



## CITY OF MESA HEALTH PLAN COMMITTED PARTNER AND COMMITTED PARTNER ELIGIBLE CHILDREN

Employees and retirees have the option to enroll eligible Committed Partner (CP) and CP children (under age 26, living with the employee/retiree and the CP) in the City's Medical/Prescription Drug, Dental or Vision Care coverage, as a new hire or during an annual Open Enrollment period. Benefit eligible active employees can also choose to enroll CP/CP children in Voluntary/Supplemental Life Insurance coverage.

**You must already be enrolled in the eligible plan(s) in which you elect to enroll a CP or a CP child.** (Employees **cannot** seek reimbursement for health care or dependent care (child care/elder care) expenses, for CP or CP children/elders under FSA accounts.)

### Who is a Committed Partner Family Member?

The City of Mesa Health Plan Document designates a number of criteria that establish eligibility for CP coverage, including but not limited to:

- ✓ Both parties over age 18
- ✓ Both parties able to execute a "Declaration of Committed Partnership"
- ✓ Reside together in a common household with joint responsibility for financial management
- ✓ Documented, long-term (at least 12-months) exclusive, committed and personal partnership
- ✓ Not married to each other or married, legally separated from, or committed partner to, any other person(s).

You can go online to [www.mesaaz.gov/benefits](http://www.mesaaz.gov/benefits) to review Plan Document provisions, enrollment requirements and materials.

### Important notes

- ✓ Before CP/CP children enrollment can be activated, you must:
  - Register - with a notarized/signed "**Declaration of Committed Partnership**"
  - Verify - proof of relationship/duration and financial inter-dependence documentation
  - Complete/submit – a **Benefit Enrollment Form including Life Insurance and EO form** (if applicable)
- ✓ There may be **significant income and payroll tax consequences** to the employee/retiree, as a result of CP/CP children enrollment – see details later in this communication
- ✓ Enrollment processing (including submission of **all** required documentation) can be done during your new hire process. Otherwise, your next opportunity will be during an annual Open Enrollment period for a subsequent January 1st effective date.
- ✓ Qualifying event family status changes do **not** apply to CP/CP children enrollments

### How to Enroll Committed Partner/CP Children

During the new hire process or Open Enrollment, you can e-mail, fax, mail or hand-deliver to Employee Benefits Administration:

- ✓ "Declaration of Committed Partnership" form, completed, signed by you and your CP, and **notarized**
- ✓ Verification of CP children's relationship to CP (birth/adoption/legal guardianship documentation etc.) if applicable
- ✓ "Benefits Enrollment Form" completed and signed by you and your CP
- ✓ Documentation that verifies your Committed Partnership/financial inter-dependence, including legible copies of at least **two** (2) of the following:
  - Joint ownership or lease of primary residence (mortgage, deed or lease agreement)
  - Joint bank or credit card accounts (redacted bank/credit statement or blank voided check with both names printed on the check or statement of account)
  - Life Insurance Beneficiary designation or Last Will and Testament naming each other as primary beneficiary
  - Designation of you and your CP to act on each other's behalf for all purposes under a Power of Attorney
  - Joint utility billing notice(s), showing both parties, same address/location
  - Other documentation that verifies financial inter-dependence and Committed Partnership

**At least one of your verification documents must have an effective date at least twelve (12) months prior to the effective date of CP/CP children enrollment.**

### **Tax Implications of Enrolling Committed Partner/CP Children**

Federal tax regulations require the City's Health Plan to default your CP/CP children to non-qualified tax dependent status for purposes of health plan coverage taxability. This is different from current family coverage that could include a legal spouse or natural/adopted/foster/legal guardian children, all of whom receive employer provided Health Plan coverage/benefits/premiums on a tax-free basis under current Federal tax regulations.

If you enroll CP/CP children, the **premiums** that active employees pay for coverage are payroll deducted on a **post-tax** basis. Additionally, the "value" of City contributions for the coverage will result in **taxable imputed income** to you (active employee). A CP/CP children enrollment may also result in taxable imputed income for a retiree, although the City does not pay the retiree, issue W-2's or make that determination for you. Both employees and retirees are responsible for seeking tax advice about the tax dependent status of your CP/CP Children for purposes of adjusting your income amounts on your annual federal and/or state income tax returns, if applicable.

