



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** HUMAN RESOURCES

**File #:** 21-608

Board Meeting Date: 7/20/2021

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Rocio Kiryczun, Human Resources Director

**Subject:** Actuarial impact upon future annual costs if the board were to adopt a resolution changing retiree health benefits and allowing unused sick leave to be converted into service credit for Organization of Sheriff's Sergeants

**RECOMMENDATION:**

Accept an analysis on the actuarial impact upon future costs if the board were to adopt a resolution changing retiree health benefits and allowing unused sick leave to be converted into service credit at the time of retirement for Organization of Sheriff's Sergeants.

**BACKGROUND:**

On April 26, 2016, your Board adopted the tentative agreement establishing the terms and conditions of a successor agreement to the Memorandum of Understanding (MOU) with the Organization of Sheriff's Sergeants (OSS) which expired on April 4, 2021.

The County and OSS have been exploring changes to the current retiree health benefits which provides a monthly sick leave value of \$675 or \$400 for each 8 hours of sick leave to use towards monthly retiree health care premiums upon retirement from SamCERA.

**DISCUSSION:**

The actuarial reports represent the current retiree health benefit tied to sick leave and the financial impacts of implementing the following changes to retirement benefits or other post employment benefits for members of the Organization of Sheriff's Sergeants:

- 1) Current sick leave hours would stop accruing and, with the exception of 192 hours, would convert remaining hours to a Retiree Health Savings Account at time of retirement. The conversion rate would be 8 hours = \$675 for Tier 1 or 8 hours = \$400 for Tier 2. Tier 2 employees with 20+ years of service will receive an extra 288 hours of sick leave at retirement.
- 2) The County would contribute \$50.00 per month to a Retiree Health Savings

Account for each employee. Each employee would also contribute \$50.00 per month to the employee's Retiree Health Savings Account. Effective April 2023, the County and employee would contribute \$75.00 per month to the employee's Retiree Health Savings Account.

- 3) New sick leave hours would continue to be earned at 3.7 hours per pay period (96.2 hour per year) with a cap of 960 hours. The County would credit new sick leave accrued after the adoption of the ordinance, or when administratively feasible, and unused as of an employee's date of retirement toward the employee's final service credit. [Note: In order to make this change, the Board of Supervisors would need to adopt an ordinance allowing for sick leave to convert to service credit for OSS bargaining unit members, pursuant to Government Code section 31641.03.]
- 4) In addition, at separation from County service fifty percent (50%) of the employee's earned and unused Compensation Time Off and Vacation would be cashed out and deposited into the employee's Retiree Health Savings Account.

#### **Financial Impact on County's Future Annual Costs**

Government Code 7507 requires the County to provide the estimated financial impact that proposed changes in retirement benefits or other postemployment benefits would have on the future annual costs including but not limited to the annual dollar changes, or the total dollar changes involved as well as normal cost and any change to accrued liability.

The estimated financial impact of the potential changes is described in detail in the actuarial analyses from Milliman that are attached to this Board item. In summary, the retiree health benefit changes described above would have a \$735,185 increase to the Total OPEB Liability. The service cost for the retiree health benefit would increase approximately \$25,982 however, it would decrease over time as new hires would not incur service costs. The new Retiree Health Savings Account contributions would represent an annual estimated cost of \$37,800.

The new sick leave hours converted toward pension service credit would increase the County's Statutory Contribution Rate by .82% or \$92,111 of pensionable salary for a maximum of 960 sick leave hours. The increase to the Unfunded Actuarial Accrued Liability would be approximately \$300,000. The County's Statutory Contribution Rate is estimated to decrease by .14% over time as new hires in PEPPRA Plan 7 will pay 50% of the normal cost.

Employees covered by this MOU, would also contribute .5% which would serve to offset costs associated with the retiree health benefit.