

Flexible Spending Accounts allow classified employees and unclassified management employees to pay for certain health, dental and dependent care expenses with pre-taxed dollars, which means that taxable earnings are reduced so the employee pays less taxes on earnings, thereby increasing take home pay. The maximum amount that can be set aside for health care expenses per calendar year is \$2,500; and the maximum that can be set aside per calendar year for dependent care is \$5,000. Employees wishing to participate in either of these plans must enroll/reenroll each January 1. The City of Gaithersburg pays all administrative costs.

**903.2 Employee Assistance Program**

The City provides the Employee Assistance Program (EAP) as a free, simple, and confidential means for an employee and his/her family to deal with personal problems and sources of work/life stress. The EAP provides short-term professional, confidential counseling for employees and their eligible family members at no out-of-pocket expense to the employee. The employee and each of his/her family members may receive up to six free counseling sessions. If an issue requires referral to other resources, the EAP professional will work with the individual to identify the most appropriate and affordable resources to help meet the individual's needs.

To speak with an EAP professional or to schedule an appointment, an employee should call 800-765-0770 and indicate he/she is a City of Gaithersburg employee. EAP services are available 24 hours a day, seven days a week. The EAP program is strictly confidential. The City pays the EAP provider base on the number of employees and does not receive any information regarding the names of the employees contacting the EAP.

**903.3 GFit Wellness Program**

The GFit Employee Wellness Program is a healthy lifestyle incentive program dedicated to educating, motivating, and empowering classified employees and unclassified management employees to take an active role in preserving their good health and improving their overall quality of life. By providing employees with quarterly reimbursement for eligible expenses, the City of Gaithersburg is committed to

improving the health status of its employees. Expenses for spouses or other family members are not reimbursable through this Program.

**a. Reimbursable Amount**

Through the GFit Program, employees may be reimbursed for eligible expenses related to health and wellness activities that contribute to their improved fitness, health and well-being. Maximum monthly reimbursement shall be determined at the beginning of each fiscal year as recommended by the City Manager and approved by the City Council during the budget process.

**b. Eligible Expenses**

Eligible expenses include, but are not limited to:

- ♦ Fitness Center/Gym Membership
- ♦ Personal Trainer Fees
- ♦ Sports League Registration Fees (e.g., softball, basketball, bowling)
- ♦ Lesson/Class Fees (e.g., dancing, swimming, golf, aerobics, yoga)
- ♦ Managed Weight Loss Programs\* (e.g., Jenny Craig, Weight Watchers)
- ♦ Managed Smoking Cessation Programs (e.g., hospital sponsored)
- ♦ Nutritionist Advice Fees

\*Weight Loss supplements are not eligible.

Items reimbursed through an employee's Flexible Spending Account are not eligible for reimbursement through the GFit Program. Contact the Human Resources Department to determine if a health or wellness activity not mentioned above will be eligible for reimbursement prior to submitting a request for reimbursement.

**c. Procedure for Reimbursement**

1. Employee pays the fee for the activity (membership, class, program, etc.), directly to the provider.

2. Employee arranges for the provider to furnish him/her with a receipt or statement which verifies his/her participation in the eligible program. The statement must include employee's name, must indicate that the employee is/was a participant in the program, and must provide a detailed proof of payment (itemized receipt, credit card statement, contract, etc.). **It is the employee's responsibility to arrange with the provider to provide "proof of participation."**

3. Employee must complete a GFit Program Claim Form, attach all receipts/participation statements, and return to the Human Resources Department by the due date. Requests for reimbursement may only be submitted quarterly, and are due to Human Resources no later than:

- October 15<sup>th</sup> (July/August/September)
- January 15<sup>th</sup> (October/November/December)
- April 15<sup>th</sup> (January/February/March)
- July 15<sup>th</sup> (April/May/June)

**Absolutely no late submissions will be accepted - no exceptions!**

4. Costs will be reimbursed to the employee in his/her paycheck as soon as possible after reimbursement request is submitted.

Note that all reimbursements will be considered taxable income, so when possible, it is more advantageous to use monies set aside in Flexible Spending Accounts (FSA) to pay for eligible health and wellness expenses, since using FSA allows payment of expenses with pre-tax dollars, reducing taxable earnings and increasing take home pay.

#### **903.4 Housing Stipend Program**

To encourage municipal employees to live in the jurisdiction they serve, income qualified classified employees and unclassified management employees may receive a housing stipend to assist in the costs of rent or mortgage payments.

