



Staff Report

Date: August 2, 2016

To: City Council

From: Valerie J. Barone, City Manager

Reviewed by: Elia Bamberger, Director of Human Resources

Prepared by: Teresa Fairbanks, Senior Human Resources Analyst
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(925) 671-3397

Subject: **Considering adopting Resolution Nos. 16-61 and 16-62 fixing the employer's contribution under the Public Employees' Medical and Hospital Care Act (PEMHCA) for members of the Concord Police Association and the Concord Police Managers' Representation Unit. (General Fund)**

Report in Brief

The California Public Employees' Retirement System (CalPERS) requires that agencies participating in health coverage through the Public Employees' Medical and Hospital Care Act (PEMHCA) adopt resolutions fixing the employer contribution for health benefits. On August 2, 2016 the Concord City Council will be asked to approve tentative agreements with the Concord Police Association and the Concord Police Managers' Representation Unit on a successor Memoranda of Understanding (MOU). Among the agreed-upon changes to terms and conditions is the establishment of a fixed employer contribution for active employee medical and retirement medical equal to 90% of the 2016 Kaiser premium rate for Basic health plans. In addition, the employer contributions for Concord Police Association and Concord Police Managers' Representation Unit retirees participating in Medicare Supplemental plans or Combination plans remain fixed at the existing 2016 employer contribution level.

Further, for employees actively working for the City of Concord, the City and Concord Police Association and Concord Police Managers' Representation Unit established a cost sharing formula for increases or decreases to the Kaiser premium rates which may occur during the term of the agreements (expiring June 30, 2019) and impact actively working employees. Under these terms, the City will be picking up 75% of each

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increase or decrease during the term, with bargaining unit members (Concord Police Association and Concord Police Managers' Representation Unit) picking up the remaining 25% of each increase or decrease. Formerly, the City and the Concord Police Association and Concord Police Managers' Representation Unit shared any such changes on a 50%/50% basis.

To effect these changes with the CalPERS system, formal action is required through the adoption of separate resolutions for the Concord Police Association and Concord Police Managers' Representation Unit.

Recommended Action

Staff recommends the City Council adopt Resolutions Nos. 16-61 and 16-62 as required by the California Public Employees' Retirement System (CalPERS) fixing the City contribution to the CalPERS health program under the Public Employees' Medical and Hospital Care Act (PEMHCA) for all members of the Concord Police Association (Resolution No. 16-61) and Concord Police Manager's Representation Unit (Resolution No. 16-62).

Background

Under Government Code Section 22892, a contracting PERS agency may elect to participate in PERS Health Plans, allowing such participation to be elected by individual bargaining units. The City currently provides medical benefits through the CalPERS health system as a result of contract negotiations which occurred in 1998. The City's contribution to active employees medical premiums is determined through negotiations with the employees' exclusive representation (if applicable), Cal Gov't Code section 22892.

In 2016, during the course of negotiations with the Concord Police Association and Concord Police Managers' Representation Unit, the parties agreed to increase the City's current employer contribution for Basic medical plan premiums from the current benefit level 86% of the Kaiser premium rate for 2016 to 90%. Additionally, for employees actively working for the City, for the term of the successor MOU(s) (expiring June 30, 2019) the parties further agreed to share any increase or decrease to the Kaiser annual premium on a 75%/25% basis, with the City picking up 75% of the change and bargaining unit members picking up the remaining 25%.

The parties also agreed to significant cost containment measures relating to the Retirement Medical program, including fixing the employer contribution and creating a vesting schedule as follows:

- 0 – 9 years of City of Concord service – PEMHCA minimum

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- 10 – 14 years of City of Concord service – Two-Party
- 15+ years of City of Concord service – Family

Employees within the Concord Police Association and Concord Police Managers' Representation Unit hired by Concord on or after August 2, 2016 would be limited to the PEMHCA minimum upon future retirement.