- **Post-Tax Elections Only**

If you enroll CP/CP children, premiums you pay for Medical/Prescription Drug, Dental or Vision Care coverage will be deducted on a post-tax basis only. Premiums paid by all retirees are automatically post-tax, as are premiums for employees' supplemental life insurance coverage for self, spouse/CP or children.

- **Imputed Income**

For active employees, imputed income amounts are "added" to regular income each paycheck for tax calculation purposes only. You don't receive more pay, but you may pay more tax - additional Federal, State and FICA tax withholding. If your tax status is such that you do pay more tax, your net pay will be reduced each pay period in which imputed income is applied. For example, the estimated amount of imputed income that will apply to full-time active employees in 2018, for CP/CP children enrollment in Medical/Prescription Drug coverage, is \$290 per pay period or \$6,960 annually. With a 25% tax bracket (combined Federal, State and FICA tax) that could result in almost \$1,740 per year additional tax liability (or approximately \$72.50 additional tax per pay period and an equivalent reduction in net pay). There will also be additional imputed income and potential tax liability for enrollment in Dental and Vision Care plans as well. **It's very important to "do the tax math" before you make a decision to enroll your CP/CP children.** For retirees, the City will not calculate, notify, and apply imputed income. Retirees must consider both City and State contributions and subsidies when "doing the tax math." Retirees are advised to seek tax advice to determine their income status as a result of enrolling CP/CP children in coverage.

### **Dropping Committed Partner Coverage**

When CP/CP children are no longer eligible for coverage as defined above, you **must** immediately advise Employee Benefits Administration to terminate coverage. You can **voluntarily** drop CP/CP children coverage at any time, even if CP/CP children otherwise remain eligible under the terms of the Plan. CP/CP children are not eligible for COBRA continuation privileges regardless of why coverage is terminated. If you change your mind about a voluntary drop, the next opportunity to re-enroll would be during an annual Open Enrollment period.

### **Primary/Secondary Committed Partner Coverage**

If your CP or CP children are eligible for Medicare (based on age or social security disability award), or have other health plan coverage of any type, Medicare or such other coverage will pay primary benefits and the City of Mesa Health Plan will pay secondary benefits (unless otherwise prohibited by regulatory provisions).

**Employee Benefits Administration:**

**20 E Main Street, Suite 600, PO Box 1466, Mesa, AZ 85211-1466**

**Phone: 480-644-2299; Fax: 480-644-4548; Email: [benefits.info@mesaaz.gov](mailto:benefits.info@mesaaz.gov)**

## FAQ's – COMMITTED PARTNER (CP)

*Disclaimer: The City and the Employee Benefits Department cannot give tax advice. You are encouraged to seek advice from your own personal tax advisor about the taxability of health plan coverage for Committed Partner/CP children. These questions and answers are for general information purposes only. To the extent that any material contained herein conflicts with the City's Plan Document or Federal/State regulations, the Plan Document and/or Federal/State regulations will prevail.*

Q. *Who can be a Committed Partner?*

A: A Committed Partner is an individual of either gender who has been in a serious and committed relationship for at least twelve (12) months with a current City employee or City retiree, resides with that City employee or City Retiree, is not married to that City employee or retiree and otherwise meets the requirements set forth in the Committed Partner Declaration.

Q: *What does "CP" and "CP children" stand for?*

A: "CP" is the abbreviation used for "Committed Partner" and "CP children" is the abbreviation for "Committed Partner children."

Q. *What are the eligibility requirements for a Committed Partner to have Health Plan coverage?*

A. The City's Health Plan Document requires that you and your Committed Partner are in a long-term (at least 12-months) exclusive, committed and personal relationship; over the age of 18 years old; able to execute a "Declaration of Committed Partnership"; financially inter-dependent; not married to, legally separated from or a committed partner to any other person(s). Refer to the City of Mesa Health Plan Document for more details.