Employees are eligible for the program immediately upon hire. To be eligible, the employee must reside within the corporate limits of Gaithersburg and be a signer or co-signer on the lease or mortgage for the residence; and the total household gross income for all members of the household aged 18 and over, regardless of relationship to employee, must meet the income limits shown below:

a. Employees whose total household income is at or below 80 percent of Area Median Income (AMI) for the Washington Metropolitan Area as determined by the Department of Housing and Urban Development (HUD) on an annual basis shall be entitled to a monthly housing stipend of \$300 a month.

Maximum Income Based on Household Size\*

1 person household:	\$60,816
2 person household:	\$69,504
3 person household:	\$78,192
4 person household:	\$86,880
5 person household (or more):	\$93,830

b. Employees whose total household income is between 80 percent and 120 percent of AMI as determined by the HUD on an annual basis shall be entitled to a monthly housing stipend of \$200 a month.

Maximum Income Based on Household Size\*

1 person household:	\$91,224
2 person household:	\$104,256
3 person household:	\$117,288
4 person household:	\$130,320
5 person household (or more):	\$140,746

*\*Adjusted annually; income limits shown are for period of May 2016 – April 2017*

Total household gross income is defined as income from all sources including but not limited to full-time employment, part-time employment, alimony, child support, disability, and social security/retirement benefits.

Eligible employees may apply for this program at any time by completing the Housing Stipend Application Form and submitting it to the Human Resources Department. Once approved, the employee will continue to receive the stipend until renewal and recertification is required (on April 15 of each year when updated HUD AMI data is available) or until the employee becomes ineligible to receive the stipend (for example, the employee moves). At the time application is made or renewed, the employee is required to submit the following documentation for each member of the household aged 18 and over, regardless of relationship to the employee, to verify residency and the total household gross income:

- a. Copy of lease or mortgage signed or co-signed by the employee;
- b. Copy of prior year Federal tax return;
- c. Copy of prior year W-2 Form;
- d. Copy of proof of any other supplemental income not reported on Federal tax return or W-2 Form.

Failure to submit the required documentation will result in the employee being ineligible for the housing stipend.

Employees approved for the housing stipend will receive payment of the stipend with the first paycheck of each month. Employees will not receive any retirement plan employer contributions on the stipend payment. IRS regulations require the City to treat this stipend as taxable income which will be reported on the employee's year-end W-2.

Any employee who knowingly submits inaccurate or incomplete financial data in connection with applying for or obtaining a housing stipend, or knowingly receives a housing stipend he/she is not entitled to shall be required to reimburse the City for all monies received to which they were not entitled and will be subject to disciplinary action.

Funding of the housing stipend program is recommended by the City Manager and approved by the Mayor and City Council during the annual budget process.

### **903.5 Personal Cell Phone Program**

Classified employees and unclassified management employees are eligible to receive discounted equipment and service plan rates under this program, offered to government employees through AT&T. Participating employees are not required to sign a contract, may change service plans without penalty, and are not assessed administrative costs, such as activation or termination fees. Costs are paid by the employee directly to the service provider. Additional information is available from the Human Resources Department.

### **903.6 Uniforms**

Uniforms are provided at no cost to all City employees who are required to wear uniforms as part of their normal job duties.

### **903.7 Direct Deposit**

All employees hired or rehired on or after October 1, 2011, are required to enroll in direct deposit as a condition of employment; and must remain enrolled in direct deposit for the tenure of employment. Employees must complete a Direct Deposit Enrollment Form and submit it to Human Resources to enroll in direct deposit and to make changes to financial institution and/or account information. The direct deposit paycheck is posted at the employee's designated financial institution(s) the same day that non-direct deposit paychecks are issued.

### **903.8 Credit Union**

Classified employees and classified management employees have the option of participating in the Montgomery County Employees Federal Credit Union (MCEFCU), a member-owned, not-for-profit financial institution dedicated to serving Montgomery County government employees, local employee groups, and their families.

MCEFCU has two locations:

Germantown Headquarters  
19785 Crystal Rock Drive  
Suite 201  
Germantown, MD 20874  
301-279-1964

Rockville Branch  
20 Courthouse Square  
Suite 101  
Rockville, MD 20850  
301-279-1964

Enrollment information is available from the Human Resources Department. More information about the MCEFCU can be found at <http://www.mcefcu.org/index.html>.

### **903.9 Employee Recreational & Leisure Opportunities**

Classified employees, classified management employees, as well as retirees from the City, their eligible family members (under the age of 22) and/or family members residing year-round at the same address as the employee or retiree receive a complimentary individual membership to all City recreation facilities. Fees for all other membership plans are 50 percent off the applicable resident rate.