Analysis

The City currently provides medical benefits through the CalPERS (PEMHCA) health system. During contract negotiations and discussions held in 2016, the Concord Police Association and Concord Police Managers' Representation Unit agreed to changes relating to active employee medical and to reform the retiree medical program to provide a fixed employer contribution towards retiree medical premium for current and future employees. As a result of negotiation outcomes, the fixed employer contribution will be increasing for the remainder of 2016 to 90% of the Kaiser 2016 premium rate for the Basic plan from the current 86% level; the employer contribution for Medicare Supplemental plans and Combination plans will remain at the level provided in 2016 without change, which is currently at 97% for the Medicare plan, and ranges between 89% - 93% for the Combination plan options. Per CalPERS requirements, these changes also affect current City of Concord retirees receiving retiree medical benefits through PEHMCA.

In addition, per the terms of the respective successor Memoranda of Understanding with the Concord Police Association and Concord Police Managers' Representation Unit, during the term of the agreement (expiring June 30, 2019) the City's share of any premium increases or decreases during the term of the agreement for active employee medical benefits will be shared on a 75%/25% (City/Employee) split for active employees only.

Financial Impact

The City currently contributes approximately 86% of the 2016 Kaiser premium rate for Basic health plans. The cost to implement a 90% fixed employer contribution is approximately \$52,000 for Concord Police Association and \$7,200 for the Concord Police Managers' Representation Unit for the remainder of calendar year 2016; annualized costs for the respective groups are \$160,000 and \$22,000. The continuation of the cost sharing (75%/25% split for the bargaining units) of the premium rate adjustment between the City and employees/retirees reduces the fiscal impact on the City's health care budget long term. In addition, at their August 2, 2016 meeting, the City Council will consider vesting the fixed monthly contribution towards premiums contained in the reformed retiree medical benefit for existing retirees (sworn and non-sworn) eligible for the benefit. The reform of the retiree health benefit for existing and

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retired sworn employees reduces the City's unfunded liability by \$7.6 million and saves \$1.1 million a year on the annual recommended contribution (ARC) for the Concord Police Association and Concord Police Managers' Representation Unit for the Retiree Medical program.

Public Contact

The City Council Agenda was posted. A copy of this report has been distributed to the bargaining groups.

Attachments

1. Resolution No. 16-61 – Concord Police Association
2. Resolution No. 16-62 – Concord Police Managers' Representation Unit

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

**A Resolution Fixing the Employer's Contribution at
an Equal Amount for Employees and Annuitants
Under the Public Employees' Medical and Hospital
Care Act With Respect to a Recognized Employee
Organization (Peace Officer Representation Unit)**

Resolution No. 16-61

WHEREAS, City of Concord is a contracting agency under Government Code Section 22920 and subject to the Public Employees' Medical and Hospital Care Act (the "Act") for participation by members of the Peace Officer Representation Unit (002); 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; and

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

Section 1. (a) That 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 or plans up to a maximum of:

Party Rate	Party Rate Description Basic and Medicare Supplement Combination	Employer Contribution Rates
Rate 1	Basic Employee/Retiree only	\$ 671.82
Rate 2	Basic Employee/Retiree +1 Basic Dependent	\$ 1,343.65
Rate 3	Basic Employee/Retiree +2 Basic Dependents	\$ 1,746.74

1	Rate 4	Medicare Retiree only	\$ 287.52
2	Rate 5	Medicare Retiree +1 Medicare Dependent	\$ 575.04
3	Rate 6	Medicare Retiree +2 Medicare Dependents	\$ 862.56
4	Rate 7	Medicare Retiree +1 Basic Dependent	\$ 937.30
5	Rate 8	Medicare Retiree +2 Basic Dependents	\$ 1,321.01
6	Rate 9	Medicare Retiree +1 Medicare Dependent +1 Basic Dependent	\$ 974.16
7	Rate 10	Basic Retiree +1 Medicare Dependent	\$ 937.30
8	Rate 11	Basic Retiree +2 Medicare Dependents	\$ 1,235.10
9	Rate 12	Basic Retiree +1 Basic Dependent +1 Medicare Dependent	\$ 1,321.01

17 per month, plus administrative fees and Contingency Reserve Fund Assessments.

