SACOG

Item #17-4-7

Government Relations & Public Affairs Committee Consent

March 31, 2017

CalPERS Resolution for Healthcare Benefits

Issue: Should SACOG adopt a resolution to reduce its CalPERS healthcare benefits contribution to the established minimum rate for all employees and retirees?

Recommendation: That the Government Relations & Public Affairs Committee recommend that the Board adopt the attached resolution and authorize the CEO to sign all necessary documents.

Discussion: In February, the Board approved a new Memorandum of Understanding ("MOU") with the SACOG Employees Association that modifies employee and retiree healthcare benefits contributions. In order to implement the changes, SACOG must adopt a resolution adjusting its employer healthcare benefits contribution rates at the Public Employee's Medical and Hospital Care Act (PEMHCA) established minimum (minimum rate). The current minimum rate for calendar year 2017 is $128 per month, and the rate is adjusted each year by CalPERS based on consumer price index changes.

This action does not change the benefits that employees and retirees are entitled to. It is an administrative change to comply with CalPERS requirements. Rather than SACOG paying the healthcare benefit directly to CalPERS, SACOG will only pay the PEMHCA minimum directly to CalPERS. Employees and retirees who receive healthcare benefits will receive the difference between their benefit amount and the PEMHCA minimum directly, therefore creating an indirect contribution. There is no additional cost to employees or retirees.

Employees will receive premium payments from Paychex, as was authorized by the Board in February. Retirees will receive premium payments from Keenan and Associates/MidAmerica Administrative Solutions, if approved by the Board this month. Any changes will take effect July 1, 2017, concurrent with implementation of the MOU.

The reason for moving to the PEMHCA minimum rate is that if a public agency such as SACOG participates in CalPERS health, it is required to pay directly to CalPERS at least the same benefit to all retirees as to all employees. SACOG and its Employees Association have agreed to retiree health insurance benefits that differ from employee benefits. Therefore, SACOG must reduce the direct contribution (i.e., premiums paid directly) to CalPERS.

SACOG provides post-retirement health insurance for all employees who retire from SACOG and CalPERS at the same time. There are four specific retiree groups that may receive a benefit that differs from employees.

1) For employees hired between November 2005 and June 2006, the benefit is up to the value of the full Kaiser family rate, subject to a vesting schedule.
2) For employees hired between July 2006 and June 30, 2017, the benefit is up to the value of the full Kaiser two-party rate, subject to a vesting schedule.
3) For employees hired starting July 1, 2017, the benefit will be the PEMHCA minimum rate. Those employees will also receive a $50 monthly contribution to a Health Reimbursement Savings Plan while employed at SACOG.
4) For employees who retire starting January 1, 2019, the benefit will be the same rate as employees, subject to a vesting schedule.

Approved by:

Kirk E. Trost
Interim Chief Executive Officer

KET:EJ:ts
Attachment

Key Staff: Erik Johnson, Manager of Policy & Administration, (916) 340-6247

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

RESOLUTION NO. 34 – 2017

FIXING THE EMPLOYER CONTRIBUTION AT AN EQUAL AMOUNT FOR EMPLOYEES AND ANNUITANTS UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT

WHEREAS, the Sacramento Area Council of Governments is a contracting agency under Government Code Section 22920 and subject to the Public Employees' Medical and Hospital Care Act (the "Act"); and

WHEREAS, Government Code Section 22892(a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and

WHEREAS, Government Code Section 22892(b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892(b) of the Act.

NOW THEREFORE BE IT RESOLVED, that:

(a) the employer contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan up to a maximum of the PEMHCA Minimum per month, plus administrative fees and Contingency Reserve Fund assessments; and

(b) the Sacramento Area Council of Governments has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and

(c) that the participation of the employees and annuitants of Sacramento Area Council of Governments shall be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is determined that Sacramento Area Council of Governments would not qualify as an agency or instrumentality of the state or political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves the right to terminate the health coverage of all participants of the employer; and

(d) that the Board of Directors appoint and direct, and it does hereby appoint and direct, James Corless, Chief Executive Officer, to file with the Board a verified copy of this resolution, and to perform on behalf of Sacramento Area Council of Governments all functions required of it under the Act; and

(e) That coverage under the Act be effective on July 1, 2017.

PASSED AND ADOPTED, this 20th day of April 2017, at Sacramento, California by the following vote of the Board of Directors:

AYES:

NOES:

ABSTAIN:

ABSENT:

Brian Veerkamp	James Corless
Chair	Chief Executive Officer