

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
DATE: October 20, 2009
SUBJECT: **Health Insurance Benefits / Policy Direction Regarding Deputy Sheriff Association (DSA) Retiree Health Stipend**

ACTION REQUESTED

1. Receive a presentation on Health Insurance Benefits from the County Executive Office.
2. Provide policy direction regarding the payment of a stipend to DSA retirees in order to provide a transition period for the new 80/20% health insurance cost sharing formula for benefit year 2010.

BACKGROUND

On September 8, 2009 the Board of Supervisors imposed proposals contained within the County's "Last, Best and Final Offer (LBFO) for a New Memorandum of Understanding submitted July 1, 2009 by the County of Placer to the Deputy Sheriffs' Association". Government Code Section 3503.4 authorizes a local public agency, after exhaustion of impasse procedures, to implement its last, best and final offer. One of the items contained within the County's LBFO provided greater cost sharing for health insurance premiums starting benefit year 2010 whereby employees will begin to pay 20% of the premium cost and the County's employer contribution for PERSCare was capped.

Prior to 1987 the County did not provide health insurance coverage to retirees, nor did it provide a contribution to help fund retiree health costs. In 1987 the County joined CalPERS Health and, due to a legislative "buy in" provision, the County began to offer health insurance coverage to its retirees. As required by law, the County contributed \$1 per month toward this coverage, and the employer paid health contributions grew very slowly over time (calculated at 5% of the premium). Effective July 1, 2000, Placer County's contributions toward health insurance premiums for Deputy Sheriffs' Association retirees became equal to the amount paid for active DSA employees. Prior to that time the County paid between 30 to 67% of the DSA retirees' health insurance premium costs; an amount that varied as a result of the provider, plan coverage, residence and Medicare eligibility of the retiree and / or covered family member.

The changes adopted in the LBFO related to health insurance premium cost sharing will affect the 156 DSA retirees enrolled in the County's health program as they will now be required to pay 20% of their health care premiums for coverage that begins January 1, 2010. Given financial concerns raised by DSA retirees, and a request by the Board to research this item further, the County Executive Office is bringing forward a recommendation for the County to provide a short-term financial offset for some DSA retirees to help mitigate some of the health insurance cost sharing impact.

COUNTY EXECUTIVE OFFICE RECOMMENDATION

The recommended stipend formula and the conditions by which a DSA retiree would be eligible to receive this stipend are outlined as follows:

1. DSA retirees that retired on or after July 1, 2000 and had 10 or more years of Placer County service when they retired from Placer County will be eligible to receive a “stipend” that will be paid through June 30, 2010.
2. The DSA retiree monthly stipend will equal the **lesser** of either:
 - The difference between the retirees 2009 benefit formula and the new 2010 benefit formula for the same carrier/plan that the retiree was in for the 2009 benefit year (80/20% / capped PERSCare); or
 - A flat monthly stipend calculated as the difference between the 2009 Kaiser benefit formula for a retiree and the new 80/20% 2010 Kaiser benefit formula for a retiree. Plan rates will be consistent with the plan the retiree was enrolled in for benefit year 2009 (single, single+1 or family).
3. DSA retirees that retired prior to July 1, 2000 and / or did not have 10 or more years of Placer County service at retirement will not be eligible to receive the stipend.
4. DSA retiree stipends will be paid monthly beginning January 2010 through June 2010 (6 equal payments) and will be discontinued June 30, 2010.
5. DSA employees that retire after June 30, 2009 would not be eligible to receive the stipend.

Other options that are not recommended can be found in attachment #1. Staff will return at a future Board meeting with the actions necessary to implement the direction that the Board gives today regarding a DSA retiree stipend.

FISCAL IMPACT

The cost to the County to pay for DSA retiree health at the 80/20% formula is estimated at \$1.2 million per year (12 months of coverage).

The individual retiree impact from the new health cost sharing formula will vary due to the health insurance provider and type of coverage that the retiree chooses as well as Medicare eligibility for the retiree and/or family members covered. The average DSA retiree additional cost for health insurance over what the retiree currently pays is expected to range from \$0 to \$230.20 per month; an amount that will vary due to carrier / plan coverage, residence and Medicare eligibility (Attachment 1). The temporary “stipend” that would be paid to eligible DSA retirees is estimated to range between \$0 and \$141 per month.

The additional FY 2009-10 costs related to payment of a DSA retiree stipend is estimated at \$43,332, with approximately 77 DSA retirees eligible to receive the stipend. This cost would be added to the \$1.2 million annually required to cover 80% of the DSA retiree health care cost.

ATTACHMENT #1

Other DSA Health Formula Transition Options -- Not Recommended

156 Retirees Covered
as of October 2009

Scenario #1: Current Recommendation Extended to December 31, 2010

Pick up the difference between Kaiser old formula and the 80 / 20% through the 2010 Benefit Year, December 31, 2010 (12 months) if retired after 7/1/00 with 10+ years of service (flat rate stipend) OR the difference between the old formula and 80 /20 % formula whichever is less.

Estimated number of retirees to receive the stipend: 77

Estimated number of retirees that will not receive the stipend: 79

80% Pick Up / Annual Cost to the County: \$1,231,329

Scenario #1 / Additional Cost to the County: \$86,664

Scenario #2: Differential Stipend / Impacted Retirees Receive to June 30, 2010

Pick up the difference between the old formula and the 80 / 20% through June 30, 2010 (6 months) for all impacted DSA retirees.

Estimated number of retirees to receive the stipend: 125

Estimated number of retirees that will not receive the stipend: 31 (\$0 or less cost with formula change)

80% Pick Up / Annual Cost to the County: \$1,231,329

Scenario #2 / Additional Cost to the County: \$95,917

Scenario #3: Impacted DSA Retirees Receive \$50 per month to 7/1/10.

Each DSA retiree to receive a stipend of \$50 per month through June 30, 2010 (6 months) if the cost under the new 80/20% formula will cost them more each month for health insurance.

Estimated number of retirees to receive the stipend: 125

Estimated number of retirees that will not receive the stipend: 31 (\$0 or less cost with formula change)

80% Pick Up / Annual Cost to the County: \$1,231,329

Scenario #3 / Additional Cost to the County: \$37,500

Scenario #4: Differential Stipend / 3 Years

Pick up the difference between the old formula and the 80 / 20% through Benefit Year 2012, December 31, 2012 (3 years) for impacted DSA retirees.

Estimated number of retirees to receive the stipend: 125

Estimated number of retirees that will not receive the stipend: 31 (\$0 or less cost with formula change)

80% Pick Up / 3 Year Cost to the County: \$3.7 million (if no premium increases)

Scenario #4 / Additional Cost to the County: \$575,502 (if no premium increases)

Note: Could have an adverse impact on the next OPEB actuarial.

