



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** HUMAN RESOURCES

**File #:** 22-908

Board Meeting Date: 11/15/2022

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**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:** Actuarial impact upon future annual costs if the board were to adopt a resolution changing retiree health benefits for Deputy Sheriff's Association

**RECOMMENDATION:**

Accept an analysis on the actuarial impact upon future costs if the board were to adopt a resolution changing retiree health benefits for Deputy Sheriff's Association.

**BACKGROUND:**

On January 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 Deputy Sheriff's Association (DSA) which expired on January 9, 2021.

The County and DSA have been negotiating a successor agreement. As part of those negotiations, the County and DSA are exploring changes to the current retiree health benefits which currently 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 report analyzes proposed changes to the current retiree health benefit, which is 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 Deputy Sheriff's Association:

- 1) 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 960 hours.

- 2) 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 any of the unused 192 hours of old sick leave at time of retirement will be deposited into the employee's Retiree Health Reimbursement Account (RHRA) 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 age 65 will receive a County contribution up to \$500 per month for purchase of medical, dental and vision through the County health plans. When the retiree reaches the age of 65, the County contribution will cease. 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 RHRA 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 age 65 will receive a County contribution up to \$1000 per month for purchase of medical, dental and vision through the County health plans. When the retiree reaches the age of 65, the County contribution will cease. 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 RHRA 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 RHRA and the employee will contribute \$50.00 per month to a RHRA.
- 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 RHRA.

#### **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.

As reflected in the attached letter from the County's actuary, Milliman, if we combine the Deputy Sheriff's Association and Organization of Sheriff's Sergeants bargaining units, the retiree health benefit reflected in this analysis is projected to increase the actuarial present value of benefits from \$46,630,000 to \$61,990,000, which is an increase of \$15,360,000. The service cost represents the value of benefits earned during the year on an on-going basis and 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:**

Active existing employees covered by this MOU, would contribute 2.8% of salary which would offset

the increase in the actuarial present value of employee contributions such that it would be equal to the change in the actuarial present value of benefits associated with the retiree health benefit.