Q: *What is a "Declaration of Committed Partnership" form?*

A: This form is one of several documents required to establish and verify that you and your CP are in a serious, committed relationship, live together, and are financially inter-dependent. The Declaration must be signed by both the employee or retiree and your CP, in the presence of a Notary Public (signature/date/Seal required), as part of the enrollment process for Health Plan coverage.

Q: *When may I enroll my CP/CP children?*

A: The first opportunity to enroll a CP or CP children is as a new hire. Thereafter, a CP or CP children may be enrolled during an annual Open Enrollment period.

Q: *How do I enroll my CP and CP children?*

A: Go online to [www.mesaaz.gov/benefits](http://www.mesaaz.gov/benefits) and print a Declaration of Committed Partnership form, Benefit Enrollment Form and Life Evidence of Insurability (EOI) form (if applicable). Complete the forms and obtain all required signatures and Notarization. Submit all forms to Employee Benefits Administration (email, fax, mail or deliver) within the enrollment period deadlines, along with any required verification documentation.

*Q: What verification documentation do I need to submit to enroll my CP and CP children?*

A: For CP children you will need birth/adoption/legal guardian/foster documentation (as applicable) that confirms the child/children's relationship to your CP. For CP and yourself, you will need two documents that verify both your committed partnership duration and financial inter-dependence (one of the documents must be effective at least 12 months prior to the enrollment effective date):

- Joint ownership or lease of primary residence (mortgage, deed or lease agreement)
- Joint bank or credit card accounts (redacted bank/credit statement or blank voided check with both names printed on the check or statement of account)
- Life Insurance Beneficiary designation or Last Will and Testament naming each other as primary beneficiary
- Designation of you and your CP to act on each other's behalf for all purposes under a Power of Attorney
- Joint utility billing notice(s), showing both parties, same address/location
- Other documentation that verifies financial inter-dependence and Committed Partnership

*Q: What is a non-qualified tax dependent for health plan coverage purposes?*

A: A non-qualified tax dependent cannot receive employer provided health care coverage on a tax-free basis (under Federal regulations) if the employer is contributing to that coverage cost. Generally, CP/CP children are non-qualified tax dependents and the City's Health Plan will automatically default your CP/CP children to this status for purposes of enrollment, premium deductions, and taxability of the value of the coverage received. You will need to check with your personal tax advisor about the requirements for qualified tax dependent status and, if needed, make appropriate adjustments in your federal and state tax returns.

*Q: Why do I pay my premiums for CP coverage on a post-tax or after-tax basis?*

A: The City's health plan is administered under an IRS Section 125 "cafeteria-like" plan. This Federal regulation only allows a health plan to deduct premiums on a pre-tax basis for employees and qualified tax dependents. CP/CP children are generally not qualified tax dependents and are automatically classified as such under the eligibility provisions of the City's Health Plan. Premiums for CP/CP children are deducted on a post-tax basis.

Q: What is Imputed Income for CP/CP Children health insurance coverage?

A: Federal regulations require the City to calculate a value of City provided health coverage for CP/CP children coverage and assign or “add” that amount to you as Imputed Income in your paycheck. This Imputed Income is not paid to you but rather included in your paycheck for the purposes of calculating both the City’s and your payroll tax liability and your potential lowered net take home pay.

Q. How much Imputed Income will be added to me, if I am an active employee and I enroll my CP/CP children in City Health Plan coverage?

A: The charts below summarizes the “value” of the Imputed Income amounts that will be added to paychecks for CP/CP children family coverage in City plans for full-time and part-time benefit eligible employees:

**Full-time Employee:**

| A. Plans    | B. Employer Family Contribution | C. Employer Single Contribution | D. Differential = Mthly Imputed Income** (B. minus C.) | E. Per Pay Period Imputed Income** (D. /2) | F. Annual Imputed Income** (E. x 24) | G. 25%* Tax Bracket – Annual/P Period Tax Liability** |
|-------------|---------------------------------|---------------------------------|--|--|--------------------------------------|---|
| Medical /RX | \$1,054.00                      | \$474.00                        | \$580.00   | <b>\$290</b>                               | \$6,960                              | <b>\$1,740/\$72.50</b>                                |
| Dental      | \$136.00                        | \$85.50                         | \$50.50  | <b>\$25.25</b>                             | \$606.00                             | <b>\$151.50/\$6.31</b>                                |
| Vision Care | \$7.65                          | \$4.54                          | \$3.11   | <b>\$1.56</b>                              | \$37.32                              | <b>\$9.33/\$0.39</b>                                  |