Employees hired to work on a part-time basis, working at least 25 hours per week on a consistent schedule on a continuing year-round basis may purchase an individual membership at City recreation facilities at 50 percent off the resident rate. A complimentary individual membership will be granted to the employee after one year of employment.

City identification must be presented in order for employees or retirees to be eligible for these opportunities. More information is available on the Recreation & Leisure Opportunities for City of Gaithersburg Employees brochure.

### **903.10 Microsoft Home Use Program**

Classified employees and unclassified management employees are eligible to participate in Microsoft's Home Use Program (HUP). This program enables an employee to purchase a licensed copy of Microsoft Office applications to install and use on his/her home computer. Due to the limited number of licenses available, classified employees and unclassified management employees' participation is on a first come, first served basis.

Under the Home Use Program, classified employees and unclassified management employees may purchase and acquire a licensed copy of Microsoft Office Professional Plus 2013 or Microsoft Office for Mac 2011 to install and use on a home computer at a cost of \$9.95 (plus tax and any other applicable charges). Employees may continue using the software while they are under employment with the City of Gaithersburg.

Classified employees and unclassified management employees interested in purchasing the software must contact the Human Resources Department for further information.

### **Section 904. Fringe Benefits for Mayor & City Council Members**

The Mayor and members of the City Council may elect to join or become members of any group medical or dental plan offered to eligible employees of the City on an individual or family plan basis provided that the subscriber pays the full cost of coverage without contribution or reimbursement from the City. The City may pay or contribute to the cost of any other insurance benefit plans for the Mayor and members of the City Council as determined by resolution of the City Council.

The Mayor and members of City Council who leave City service may continue medical, dental, and/or other insurance benefits through the City's group plans provided they are eligible therefore and provided they have served as Mayor and/or member of the City Council for a cumulative total of eight (8) years prior to leaving City service.

### **Section 905. Domestic Partner Benefits**

The City of Gaithersburg offers certain health related benefits to qualified domestic partners of classified employees and unclassified management employees according to the provisions of this Section. Domestic partners may be of the same or opposite gender of the benefit eligible employee.

#### **a. Eligibility**

To be eligible for domestic partner benefits, the classified employee or unclassified management employee and his/her domestic partner must sign an Affidavit of Domestic Partnership, in the presence of a notary public, under penalty of perjury, declaring that all of the standards required by the City for the establishment of a domestic partnership have been satisfied as follows:

1. The employee and his/her domestic partner have a committed relationship, plan to remain together indefinitely, and are responsible for each other's welfare.
2. The employee and his/her domestic partner have shared the same legal residence for at least twelve (12) months and are responsible for contributing financially or otherwise to the relationship.
3. The employee and his/her domestic partner are at least eighteen (18) years of age.

4. The employee and his/her domestic partner have voluntarily consented to the relationship, without fraud or duress.
5. Neither the employee nor his/her domestic partner is married to, or is in a domestic partnership with, any other person.
6. The employee and his/her domestic partner are not related by blood or affinity in a way that would disqualify them from marriage under State law if the employee and his/her domestic partner were members of the opposite gender.
7. The employee and his/her domestic partner are legally competent to contract.
8. The employee and his/her domestic partner share sufficient financial and legal obligations. This must be evidenced by copies of at least two (2) of the following documents:
  - (a) A joint housing lease, mortgage, or deed.
  - (b) Joint ownership of a motor vehicle.
  - (c) A joint checking or credit account.
  - (d) Designation of the domestic partner as a primary beneficiary receiving at least 50 percent of the other partner's life insurance, retirement benefits, or residuary estate under a will.
  - (e) Designation of the domestic partner as holding a durable power of attorney for health care decisions regarding the other domestic partner.

All affidavit information will be held confidential and only disclosed to the extent necessary to provide and administer benefits, or as authorized by the employee or domestic partner, or to the extent required by law.

b. **Eligible Benefits**

Any benefit that the City provides for a classified employee or unclassified management employee's spouse or for the eligible family members of an employee's spouse, will be provided, in the same manner and to the same extent, for the domestic partner of a City employee, and for the eligible family members of a City employee's domestic partner, respectively, including benefits equivalent to those provided under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the Family and Medical Leave Act of 1993, and other federal laws. However, because of the provisions of federal tax law, the receipt of these benefits may have tax or other financial implications for the City employee.

