



**Contra  
Costa  
County**

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: March 1, 2016

Subject: Government Code 7507 Compliance - Other Post Employment Benefits - Proposed Changes for Specific Retirees

**RECOMMENDATION(S):**

ACCEPT actuarial valuation of future annual costs of proposed changes to Other Post-Employment Benefits, changing the County health care medical premium tier structure and subsidy for groups affected by the potential settlement agreement in *Retiree Support Group of Contra Costa County v. Contra Costa County*, as provided by the County's actuary in letter of February 17, 2016.

**FISCAL IMPACT:**

As shown in the valuation, the result of the health plan changes described herein, if implemented for all current retirees affected by the potential *Retiree Support Group* settlement agreement I (from affected bargaining groups SEIU Local 1021, AFSCME Local 2700, Western Council of Engineers, AFSCME Local 512, CCC Defenders Association, CCC Deputy District Attorneys, Probation Peach Officers of CCC, Employees' Association Local 1, IFPTE/AFL-CIO Local 21 and Management Classified & Exempt) and future retirees from those groups will create a \$1.4 million increase in the Annual Required Contribution, a \$346,000 increase in the Normal Cost, and a \$13.2 million increase in the total Actuarial Accrued Liability.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

Action of Board On: **03/01/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Mary N. Piepho, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 1, 2016

David Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County Finance Director, 335-1023

By: June McHuen, Deputy

**BACKGROUND:**

Government Code, Section 7507 requires with regard to local legislative boards, that the future costs of changes in retirement benefits or other post-employment benefits as determined by the actuary, shall be made public at a public meeting at least two weeks prior to the adoption of any changes in public retirement plan benefits or other post-employment benefits. The February 17, 2016 report from the County's actuary is attached.

## BACKGROUND: (CONT'D)

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Currently, for eligible retirees from the following bargaining units (SEIU Local 1021, AFSCME Local 2700, Western Council of Engineers, AFSCME Local 512, CCC Defenders Association, CCC Deputy District Attorneys, Probation Peace Officers, Employees' Association Local 1, IFPTE/AFL-CIO Local 21 and Management Classified & Exempt), the County subsidizes a portion of the monthly premium up to a specified fixed monthly premium cap. The maximum cap varies depending on the medical plan elected and has not changed since 2011. The attached report contains a summary of the current plan provisions that were valued in the January 1, 2014 actuarial valuation for the affected bargaining groups along with the subsidy caps for each medical plan option.

On March 15, 2016, the Board of Supervisors may consider and may take formal action with respect to proposed changes in health care benefits for the groups of current retirees who are eligible for health care coverage and affected by the potential settlement agreement in *Retiree Support Group of Contra Costa County v. Contra Costa County, CV 12-00944*, a legal challenge to the County's health care changes for retirees.

The proposed changes for this group are as follows:

1. Effective January 1, 2017, the medical premium tier structure will change from two tiers (Retiree Only, Retiree Plus One or More Dependents) to three tiers (Retiree Only, Retiree Plus One Dependent, and Retiree Plus Two or More Dependents) for Non-Medicare Retirees.
2. Effective when the three tier system goes into effect for Non-Medicare retirees (proposed to be January 1, 2017), the County's monthly fixed maximum premium caps established in 2011 will continue to apply: "retiree only" cap for single coverage; "retiree plus one or more dependent" cap for the Retiree Plus One Dependent tier; "retiree plus one or more dependent cap" plus a monthly medical plan premium subsidy increase of \$150 for the new Retiree Plus Two or More Dependents tier.
3. Effective January 1, 2021, the amount of the County monthly medical plan premium subsidy will increase by \$25 for the Medicare retiree only tier and for the Medicare retiree plus all dependents on Medicare tier.

Non-Medicare Retirees would remain blended and pooled with active employees for purposes of establishing premium rates, and there would be no change to dental benefits.

The results are estimated as of January 1, 2016 (based on valuation results as of January 1, 2014, projected to January 1, 2016, and reflect actual health premiums for 2016). The proposed plan costs assume no change in the value of the implicit premium rate subsidy for retirees not yet eligible for Medicare. Under the proposed plan, the active and non-Medicare retiree premium rates would remain pooled and blended meaning an implicit rate subsidy would continue. However, the liability associated with the implicit

rate subsidy could increase, decrease, or stay approximately the same depending on the relative premium costs by rate tier for the new three tier premium structure. The relative costs by tier for the proposed three tier structure are not yet known.

CONSEQUENCE OF NEGATIVE ACTION:

Delayed implementation of terms of potential settlement.

ATTACHMENTS

7507 Report dated 2/17/16