\* Tax Bracket assumes Federal 15% + State 2.35% + FICA 7.65% = 25% (your individual tax bracket may be different)

\*\* Imputed Income retiree values may be higher than full-time active values for the same type coverage, due to other State and City subsidies that are part of premiums that may apply to retirees, but are not paid directly by retirees.

**Part-time Benefit Eligible Employee:**

| A. Plans    | B. Employer Family Contribution | C. Employer Single Contribution | D. Differential = Mthly Imputed Income (B. minus C.) | E. Per Pay Period Imputed Income (D. /2) | F. Annual Imputed Income (E. x 24) | G. 25%** Tax Bracket – Annual/P Period Tax Liability |
|-------------|---------------------------------|---------------------------------|--|--|------------------------------------|--|
| Medical /RX | \$658.50*                       | \$296.00*                       | \$362.50*  | <b>\$181.00*</b>                         | \$4,350*                           | <b>\$1,088/\$45.31*</b>                              |
| Dental      | \$85.00                         | \$47.50                         | \$37.50  | <b>\$18.75</b>                           | \$450.00                           | <b>\$112.50/\$4.69</b>                               |
| Vision Care | \$7.65                          | \$4.54                          | \$3.11   | <b>\$1.56</b>                            | \$37.32                            | <b>\$9.33/\$0.39</b>                                 |

\* Assumes Choice or Copay Plan enrollment; higher values if Basic Plan enrollment

\*\*Tax Bracket assumes Federal 15% + State 2.35% + FICA 7.65% = 25% (your individual tax bracket may be different)

*Q: If I have Imputed Income applied to me, do I have any additional tax liability when/if benefits (claims) are actually paid for my CP/CP children under the City plans?*

A: No, under current Federal regulations there is no additional tax liability over and above the Imputed Income tax liability when benefits (claims) are paid for CP/CP children under City plans. These benefits (claims) are paid in the same way as benefits are paid for other eligible City employees/retirees and their family members.

*Q: If I am an active employee, how much Life Insurance coverage can I buy for my CP and CP children?*

A: CP Life Insurance coverage is available in increments of \$10,000 up to \$300,000 with \$30,000 guaranteed issue. Evidence of Insurability (EOI) is required for coverage amounts above \$30,000. CP children coverage can be: \$2,500, \$5,000, \$7,500 or \$10,000 (all eligible children covered for the selected amount/rate per coverage level).

*Q: Are my CP or CP children's medical or child care expenses reimbursable under my Flexible Spending Account (FSA) accounts?*

A: No, expenses for non-qualified tax dependents (generally CP and CP children) are not reimbursable under an FSA account.

*Q: What are the medical, dental and vision rates for CP/CP children coverage?*

A: Family rates for active employees are the same for CP/CP children family coverage as for non-CP/CP children family coverage, except CP family rates are deducted on a post-tax basis. (Retirees can get a rate quote from Employee Benefits Administration at 480-644-2299).

*Q: If I am a new hire or if I work for the City in a non-benefit eligible position and I am hired, transferred or promoted to a benefit eligible position, can I enroll my CP and CP children in the City's Health Plan at that time?*

A: Yes, newly eligible employees can enroll a CP and CP children when they first enroll or during a subsequent annual Open Enrollment period, providing enrollment processes are completed and the CP and CP children are otherwise eligible for coverage.

*Q: Can I drop my CP coverage at any time?*

A: Yes, voluntary drops can be processed at any time with an effective date as of the last day of the month. Remember, however, that if your CP is no longer your CP, or becomes ineligible for some other reason, you **must** notify the City and drop their coverage within 31 days of ineligibility.

*Q: If my CP/CP children are dropped from coverage, can they get COBRA continuation coverage?*

A: No, CP and CP children are not eligible for COBRA continuation coverage.