

**REPORT TO MAYOR AND COUNCIL**

TO THE HONORABLE MAYOR AND COUNCIL:

DATE: September 23, 2014

SUBJECT: ADOPT RESOLUTION NO. 14-72 ELECTING TO BE SUBJECT TO THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT AND FIXING THE EMPLOYER'S CONTRIBUTION FOR EMPLOYEES AND THE EMPLOYER'S CONTRIBUTION FOR RETIREES AT DIFFERENT AMOUNTS, AND RESOLUTION NO. 14-4735.5 ESTABLISHING THE VESTING REQUIREMENT FOR ELECTED OFFICIALS TO QUALIFY FOR RETIREE HEALTH BENEFITS

Report in Brief

At the council meeting held on July 22, 2014, City Council adopted Resolution No. 14-65 A Resolution Providing Direction to Staff to Work with CalPERS to Modify Pension and Retiree Medical Benefits for Elected Officials, and directed staff to bring back to Council the necessary documents to: (1) eliminate CalPERS pension benefits for incoming, newly elected officials, and (2) significantly limit eligibility for retiree medical benefits for incoming, newly elected officials by establishing stringent vesting and retirement age criteria.

On August 26, 2014, the Council took action to amend the City's current contract with CalPERS to exclude elected officials elected after November 1, 2014 from the retirement pension benefit established for City of Concord employees. The Council is taking their last action to implement these pension changes for elected officials by adopting Ordinance 14-9 at the same Council meeting (September 23rd) as these resolutions related to retiree medical benefits for elected officials are being considered.

The last action by Council to complete the changes related to retiree medical benefits for elected officials, as directed by Council at the July 22, 2014 meeting, is adoption of the two resolutions presented with this staff report.

Background

Consistent with their policy of sound fiscal management, the Mayor and the City Councilmembers have publicly voiced their desire to review and address the issue of retiree health care for elected officials; additionally, the Council has already taken steps to address retiree health care costs by requiring existing and retired employees, including elected officials, to pay more of their medical insurance costs. Doing this decreased the City's annual costs and unfunded liabilities significantly.

**ADOPT RESOLUTION NO. 14-72 ELECTING TO BE SUBJECT TO THE PUBLIC
EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT AND FIXING THE
EMPLOYER'S CONTRIBUTION FOR EMPLOYEES AND THE EMPLOYER'S
CONTRIBUTION FOR RETIREES AT DIFFERENT AMOUNTS, AND
RESOLUTION NO. 14-4735.5 ESTABLISHING THE VESTING REQUIREMENT
FOR ELECTED OFFICIALS TO QUALIFY FOR RETIREE HEALTH BENEFITS**

September 23, 2014

Page 2

The changes referred to in this report will further address retiree health care costs by significantly limiting eligibility for retiree medical benefits for incoming, newly elected officials by establishing stringent vesting and retirement age criteria, while still allowing elected officials to participate in the City's health plans while actively serving.

Discussion

Since July 22, 2014, staff has been working with CalPERS to bring to the Mayor and City Councilmembers the documents necessary to affect the desired changes to the City's retirement and retiree health benefits for Elected Officials. Resolutions 14-72 and 14-4735.5 referenced in this report are the last two resolutions needed to complete the changes to retiree health benefits for elected officials.

Resolution 14-72, Resolution Electing to be Subject to the Public Employees' Medical and Hospital Care Act and Fixing the Employer's Contribution for Employees and the Employer's Contribution for Retirees at Different Amounts will establish a new employee group for newly Elected Officials within the City's health benefit plans. By establishing this new employee group, the City will now be able to apply the new vesting and retirement age criteria for retiree health benefits for newly Elected Officials who are elected after November 1, 2014. Resolution 14-4735.5, A Resolution Establishing the Vesting Requirement for Elected Officials to Qualify for Retiree Health Benefits, sets the vesting criteria for newly Elected Officials, who are elected after November 1, 2014, at age sixty-five (65) years or older and having served as an elected official of the City of Concord for at least thirty (30) years.

