HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS
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AGENDA ITEM 8a
HCAOG Board Meeting
September 17, 2020

DATE: September 1, 2020
TO: HCAOG Board of Directors
FROM: Debbie Egger, Fiscal Administrative Officer
SUBJECT: **Revised HCAOG Personnel Policies & Procedures and CalPERS Healthcare**

STAFF REPORT

Contents:

- Staff, Legal Counsel, and HCAOG Board Executive Committee Recommended Action
- Staff Summary
- Resolution 00-17, Resolution 00-18
- Liebert Cassidy Whitmore Memorandum/Recommendation
- Revised HCAOG Personnel Policies & Procedures
- Resolution 20-18 Adopting Revisions to the HCAOG Personnel Policies & Procedures
- Resolution 20-19 Adopting CalPERS Public Employees Medical Health Care Act

Staff, Legal Counsel and Executive Committee's Recommended Action:

1. Introduce the item as an action item;
2. Allow staff to present the item;
3. Receive public comment;
4. After receiving public comment and discussing, make the following motion:

"The HCAOG staff and the HCAOG Board Executive Committee recommends that the HCAOG Board:

1) Adopt Resolution 20-18 revising HCAOG's Personnel Policies & Procedures to include tiered health care benefits for employees and retirees as of January 1, 2021; and

2) Adopt Resolution 20-19 fixing the employer contribution under the Public Employees Medical Health Care Act (PEMHCA) at an equal amount for employees and annuitants, and direct staff to establish a health savings or reimbursement account to provide contributions in the name of the employees and annuitants hired

on or before January 1, 2021, in an amount equal to the difference between HCAOG's PEMHCA statutory minimum contribution as approved in Resolution 20-18".

Staff Summary:

On December 7, 2000, the Humboldt County Association of Governments Board of Directors adopted Resolution 00-18 implementing enrollment in the medical insurance program offered by the Public Employees' Medical and Hospital Care Act (PEMHCA) and adopted Resolution 00-17 adopting the "Unequal Contribution Method" that established a lesser contribution for retirees for medical benefits offered by the California Public Employees Retirement System (CalPERS). Under the unequal method, HCAOG established a lesser monthly employer contribution for retirees than for employees, with a monthly contribution for retirees that has increased annually until the employer contribution for retirees equals the employer contribution for employees. For HCAOG, the contribution for employees and retirees will become equal January 1, 2021.

When Resolution 00-17 was adopted in 2000, the employer contribution of $394 per month was the cost of HCAOG's health insurance for an employee plus one dependent. The PEMHCA Resolution with CalPERS has not been updated to include the yearly increased cost of healthcare. For calendar year 2020 the cost of insurance for a single employee is $1,127.77 and $2,255.54 for an employee plus one dependent. HCAOG staff consulted with legal counsel, Michael Youril, of the law firm Liebert Cassidy Whitmore to get an understanding of PEMHCA requirements and develop options, for HCAOG Board consideration, regarding medical benefits for future hires. Mr. Youril's memorandum regarding the issues is attached to this staff report.

Under PEMHCA, HCAOG is required to comply with the "minimum contribution rule" and the "equal contribution rule", which due to Resolution 00-17, the equal contribution of $143 will take effect January 1, 2021. HCAOG has the option to fix the contribution at or above the statutory minimum amount, which is adjusted annually. Although CalPERS will not allow agencies to create a second tier of benefits that will be applicable only to future employees or eliminate retiree medical benefits for future employees while retaining the benefits for current employees and retirees, this can be done through changes to HCAOG's Personnel Policies establishing a tiered system.

Staff met with the Executive Committee to review the options provided by Mr. Youril regarding the current healthcare plan for employees and retirees and options available for respective new hires.

Option 1: Maintain employees and retirees at the current PEMHCA benefits level of 100% of healthcare coverage, which includes the employee/retiree plus one dependent.

The fiscal impact of this option would grow exponentially if the Board decided to was to continue with this policy. The Executive Committee determined that the future fiscal impact was not in the best financial interest of HCAOG.

