

COUNTY OF SACRAMENTO
DEPARTMENT OF PERSONNEL SERVICES

Intra-Departmental Correspondence

Date: June 11, 2012

To: Board of Supervisors

From: David Devine
Director, Department of Personnel Services

Subject: **Follow-up regarding Retiree Medical Budget Proposal**

Prior to 2005 the program was administered by SCERS on a July 1 to June 30 basis to coincide with their fiscal year cycle. When the County took over the administration and funding of the program, the Board adopted a calendar year approach to the subsidy policy. This was to allow funding decisions to be made during the budget process, to accommodate noticing requirements and to align with the County's renewal cycle of health insurance contracts.

For FY 2011-12 the Board approved a retiree subsidy of \$40 per month for non-PERB retirees receiving retirement benefits less than \$2,000 per month from SCERS. This subsidy has been approved by the Board through December 2012. There are 1,238 non-PERB retirees who earn less than \$2,000 per month in retirement that receive a \$40 per month subsidy and the estimated fiscal year cost County wide is \$297,120 for a net general fund cost of \$83,431.

The County Executive's recommendation is to eliminate the subsidy effective January 1, 2013. This recommendation equates to \$297,120 cost avoidance County wide with an \$83,431 positive impact on the net general fund. If the Board elects to provide the subsidy to June 30, 2013 the savings described above will not be realized.

If the subsidy is continued to December 2013, the total impact to the County would be \$594,240 (or \$166,862 impact on the general fund for a calendar year).

Should you have any further questions, please let me know.