

April 2009 Edition

Monterey County Schools Insurance Group

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Executive Director Update

COBRA PROVISIONS IN THE FEDERAL STIMULUS BILL

By now you have no doubt heard that the American Recovery and Reinvestment Act of 2009 (ARRA) contains a provision providing for a partial Federal subsidy for COBRA premiums for *assistance eligible individuals*. More information concerning the COBRA subsidy can be found at <http://www.irs.gov/newsroom/article/0..id=204505.00.html> and <http://www.dol.gov/ebsa/cobra.html>.

As you also probably know, although MCSIG administers COBRA for MCSIG member districts, under COBRA law, it is still the employer who remains ultimately liable for COBRA compliance.

Toward that end MCSIG staff have been closely monitoring the regulatory guidance in preparation for administering the COBRA subsidy on your behalf. This Update issue is dedicated to explaining how MCSIG will be administering the Federal COBRA subsidy for MCSIG member participants.

Notices: On or before April 18, 2009, MCSIG will begin sending special COBRA notices to participants as required under the Act, including participants who experienced a qualifying event back to September 1, 2008. These notices will include application forms for participants to complete and return to apply as an assistance eligible individual.

Determining Who Qualifies as an Assistance Eligible Individual: As MCSIG receives the completed applications from participants we will utilize guidance from the Department of Labor to determine the participants' Assistance Eligible Individual status under the Act. Those participants that are determined to meet the requirements as Assistance Eligible Individuals and who have so indicated will be enrolled in COBRA coverage.

COBRA Payments: All COBRA participants, including those who qualify and enroll as assistance eligible individuals under the Act, will continue to make their COBRA payments directly to MCSIG.

Claiming the Subsidy: The Internal Revenue Service has ruled that in the case of multi-employer programs such as MCSIG, the plan administrator (MCSIG) is the entity responsible for claiming the Federal subsidy through the payroll mechanism established by the Internal Revenue Service. MCSIG will be working with the payroll staff at MCOE to claim the subsidy on behalf of MCSIG participants who qualify as assistance eligible individuals.

Recordkeeping: MCSIG will be responsible for obtaining and storing subsidy related records according to guidance received from the Internal Revenue Service. In addition, we will provide each district with ongoing information regarding the number of participants from their districts that qualify for, and enroll, in COBRA as assistance eligible individuals.

Information Needed from the MCSIG Member Districts: In the near future, we will be working through your Benefit Representatives to help establish a list of potential assistance eligible individuals from your individual districts. Any MCSIG participant who became ineligible for MCSIG coverage through an involuntarily termination may qualify. The Federal government is taking an expansive view of involuntary termination. Examples currently include participants who were laid off or had a reduction in hours resulting in loss of their eligibility; participants who took an early-retirement incentive and disciplinary terminations. We anticipate this list will expand as the Feds provide more clarifying guidance.

Please contact me if you have any questions.

Important Upcoming Dates

Executive Committee Meetings

April 21, 2009

May 19, 2009

1:30 p.m.

Full Board Meeting

May 19, 2009

3:00 p.m.

Executive Committee Members

Garry Bousum, President
Robert Della Rosa, Vice President
(CTA)

Sara Perez, Treasurer
Robin Blakley, Member
James Fontana, Member
Peggy Gilkey, Member (CTA)
Eric Price, Member (CSEA)
Rosie Sanchez, Member (CSEA)

Sherrell Freeman, Executive Director
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MCSIG

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