



County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN RESOURCES

File #: 21-927

Board Meeting Date: 11/16/2021

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 for American Federation of State, County and Municipal Employees

RECOMMENDATION:

Accept an analysis on the actuarial impact upon future costs if the board were to adopt a resolution changing retiree health benefits for American Federation of State, County and Municipal Employees.

BACKGROUND:

On February 26, 2019, your Board adopted the tentative agreement establishing the terms and conditions of a successor agreement to the Memorandum of Understanding (MOU) with the American Federation of State, County and Municipal Employees (AFSCME) which expired on October 2, 2021.

The County and AFSCME have been exploring changes to the current retiree health benefits which provides a monthly sick leave value based on hire date and years of service for each 8 hours of sick leave to use towards monthly retiree health 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 retiree health benefit:

- 1) Retiree Health Benefits will be based on hire date and years of service at time of retirement
 - a. Employees hired before the transition date with **less than fifteen years of service at the time of retirement** will have frozen sick leave hours plus 192 hours of old sick leave deposited into the employee's RHSA using the current conversion rate.

- b. Employees hired before the transition date with **between fifteen and twenty years of service at the time of retirement** to Medicare will receive a County contribution up to \$891.95 per month for purchase of medical, dental and vision through the County health plans. When the retiree reaches the age of Medicare eligibility, the County will contribute an amount equal to the cost of Medicare Part B for the retiree and spouse if applicable. In addition, 50% of frozen sick leave hours plus any of the unused 192 hours of old sick leave at time of retirement will be deposited into the employee's RHSA at the employee's base hourly rate of pay at time of retirement.
 - c. Employees hired before the transition date with **twenty or more years of service at the time of retirement** to Medicare will receive a County contribution up to \$1189.27 per month for purchase of medical, dental and vision through the County health plans. When the retiree reaches the age of Medicare eligibility, the County will contribute an amount equal to the cost of Medicare Part B for the retiree and spouse if applicable. In addition, 50% of frozen sick leave hours plus any of the unused 192 hours of old sick leave at time of retirement will be deposited into the employee's RHSA at the employee's base hourly rate of pay at time of retirement
 - d. **New employees** hired after the transition date, the County will contribute \$50.00 per month to a Retiree Health Savings Account and the employee will contribute \$50.00 per month to a Retiree Health Savings Account.
- 2) At time of transition current sick leave hours will be frozen with the exception of 192 hours that will remain in employee's balances and new sick leave hours will continue to be earned at 3.7 hours per pay period (96.2 hour per year) with a cap of 720 hours.
- 3) At separation from County service fifty percent (50%) of the employee's earned and unused Compensation Time Off and Vacation balances will be cashed out and deposited into the employee's Retiree Health Savings Account.

Financial Impact on County's Future Annual Costs

Government Code 7505 requires the County to provide the estimated financial impact that proposed Other Pensionable Employee Benefits (OPEB) and Pension 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.

As reflected in the attached letter from Milliman, the retiree health benefit reflected in this analysis is projected to increase the actuarial present value of benefits from \$110,200,000 to \$118,600,000, which is an increase of \$8,400,000. The Total OPEB liability represents the value of benefits allocated to past services under the actuarial cost and is projected to increase by \$200,000. The service cost represents the value of benefits earned during the year on an on-going basis and is projected to increase \$700,000 however, will decrease over time as new hires will only receive the \$50.00 monthly contribution toward a RHSA and not incur service costs.

FISCAL IMPACT:

These actions represent an annual estimated cost of up to \$95,000 for the Retiree Health Savings Account contributions for new hires. Active existing employees covered by this MOU, will contribute 0.7% of salary which will offset the increase in the actuarial present value of employee contributions is equal to the change in the actuarial present value of benefits associated with the retiree health benefit. The employee contributions will be used to offset the \$750,000 increase of the actuarial determined contribution.