

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 11, 2012

To: Board of Supervisors
From: Bradley J. Hudson, County Executive
Subject: Retiree Medical and Dental Insurance Program for Calendar Year 2013
Contact: David Devine, Director of Department of Personnel Services (874-6398)

Overview

A retiree medical and dental insurance program is considered each calendar year by the Board of Supervisors. This item requests approval of recommended Calendar Year 2013 program subsidies (offset payments) subject to the actuarial report required by Government Code Section 7505.

Recommendations

A. Adopt the attached resolution to:

- 1) Approve: (a) access to medical insurance for retirees; (b) retiree medical and dental insurance offset payments for County retirees where required by applicable MOU and (3) elimination of retiree medical insurance offset payments for all other retirees;
- 2) Direct staff to obtain an actuarial analysis of the expected cost of the Retiree Health Insurance Program for Calendar Year 2013, and to return and present it to the Board for approval prior to open enrollment in October; and
- 3) Direct staff to prepare the Calendar Year 2013 Retiree Medical and Dental Insurance Administrative Policy consistent with the group insurance contracts.

B. Direct staff to notify all participating Special Districts of the Board's action and encourage the independent districts to adopt a similar policy regarding access to medical insurance, eligibility and amount of medical offset and premium payment guidelines for their eligible retirees.

Fiscal Impact

The recommendations will impact the 2nd half of Fiscal Year 2012-13, January 2013 through June 30, 2013, and therefore approval of these recommendations will have an impact on the upcoming fiscal year budget. The policy (subsidies) for the first half of the fiscal year has already been approved. Based upon this recommendation, the County cost of the Retiree Medical and Dental Insurance Program is estimated by staff to be \$1.5M for Fiscal Year 2012-13. The net cost to the General Fund for Fiscal Year 2012-13 is approximately \$416,000 due to the County receiving partial reimbursements from a

number of sources for these costs. The recommendation is requesting approval for \$645,000 of the \$1.5 million, all associated with the labor settlements. The impact on the general fund for this portion is \$181,000.

Retirees are not guaranteed medical or dental insurance cost subsidization at a particular level or at all. The Board may elect not to provide future subsidies at any time.

BACKGROUND

Since June 2008 the Board has approved the Calendar Year retiree subsidy amounts (subject to an actuarial report required by Government Code Section 7505) during the budget hearings.

Upon approval of the subsidy amounts and the eligibility requirements, staff has prepared the administrative policy and obtained an actuarial report for submission to and approval of the Board.

DISCUSSION

The Retiree Medical and Dental Insurance Program currently provides access to group medical and dental insurance and medical and dental offset payments to those eligible County retirees who retired before June 1, 2007. These benefits are not vested benefits and are subject to determination and appropriation each year by the Board of Supervisors. The Board can end this program at any time.

The recommendation provided herein would make the following changes to the Calendar Year 2011 Retiree Health Insurance Program Administration Policy for the 2012 calendar year:

Eliminate the \$40 subsidy for those annuitants that receive less than \$2,000 per month from SCERS. There are approximately 1200 annuitants receiving this benefit.

Continue the benefit of \$122-\$244 plus dental for the approximately 400 annuitants from bargaining units covered by the 2010 labor agreement. This subsidy will end 6/30/2013 for all units except 003 Law Enforcement, Non-Supervisory.

The following represents the changes that would be made in the 2012 Retiree Medical and Dental Insurance Program Administrative policy for the 2013 calendar year:

IX. ELIGIBILITY FOR SUBSIDY/OFFSET PAYMENTS

The following categories of Annuitants are eligible to receive a County-paid medical or dental insurance offset payment in accordance with the specific labor agreement:

- A. Annuitants who retired from the following Recognized Employee Organizations after May 31, 2007; 1) under any form of disability

retirement, or 2) having worked for at least 10 years in SCERS-covered employment (subsidy group 1):

- 001 – General Supervisory Unit, Teamsters Local 150;
- 003 – Law Enforcement, Non-Supervisory, Sacramento County Deputy Sheriffs Association;
- 005 – Office Technical, United Public Employees Local;
- 007 – Health Services, American Federation of State, County and Municipal Employees;
- 008 – Welfare Non Supervisory, United Public Employees Local 1;
- 010 – Accountants Non Supervisory, Sacramento County Professional Accountants Association;
- 020 – Attorneys Non Supervisory, Sacramento County Attorney’s Association;
- 021 – Attorneys Supervisory, Sacramento County Attorney’s Association;
- 025 – Welfare Supervisory, Service Employees International Union 1021.