With these changes, newly Elected Officials will have the opportunity to participate in the City's health plans while serving the City of Concord, and will be subject to the new vesting criteria in order to be eligible for retiree health benefits.

Per Government Code 36516.5, Council may not approve changes to salary and benefit for themselves, so the effective date of this change must be following the next election, in November, 2014.

Fiscal Impact

The current cumulative annual cost for retiree health benefits for all former elected officials who have retired from the City of Concord is approximately \$29,000, representing the City's share of annual health care premiums for the four retired elected officials who receive the retiree health care benefit. Due to the new cost sharing formula, the retired elected officials also pay a portion of the cost for this benefit, and bear a percentage share of any future cost increases.

ADOPT RESOLUTION NO. 14-72 ELECTING TO BE SUBJECT TO THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT AND FIXING THE EMPLOYER'S CONTRIBUTION FOR EMPLOYEES AND THE EMPLOYER'S CONTRIBUTION FOR RETIREES AT DIFFERENT AMOUNTS, AND RESOLUTION NO. 14-4735.5 ESTABLISHING THE VESTING REQUIREMENT FOR ELECTED OFFICIALS TO QUALIFY FOR RETIREE HEALTH BENEFITS

September 23, 2014

Page 3

With the changes Staff is recommending, future retiree health benefit costs for newly elected officials will be nearly eliminated due to the new vesting schedule. Additionally, the City's retiree health care costs are further reduced once a retiree reaches eligibility for Federal Medical benefits (generally at age 65). Upon Medicare eligibility, the City's CalPERS benefit is secondary to the retiree and therefore the City's costs for their health care premiums are significantly reduced.

Public Contact

The agenda has been posted in accordance with the legal requirements.

Recommendation for Action

Staff recommends that Council adopt Resolution No. 14-72, Resolution Electing to be Subject to the Public Employees' Medical and Hospital Care Act and Fixing the Employer's Contribution for Employees and the Employer's Contribution for Retirees at Different Amounts, and adopt Resolution 14-4735.5, A Resolution Establishing the Vesting Requirement for Elected Officials to Qualify for Retiree Health Benefits.

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Attachments:

Attachment 1: Resolution No. 14-72

Attachment 2: Resolution No. 14-4735.5

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**Resolution Electing to be Subject to the Public
Employees' Medical and Hospital Care Act and
Fixing the Employer's Contribution for Employees
and the Employer's Contribution for Retirees at
Different Amounts**

Resolution No. 14-72

WHEREAS, Government Code Section 22922(a) provides the benefits of the Public Employees' Medical and Hospital Care Act to employees, retirees, and survivors of local agencies contracting with the Public Employees' Retirement System on proper application by a local agency; and;

WHEREAS, Government Code Section 22892(c) provides that a contracting agency may fix the amount of the employer's contribution for employees and the employer's contribution for retirees and survivors at different amounts, provided that the monthly contribution for retirees and survivors is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly contribution for employees, until such time as the amounts are equal; and

WHEREAS, Government Code Section 22892(c) provides that a contracting agency may fix the amount of the employer's contribution for employees and the employer's contribution for retirees and survivors at different amounts, provided that the monthly contribution for retirees and survivors is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly contribution for employees, until such time as the amounts are equal; and

WHEREAS, Government Code Section 22920(b) defines any Special District as a contracting agency; and

WHEREAS, Special District is hereby defined as a non-profit, self-governed public agency within the State of California, and comprised solely of public employees performing a governmental rather than proprietary function; and

WHEREAS, City of Concord, hereinafter referred to as Special District is an entity meeting the above definition; and

1 **WHEREAS**, The Special District desires to obtain for the members of Non-PERS Elected
2 Officials, who are active and retired employees and survivors of the agency, the benefit of the Act and
3 to accept the liabilities and obligations of an employer under the Act and Regulations.

4 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES**
5 **RESOLVE AS FOLLOWS:**

6 **Section 1.** That the Special District elects, and it does hereby elect, to be subject to the
7 provisions of the Act.