If neither the employee's domestic partner, nor the domestic partner's eligible family members, qualify under federal tax law as the employee's legal tax dependents, however, the employee will not be eligible to receive reimbursements from the employee's Flexible Spending Account or Dependent Care Reimbursement Account for expenses incurred by them or on their behalf.

c. **Enrollment**

Once the employee has filed the Affidavit of Domestic Partnership with the City's Director of Human Resources, the employee will need to do the following in order to enroll his/her domestic partner and his/her partner's eligible family members under the City's group health, dental, vision, and/or long-term care insurance plans:

1. For initial enrollment, complete all enrollment materials required by the health, dental, vision, and/or long-term care insurance plans that the employee has selected. These materials may consist of the following:

(a) A benefit enrollment form, if the employee is changing his/her level of coverage due to the addition of his/her domestic partner and his/her partner's eligible family members.

(b) An eligible family member information form, if the employee is adding his/her domestic partner and his/her partner's eligible family members. Please note that the insurance companies may also require proof of eligibility, such as birth certificate, in order to add coverage for the employee's partner's eligible family members.

All forms must be received by the Human Resources Department within thirty (30) days of employment or the occurrence of a qualifying event that first permits the employee to enroll his/her domestic partner and/or his/her partner's eligible family members. Otherwise, the employee will have to wait until the next open enrollment period to add his/her domestic partner and/or his/her partner's eligible family members.

2. For re-enrollment every plan year, the employee will need to provide any additional evidence of his/her domestic partnership during the annual open enrollment process, unless he/she is making changes in the coverage he/she has selected.

d. **Taxes**

Internal Revenue Service regulations require different tax treatment for group insurance costs associated with domestic partner coverage in cases where the domestic partner does not qualify as a tax dependent under the Internal Revenue Code. In determining the tax effects of domestic partner coverage, the City will assume that neither the domestic partner, nor the domestic partner's eligible family members, qualify as the employee's tax dependents, unless the employee is able to provide documentation to the contrary.

For each group insurance plan to which the employee adds his/her domestic partner and his/her partner's eligible family members:

1. The employee will be responsible for paying the difference between his/her share of the premium cost for single coverage and his/her share of the premium cost for the coverage level that includes the addition of the employee's domestic partner and the partner's eligible family members.

2. The portion of the employee's total premium cost that is attributable to his/her individual coverage (and coverage for any of the employee's own tax-qualified family members) will continue to be deducted from the employee's paycheck, before taxes. However, the portion of the employee's total premium cost that is attributable to covering the domestic partner and/or the partner's eligible family members will be deducted from the employee's paycheck after taxes.

3. The amount that the City contributes towards the cost of covering the employee's domestic partner and the partner's eligible family members under the City's group health insurance and/or dental insurance plans will be considered as taxable compensation that has been provided to the employee. Under a concept known as "imputed income," the employee will be treated as if the City has paid the employee an additional amount of cash on which the employee was taxed, which the employee uses to purchase the coverage for his/her domestic partner and the partner's eligible family members. This means that the value of the City's contribution will be taxed and subject to income tax withholding, Social Security taxes, and unemployment taxes. As a result, the employee may want to increase the existing amount of withholding that is applied to his/her paychecks, so that enough money is withheld from each of his/her paychecks to pay the taxes due on all of his/her compensation -- both the cash that he/she receives as well as the value of the City's contribution for covering his/her domestic partner and the partner's eligible family members.

See attachment regarding tax implications for examples of how adding a domestic partner and/or the partner's eligible family members to the City's group health plan will change an employee's paycheck and tax situation.

For retired employees who pay their portion of group health and/or dental insurance costs with after-tax deductions from their retirement check, the addition of a domestic partner and the partner's eligible family members to those group insurance plans will not affect the amount of premiums deducted from the check but will have only the imputed income effect described above.

The summary of tax consequences described above is meant only to address some of the questions that an employee might have about the tax implications of domestic partner health and dental benefits. It is not, nor is it intended to be, exhaustive or exclusive. In the event that this material conflicts with local, state, or federal law, the language of the local, state, or federal law will be the final authority. An employee should contact his/her tax preparer so that he/she fully understands how he/she may be specifically impacted by the receipt of these domestic partner benefits.

e. **Dissolution of Domestic Partnership**

Should the employee's relationship with his/her domestic partner end, or should the employee no longer meet the domestic partnership requirements, then the domestic partner and the partner's eligible family members will no longer be eligible for coverage under the City of Gaithersburg's group health, dental, and long-term care insurance plans. The employee must notify the Human Resources Department within thirty (30) days of the termination event by completing an Affidavit of Dissolution of Domestic Partnership. In such cases, benefits will terminate or continue for the domestic partner and the partner's eligible family members to the same extent that they would for a former spouse, or for the eligible family members of a former spouse, under similar circumstances (for example, under COBRA).