The medical insurance subsidy/offset payment, if any, will be provided to a continuing beneficiary who is a spouse or a registered domestic partner or a Survivor on the same basis as it was, or would have been made available to a retiree. The subsidy/offset cannot be split among multiple continuing beneficiaries.

The following shall apply to this section:

“SCERS-covered employment” shall mean time actually worked for a SCERS-participating agency, including any SCERS-purchasable service credit that was earned through redeposit based on prior employment, part-time employment with a SCERS-participating agency, military service credited per Government Code Section 31649 as adopted by Board of Supervisors Resolution No. 11-125, or time eligible for purchase due to a leave of absence, provided that such time has actually been purchased. “Additional Retirement Credit” (ARC) and Public Service Credit (PSC) are not included in “SCERS-covered employment” for purposes of determining eligibility for the subsidy/offset.

(Note: This applies only to Annuitants who are receiving a benefit based upon County employment. Eligibility for Annuitants that were last employed with a Special District or other SCERS employer shall be determined by separate agreement between the County and District or other employer.)

X. AMOUNT OF SUBSIDY/OFFSET PAYMENT

The amount of any medical subsidy/offset payment made available to Annuitants shall be calculated based on the Annuitant’s SCERS service credit. For purposes of

this section, “SCERS service credit” shall be the amount of service credit as defined in Section IX of this policy.

Neither SCERS nor the County of Sacramento guarantees that a subsidy/offset payment will be made available to Annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership.

The amount of subsidy/offset payment, if any, payable on account of enrollment in a County-sponsored retiree medical and/or dental insurance plan, shall be established within the sole discretion of the Sacramento County Board of Supervisors. The amount of subsidy/offset payments are as follows:

Years of Service for Medical	Subsidy Group 1	
<10	\$122	
10-15	\$152	
15-20	\$182	
20-25	\$212	
25+	\$244	
Dental	\$25	

For many retirees the County-sponsored plans are their only avenue to purchase quality, affordable medical insurance coverage without concern for health or pre-existing condition limitations. While access to coverage will still be available in the 2013 calendar year, there can be no guarantees for the future, especially for the individuals who retire without being eligible for Medicare (generally those between the ages of 50 and 65).

Retirees not eligible for the offset payment will continue to be provided the option to enroll in a County-sponsored retiree medical plan on a self-pay basis.

Government Code Section 7507 requires that the future costs, as determined by an enrolled actuary, shall be made public at a public meeting at least two weeks prior to the adoption of any changes in public retirement plan benefits. Because the retiree health insurance program is not a vested benefit and must be adopted each year, we treat this as a benefit change. Therefore, there is a requirement for action to be taken on two separate dates with regards to this matter.

- If the future costs of the changes exceed one-half of 1 percent of the future annual costs, as defined, of the existing benefits for the legislative body an actuary shall be present to provide information as needed at the public meeting at which the adoption of a benefit change shall be considered.
- The adoption of any benefit to which this section applies shall not be placed on a consent calendar.

- Upon the adoption of any benefit change to which this section applies, the person with the responsibilities of a chief executive officer in an entity providing the benefit, however that person is denominated, shall acknowledge in writing that he or she understands the current and future cost of the benefit as determined by the actuary.

The next recommendation is to direct staff to prepare the Calendar Year 2013 Retiree Medical and Dental Program Administrative Policy. In the past staff would present the policy as part of these recommendations. This year, however, staff recommends postponing the presentation of the policy until August.