8 **Section 2.** That the employer's contribution for each employee shall be the amount necessary
9 to pay the full cost of his/her enrollment, including the enrollment of family members in a health
10 benefits plan up to a maximum of PEMHCA Minimum per month.

11 **Section 3.** That the employer's contribution for each retiree or survivor shall be the amount
12 necessary to pay the cost of his/her enrollment, including the enrollment of family members, in a
13 health benefits plan up to a maximum of \$1.00 per month.

14 **Section 4.** That the employer's contribution for each retiree or survivor shall be increased
15 annually by 5 percent of the monthly contribution for employees, multiplied by number of years of
16 employer's participation in PEMHCA, until such time as the contributions are equal;

17 And that the contributions for employees, retirees, and survivors shall be in addition to those
18 amounts contributed by the Special District for administrative fees and to the Contingency Reserve
19 Fund.

20 **Section 5.** That City of Concord has fully complied with any and all applicable provisions of
21 Government Code Section 7507 in electing the benefits set forth above.

22 **Section 6.** That the participation of the employees, retirees, and survivors of the City of
23 Concord shall be subject to determination of its status as an "agency or instrumentality of the state or
24 political subdivision of a State" that is eligible to participate in a governmental plan within the
25 meaning of Section 414(d) of the Internal Revenue Code, upon publication of final Regulations
26 pursuant to such Section. If it is determined that the City of Concord would not qualify as an agency
27 or instrumentality of the state or political subdivision of a State under such final Regulations,
28 CalPERS may be obligated, and reserves the right to terminate the health coverage of all participants

1 of the employer.

2 **Section 7.** That the executive body appoint and direct, and does hereby appoint and direct,
3 Valerie Barone, City Manager, to file with the Board of Administration of the Public Employees'
4 Retirement System a verified copy of this Resolution, and to perform on behalf of said Special District
5 all functions required of it under the Act and Regulations of the Board of Administration.
6

7 **Section 8.** That coverage under the Act be effective on November 1, 2014.

8 **Section 9.** This resolution shall become effective immediately upon its passage and adoption.

9
10 **PASSED AND ADOPTED** by the City Council of the City of Concord on September 23,
11 2014, by the following vote:

12 **AYES:** Councilmembers -

13 **NOES:** Councilmembers -

14 **ABSTAIN:** Councilmembers -

15 **ABSENT:** Councilmembers -

16 **I HEREBY CERTIFY** that the foregoing Resolution No. 14-72 was duly and regularly
17 adopted at a regular meeting of the City Council of the City of Concord on September 23, 2014.

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19 _____
Joelle Fockler, CMC
Deputy City Clerk

20 **APPROVED AS TO FORM:**

21
22 _____
Mark S. Coon
City Attorney

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution Establishing the Vesting Requirement
for Elected Officials to Qualify for Retiree Health
Benefits**

Resolution No. 14-4735.5

WHEREAS, the current contract with CalPERS for health benefits allows for Elected Officials to participate in the health benefits plans while actively serving the City of Concord, and in retirement; and

WHEREAS, the City of Concord wishes to establish a vesting period for Elected Officials, newly elected after November 1, 2014, to qualify for retirement health benefits as age sixty-five (65) years or older and having served as an elected official of the City of Concord for at least thirty (30) years.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES
RESOLVE AS FOLLOWS:**

Section 1. Elected Officials may participate in the health plans offered to all active employees of the City of Concord while actively serving the City of Concord in their capacity as an elected official.

Section 2. The vesting period for Elected Officials newly elected after November 1, 2014, to qualify for retirement health benefits is age sixty-five (65) years or older and services as an elected official to the City of Concord for at least thirty (30) years.

Section 3. This resolution shall become effective immediately upon its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Concord on September 23, 2014, by the following vote:

AYES: Councilmembers -

NOES: Councilmembers -

ABSTAIN: Councilmembers -

ABSENT: Councilmembers –

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