
ALLEGHENY COUNTY SCHOOLS HEALTH INSURANCE CONSORTIUM

NOTICE CONCERNING THE APPLICATION OF ACT 110 AND COBRA TO RETIREES COVERED BY THE ALLEGHENY COUNTY SCHOOLS HEALTH INSURANCE CONSORTIUM

November 26, 2007

This Notice is provided to the Participating School Entities participating in the Allegheny County Schools Health Insurance Consortium ("Consortium"), and explains the application of Act 110 and COBRA to retirees provided coverage with the Consortium.

1. Act 110.

Act 110 (24 P.S. §5-513), amended by Act 43, of the Pennsylvania School Code requires School Districts, Intermediate Units, and Area Vocational-Technical Schools to permit certain retirees to purchase continuing coverage in the School District's, the Intermediate Unit's, or the Area Vocational-Technical School's group health insurance plan.

1.1. Eligibility For Coverage.

Act 110 provides that School Districts, Intermediate Units and Area Vocational-Technical Schools shall give employees and their dependents, upon an employee's retirement, the option of continuing coverage in the group health insurance plan in which the employee participated prior to retirement.

The retirees who qualify for the Act 110 continuing coverage are those who are under age 65 and:

- Retired under normal retirement; or
- Retired under disability retirement; or
- Retired with 30 or more years of service

It is the eligible retiree's responsibility to contact his/her's former employer with written notification of the decision to enroll in the group health insurance plan.

1.2. Period Of Coverage.

The right to continue in the School District's, the Intermediate Unit's, or the Vocational-Technical School's group health insurance plan extends until the retiree reaches age 65.

Persons who are covered or eligible to be covered as an employee or dependent in any other employer-provided group health insurance plan are not eligible to purchase coverage from their School District's, Intermediate Unit's, or Area Vocational-Technical School's group health insurance plan. However, such a

retiree is eligible for reinstatement in the School District's, the Intermediate Unit's, or the Area Vocational-Technical School's group health insurance plan whenever such alternate coverage ceases.

1.3. Cost Of Coverage.

The cost of coverage provided by Act 110 shall equal the cost of the group health insurance plan for active employees and dependents plus an additional two per centum (for administrative costs).

2. Retirement As A COBRA Qualifying Event.

If a retiree does not qualify for Act 110 coverage, the retiree may take advantage of the COBRA program provided by the Consortium.

Retirement is a termination of employment and therefore a qualifying event if the employer is subject to COBRA and the employee loses his/her current group health insurance plan coverage upon retirement.

The COBRA "maximum coverage period" is the maximum number of months an employer must allow a qualified beneficiary to continue group health plan coverage. In general, the maximum coverage period is 18 months if the qualifying event is termination of employment, including retirement.

Assuming that an employee continues coverage following retirement, and the employee divorces or is legally separated from the spouse, or the employee dies, the spouse will experience a second qualifying event and will be eligible for 36 months of additional coverage.

If a qualifying event occurs, each qualified beneficiary will be offered the opportunity to elect the same group health insurance plan coverage they had immediately before the qualifying event.

Application for COBRA coverage can be made at the retiree's Participating School Entity or by contacting the Consortium.

3. Consortium Guidelines For Act 110 Coverage.

3.1. Effect Of Act 110 On The Consortium.

Act 110 is directed to School Districts, Intermediate Units and Area Vocational-Technical Schools to provide group health insurance benefits to eligible retirees. Act 110 does not mandate any requirements for the Consortium, and as the result the Consortium promulgates it own rules concerning retiree coverage.

The Consortium will provide coverage for a retiree and the retiree's spouse to age 65 if the retiree is eligible for coverage pursuant to Act 110.

The Consortium will also provide coverage to a retiree, and the retiree's spouse, to age 65, who do not meet the Act 110 requirements, but who enter into an agreement with the retiree's Participating School Entity which provides for coverage with the Consortium.

3.2. Retiree Consortium Coverage Pursuant To Act 110.

- The Consortium provides coverage to an eligible retiree and the retiree's spouse until age 65.
- In the event a retiree leaves Consortium coverage, but returns prior to age 65, Consortium coverage will be reinstated until age 65.
- An eligible retiree and the retiree's spouse are eligible for coverage at the monthly coverage level (e.g., husband/wife) in effect for the parties prior to the date of retirement. The same coverage level requirement also applies if the retiree leaves Consortium coverage and returns prior to age 65. The applicable rate for the retiree is the rate in effect at the date of coverage, and the rate may increase thereafter pursuant to action by the Consortium.
- An eligible retiree and the retiree's spouse are not permitted to "split" a contract by making separate contributions (resulting in separate coverage) for the retiree and the retiree's spouse, instead of making contributions for the retiree and the retiree's spouse at the husband/wife rate (with coverage provided to the spouse as the retiree's dependent).
- In the event a retiree covered with the Consortium dies prior to age 65, the retiree's spouse will be eligible for coverage with the Consortium until the spouse reaches age 65.
- In the event that a retiree divorces his/her spouse following retirement and while covered with the Consortium, the divorced spouse will be eligible for continuation of coverage based on COBRA (36 months).

If there are any questions concerning this Notice, please contact Michael Garofalo (412-263-6353) or Kathy Glynn (412-263-6374) of Aon Consulting, Inc.

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