County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN RESOURCES
File #: 23-935

Board Meeting Date: 11/14/2023

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 Law Enforcement Unit

RECOMMENDATION:
Accept an analysis on the actuarial impact upon future costs if the board were to adopt a resolution changing retiree health benefits for Law Enforcement Unit.

BACKGROUND:
On January 8, 2019, your Board adopted the tentative agreement establishing the terms and conditions of a successor agreement to the Memorandum of Understanding (MOU) with the Law Enforcement Unit (LEU) which will expire on December 23, 2023.

The County and LEU have been exploring changes to the current retiree health benefits which provides a monthly sick leave value of $440 or $400 for each 8 hours of accrued and unused sick leave to use towards monthly retiree health care premiums upon retirement from SamCERA.

DISCUSSION:
The actuarial report represents the current retiree health benefit tied to sick leave and the financial impacts of implementing the following changes (Scenario 2 in the actuarial report) to retirement benefits or other post-employment benefits for members of the Law Enforcement Unit:

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 ten 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 RHSA using the current conversation rate.

   b. Employees hired before the transition date with **between ten and fifteen 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 RHSA at the employee's base hourly rate of pay at time of retirement.

c. 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 $891.95 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 RHSA at the employee's base hourly rate of pay at time of retirement.

d. Employees hired before the transition date with **between twenty and twenty-five years of service at the time of retirement** to age 65 will receive a County contribution up to $1,189.27 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 RHSA at the employee's base hourly rate of pay at time of retirement.

e. Employees hired before the transition date with **twenty-five or more years of service at the time of retirement** to age 65 will receive a County contribution up to $1,300 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 RHSA at the employee's base hourly rate of pay at time of retirement.

f. Employees hired before the transition date who retire with 15 or more years of service at retirement would be eligible for monthly contributions payable by the County for 10 years. After the retiree turns age 65 and becomes eligible for Medicare, the proposed benefit amounts would be $166.22 per person in 2023. There would be no post-65 benefit paid for those with less than 15 years of service. The benefits would be payable for 10 years. For someone retiring prior to age 65, this benefit would first be payable at age 65 and continue for 10 years (until age 75). For eligible members retiring after age 65, the benefits would be payable for 10 years after retirement.

g. **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.

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 Milliman, the retiree health benefit reflected in this analysis is projected to increase the actuarial present value of benefits from $3,297,000 to $3,775,000, which is an increase of $478,000. 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, will contribute 0.85% of salary which will offset the increase in the actuarial present value of employee contributions such that it will be equal to the change in the actuarial present value of benefits associated with the new retiree health benefit.