18 (b) That City of Concord has fully complied with any and all applicable provisions of
19 Government Code Section 7507 in electing the benefits set forth above.

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

1 (d) That the executive body appoint and direct, and it does hereby appoint and directs, Director
2 of Human Resources to file with the Board a verified copy of this resolution, and to perform on behalf
3 of City of Concord all functions required of it under the Act.

4 **Section 2.** This resolution shall become effective immediately upon its passage and adoption
5 but the employers' contribution specified will be effective within 90 days of this action.

6 **PASSED AND ADOPTED** by the City Council of the City of Concord on August 2, 2016, by
7 the following vote:

8 **AYES:** Councilmembers –

9 **NOES:** Councilmembers –

10 **ABSTAIN:** Councilmembers –

11 **ABSENT:** Councilmembers –

12
13 **I HEREBY CERTIFY** that the foregoing Resolution No. 16 - 61 was duly and regularly
14 adopted at a regular joint meeting of the City Council of the City of Concord on August 2, 2016.

15
16 _____
17 Joelle Fockler, MMC
18 City Clerk

19 **APPROVED AS TO FORM:**

20 _____
21 Susanne Meyer Brown
22 City Attorney

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

**A Resolution Fixing the Employer’s Contribution at an Equal Amount
for Employees and Annuitants Under the Public Employees’ Medical
and Hospital Care Act With Respect to a Recognized Employee
Organization (Police Managerial Representation Unit)**

Resolution No. 16-62

WHEREAS, City of Concord is a contracting agency under Government Code Section 22920 and subject to the Public Employees' Medical and Hospital Care Act (the “Act”) for participation by members of the Police Managerial Representation Unit (001); 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; and

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

Section 1. (a) That 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 or plans up to a maximum of:

Party Rate	Party Rate Description Basic and Medicare Supplement Combination	Employer Contribution Rates
Rate 1	Basic Employee/Retiree only	\$ 671.82
Rate 2	Basic Employee/Retiree +1 Basic Dependent	\$ 1,343.65
Rate 3	Basic Employee/Retiree +2 Basic Dependents	\$ 1,746.74

1	Rate 4	Medicare Retiree only	\$ 287.52
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6	Rate 9	Medicare Retiree +1 Medicare Dependent +1 Basic Dependent	\$ 974.16
7	Rate 10	Basic Retiree +1 Medicare Dependent	\$ 937.30
8	Rate 11	Basic Retiree +2 Medicare Dependents	\$ 1,235.10
9	Rate 12	Basic Retiree +1 Basic Dependent +1 Medicare Dependent	\$ 1,321.01

17 Per month, plus administrative fees and Contingency Reserve Fund Assessments; and be it further

18 (b) That City of Concord has fully complied with any and all applicable provisions of

19 Government Code Section 7507 in electing the benefits set forth above; and be it further

20 (c) That the participation of the employees and annuitants of City of Concord shall be subject
21 to determination of its status as an “agency or instrumentality of the state or political subdivision of
22 the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is
23 determined that City of Concord would not qualify as an agency or instrumentality of the state or
24 political subdivision of a State under such final Regulations, CALPERS may be obligated, and
25 reserves the right to terminate the health coverage of all participants of the employer.
26

(d) That the executive body appoint and direct, and it does hereby appoint and directs, Director of Human Resources to file with the Board a verified copy of this resolution, and to perform on behalf of City of Concord all functions required of it under the Act.

Section 2. This resolution shall become effective immediately upon its passage and adoption but the employers' contribution specified will be effective within 90 days of this action.

PASSED AND ADOPTED by the City Council of the City of Concord on August 2, 2016, by the following vote:

AYES: Councilmembers –

NOES: Councilmembers –

ABSTAIN: Councilmembers –

ABSENT: Councilmembers –

I HEREBY CERTIFY that the foregoing Resolution No. 16 - 62 was duly and regularly adopted at a regular joint meeting of the City Council of the City of Concord on August 2, 2016.

Joelle Fockler, MMC
City Clerk

APPROVED AS TO FORM:

Susanne Meyer Brown
City Attorney