Option 2: Adopt PEMHCA's Equal Contribution Resolution with a Set Contribution.

The equal contribution rule is a requirement of CalPERS and is set to become equal on January 1, 2021. Under the equal contribution rule, the Board can set the contribution at any dollar amount as long as it is greater than the PEMHCA minimum contribution (currently at $139.00 per month). The amount set must be equal for all employees and retirees.

The Executive Committee discussed the fiscal impact if the Board's decision was to contribute an amount of $1,000 per month for future employees and retirees. The $1,000 per month was used for discussion purposes. The Board could choose any set dollar amount. Any set contribution above the CalPERS minimum amount that would not be annually adjusted until such a time that the minimum amount exceeded the set contribution. Any change to that amount would require future Board resolution. The Executive Committee considered the $1,000 amount potentially arbitrary that this option would not allow for a tiered approach for new hires and would result in increased liabilities for HCAOG.

Option 3: Adopt PEMCHA's Equal Contribution Resolution at the Minimum Contribution.

The Executive Committee discussed the third option, which was to consider setting the contribution at the PEMHCA statutory minimum, which is adjusted annually. For calendar year 2021 the set amount will be $143. In addition, HCAOG would contribute the amount needed to cover the annual cost of healthcare for the active employee at 100%, and a contribution of 33% towards one dependent. Retirees would receive the PEMHCA statutory minimum towards their healthcare which would be adjusted annually.

Staff, legal counsel, and the Executive Committee recommends Option 3. If supported by the HCAOG Board, Section 301 of HCAOG's Personnel Policies will be amended to include the following language:

SECTION III
BENEFITS

SUBJECT: HEALTH AND WELFARE BENEFITS

POLICY #301

HCAOG provides health and retirement benefits as outlined below:

1. **Medical Insurance Health Benefits for Employees**

Tier 1 – All employees hired by HCAOG on or before January 1, 2021

Under Tier 1, HCAOG will contribute directly to CalPERS on behalf of each employee the PEMHCA statutory minimum monthly employer contribution amount set annually by CalPERS. In addition, HCAOG will establish a health savings or reimbursement account and will contribute an amount equal to the difference between the PEMHCA statutory minimum contribution and the annual monthly cost of health insurance through CalPERS for the employee plus one dependent.

Tier 2 – All employees hired by HCAOG after January 1, 2021

Under Tier 2, HCAOG will contribute directly to CalPERS on behalf of each employee the PEMHCA statutory minimum monthly employer contribution amount set annually by CalPERS. In addition, HCAOG will contribute an amount equal to the difference between the PEMHCA statutory minimum contribution and the annual monthly cost of health insurance through CalPERS for the employee, plus contribute 33% of the annual monthly cost for one dependent.

1. Medical Insurance Health Benefits for Retirees

Tier 1 – All employees hired by HCAOG on or before January 1, 2021

Under Tier 1, HCAOG employees hired on or before January 1, 2021, who later retire under these Personnel Policies, and qualify as an “annuitant” according to PEMHCA, HCAOG will contribute directly to CalPERS on behalf of each annuitant the PEMHCA statutory minimum monthly employer contribution. In addition, HCAOG will contribute to a health savings or reimbursement account maintained by HCAOG and in the name of the annuitant, an amount equal to the difference between HCAOG’s PEMHCA statutory minimum contribution and the cost of healthcare insurance through CalPERS for the employee plus one dependent.

Tier 2 – All employees hired by HCAOG after January 1, 2021

Under Tier 2, HCAOG employees hired on or after January 1, 2021, who later retire under these Personnel Policies, and qualify as an “annuitant” according to PEMHCA, HCAOG will contribute directly to CalPERS on behalf of each annuitant the PEMHCA statutory minimum monthly employer contribution.

The Personnel Policies also include revisions to Policies: #201, 206, 207, and 210. All revisions have been highlighted in red for easy reference.