



County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN RESOURCES

File #: 22-121

Board Meeting Date: 2/22/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Rocio Kiryczun, Human Resources Director
Michelle Kuka, Deputy Director, Human Resources

Subject: Successor agreement to the Memorandum of Understanding with the American Federation of State, County and Municipal Employees (AFSCME)

RECOMMENDATION:

Adopt a resolution authorizing approval of the Tentative Agreement establishing the terms and conditions of a successor agreement to the Memorandum of Understanding with the American Federation of State, County and Municipal Employees (AFSCME) for the term of October 3, 2021 through October 5, 2024.

BACKGROUND:

The current MOU expired on October 2, 2021, and the County concluded negotiations with AFSCME on January 18, 2022. The membership has ratified the County's offer. The County and AFSCME have met and conferred in good faith and agreed to the terms as described in the Tentative Agreement.

DISCUSSION:

This agreement covers all of the staff in classifications represented by AFSCME. The following is a high-level summary of the major changes, but is not a substitute for the attached agreement and the detailed terms contained therein.

Term

October 3, 2021 through October 5, 2024, three years.

Salary Adjustment

Classifications in this bargaining unit will receive Cost of Living Adjustments (COLA) increases as follows: 3% effective February 20, 2022, 3% effective October 2, 2022 and 4% effective October 1, 2023.

Lump-Sum Payment

Employees in an active paid status in positions covered by this MOU will receive a one-time lump sum payment of \$2,000 following Board of Supervisor approval.

Retiree Health changes

The new agreement makes significant changes to retiree health benefits.

- 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 conversation 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.

Other economic changes

Employees represented by AFSCME will begin to accrue vacation at higher increments beginning after the equivalent of five years of full-time employment with incremental increases every five years through 25 years.

Employees in this bargaining unit will also receive one additional paid holiday, Juneteenth, beginning

in 2022.

Employees covered by this MOU will also transition to a new retiree health plan.

County Counsel has reviewed and approved the resolution as to form.

Financial Impact on County's Future Annual Costs of Retiree Health changes

Government Code section 7507 requires the County to provide the estimated financial impact that proposed Other Pensionable Employee Benefits (OPEB) and Pension benefit changes 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, it will decrease over time as new hires will receive the \$50.00 monthly contribution toward a RHSA and not incur service costs.

Pursuant to section 7507, the attached actuarial report dated November 12, 2021, was presented to this Board and made public at the Board of Supervisor's meeting on November 16, 2021. Also pursuant to section 7507, the County's actuary will be available during the meeting on which this item is to be considered in order to provide information as needed by the Board.

Financial Impact on County's Retirement System

Government Code Section 31515.5 requires the County to provide the estimated financial impact that proposed benefit changes or salary increases would have on the funding status of SamCERA's retirement fund, the County's retirement system. As reflected in the attached letter from SamCERA's actuary, Milliman, the proposed salary and benefit increases for the AFSCME employees is estimated to be an increase in the Unfunded Actuarial Accrued Liability (UAAL) of \$86,000. Note that this is the impact on SamCERA funding only, so it does not reflect the cost to the County of providing the lump-sum payments. While the UAAL of SamCERA will be higher by this amount, the funded ratio, rounded to the nearest 0.01%, will be unchanged.

FISCAL IMPACT:

The cost of the salary and other changes will result in a net increase of approximately \$47.2 million for the three-year term of the new Memorandum of Understanding.

The changes to retiree health benefits 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.