

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
DATE: November 17, 2009
SUBJECT: **Pension Benefits / Policy Direction Regarding Deputy Sheriff Association (DSA) Industrial Disability Retiree Health Stipend**

ACTION REQUESTED

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

PENSION BENEFITS

Placer County provides two pension plans for its employees: Safety and Miscellaneous. The majority of employees are covered by the Miscellaneous Plan and receive a benefit of 2.5% at age 55 with the balance covered by the Safety Plan for a benefit of 3% at age 50. CalPERS provides Placer County with annual actuarial reports that measure the performance of each plan's portfolio and includes specific participant demographics and liability information. The most recent report, received late October, provides information through June 30, 2008 (data that is already one year old). As of June 30, 2008 the Safety Plan had 823 participants and an unfunded liability of \$54.6 million; the Miscellaneous Plan had 5,325 participants and an unfunded liability of \$126.4 million.

Both Plans have provided increased employer contribution rates for FY 2010-11 at 24.989% for Safety (plus the employee share of 9%) and 15.0157% for Miscellaneous (plus the employee share of 8%). CalPERS provided an estimate for FY 2011-12 employer rates at 26.4% and 16.3% respectively. Given the dynamic decline in the CalPERS investment portfolio for FY 2008-09 of -28%, the agency has adopted a "smoothing" methodology whereby the asset decline will be spread over several years. As a result, Placer County Plans can expect employer rate increases that range from .2 to 2.6% each of the next several years in order to recoup these losses.

Financial and statistical information contained within the CalPERS actuarial reports through June 30, 2008 will be presented to the Board during this department presentation.

HEALTH COST SHARING / 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". One of the items contained within the County's LBFO provided greater cost sharing for health insurance premiums starting in benefit year 2010 whereby employees will begin to pay 20% of the premium cost and the County's employer contribution for PERSCare was capped. 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.

SHORT TERM HEALTH COST SHARING MITIGATION

On October 20, 2009 the Board approved the Executive Office's 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. 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.

DSA INDUSTRIAL DISABILITY RETIREE

The Board further directed staff to research how many industrial disability retirees would not be eligible to receive this stipend because they had less than 10 years of Placer County service or a retirement date prior to July 1, 2000. Research indicates that 6 DSA industrial disability retirees would not be eligible to receive the stipend: 4 retired prior to July 1, 2000 and 2, who retired after that date, have less than 10 years of Placer County service. To provide the short term stipend to these industrial disability retirees would add an estimated \$3,800 to the County's cost through June 30, 2010.

Due to concerns raised by retirees and Board members, staff recommends that these industrial disability retirees be added to the group that would receive the monthly stipend, under the same formula outlined above, through June 30, 2010. In keeping with the Program parameters, DSA industrial disability retirees that retire after June 30, 2009 would not be eligible to receive the stipend.

Staff will return at a future Board meeting with the actions necessary to implement the direction that the Board gave on October 20th and today regarding the short term 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, and an additional \$3,800 for the 6 industrial disability retirees. These costs would be added to the \$1.2 million annually required to cover 80% of the DSA retiree health care cost.