The final recommendation is to direct staff to work with the independent districts currently participating in the program to encourage them to adopt a similar program. The purpose of this recommendation is to continue to provide access to all retirees, provide offset payments to those that retired prior to a date specific and to maintain some level of administrative consistency.

FINANCIAL ANALYSIS

The recommendations will impact the 2nd half of Fiscal Year 2012-13, January 2013 through June 30, 2013, and therefore approval of these recommendations will have an impact on the upcoming fiscal year budget. The policy (subsidies) for the first half of the fiscal year has already been approved. Based upon this recommendation, the County cost of the Retiree Medical and Dental Insurance Program is estimated by staff to be \$1.5M for Fiscal Year 2012-13. The net cost to the General Fund for Fiscal Year 2012-13 is approximately \$416,000 due to the County receiving partial reimbursements from a number of sources for these costs. The recommendation is requesting approval for \$645,000 of the \$1.5 million, all associated with the labor settlements. The impact on the general fund for this portion is \$181,000.

Respectfully submitted,

Bradley J. Hudson,
County Executive

Attachment

Cc: County Counsel, Retirement Administrator, Chief Deputy County Executive-Internal Services, Administrator, Director of Finance; County Benefits Manager; Recognized Employee Organizations; Sacramento County Retired Employees Association

RESOLUTION NO. _____**RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM POLICY FOR
CALENDAR YEAR 2013**

WHEREAS, the Board of Supervisors of the COUNTY OF SACRAMENTO, a political subdivision of the State of California, recognizes and affirms that the provision of retiree medical insurance, dental insurance, or a subsidy to assist with the payment for such coverage is not a vested benefit of employment with, or retirement from, the County of Sacramento or any other Sacramento County Employees' Retirement System (SCERS) participating agency; and

WHEREAS, the County of Sacramento for Fiscal Year 2011-12 has provided eligible SCERS retirees with access to health and dental insurance benefits through County-sponsored medical and/or dental insurance programs;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that by its approval of this resolution, the Board of Supervisors of the COUNTY OF SACRAMENTO, a political subdivision of the State of California, hereby approves the following:

- Provision of access to medical insurance for retirees under existing County health plans;
- Provision of retiree medical and dental insurance offset payments for eligible retirees from dependent special districts consistent with authorizing resolutions of those districts, and
- Provision of retiree medical and dental insurance offset payments for County eligible retirees from the following Recognized Employee Organizations that are expressly subject to the Public Employee Relations Board (PERB) ruling that retired on or after June 1, 2007 subject to the Government Code 7507 requirements:
 - 001 – General Supervisory Unit, Teamsters Local 150;
 - 003 – Law Enforcement, Non-Supervisory, Sacramento County Deputy Sheriffs Association;
 - 005 – Office Technical, United Public Employees Local;
 - 007 – Health Services, American Federation of State, County and Municipal Employees;
 - 008 – Welfare Non Supervisory, United Public Employees Local 1;

- 010 – Accountants Non Supervisory, Sacramento County Professional Accountants Association;
 - 020 – Attorneys Non Supervisory, Sacramento County Attorney’s Association;
 - 021 – Attorneys Supervisory, Sacramento County Attorney’s Association;
 - 025 – Welfare Supervisory, Service Employees International Union 1021.
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- Engagement of an actuary at a cost not to exceed \$15,000 to conduct an actuarial analysis of the cost of the provision of access to medical insurance for retirees, the provision of retiree medical and dental insurance offset payments to County eligible retirees in accordance with the PERB ruling; and,
 - Preparation of the Retiree Medical and Dental Insurance Program Administrative Policy for Calendar Year 2013; and,
 - Direct staff to notify all participating Special Districts of the Board’s action and encourage the independent districts to adopt a similar policy regarding access to medical insurance, eligibility and amount of medical offset and premium payment guidelines for their eligible retirees; and,
 - Authorize the Office of Budget and Debt Management to allocate any cost reductions to county departments.

BE IT FURTHER RESOLVED that the Director of the Department of Personnel Services is hereby directed and authorized to do and perform all things necessary to carry out the purpose of this Resolution.

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this ____ day of June, 2012, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk, Board of Supervisors