



Staff Report

Date: June 28, 2016

To: City Council

From: Valerie J. Barone, City Manager

Reviewed by: Elia Bamberger, Director of Human Resources

Prepared by: Teresa Fairbanks, Senior Human Resources Analyst
Teresa.Fairbanks@cityofconcord.org
(925) 671-3397

Subject: **Considering adopting Resolution Nos. 16-49, 16-50, and 16-51 fixing the employer's contribution under the Public Employees' Medical and Hospital Care Act (PEMHCA) for members of the International Brotherhood of Teamsters Local 856 (Administrative, Technical & Clerical and Field & Operations Units) and Unrepresented Employees (Council Appointed Employees, Executive Management, Mid-Management, and Confidential Employees) and Elected Officials (City Treasurer and Council Members) (General Fund)**

Report in Brief

The California Public Employees' Retirement System (CalPERS) requires that agencies participating in health coverage through the Public Employees' Medical and Hospital Care Act (PEMHCA) adopt resolutions fixing the employer contribution for health benefits. On June 28, 2016, the Concord City Council will be asked to approve a tentative agreement with the International Brotherhood of Teamsters Local Union 856 on a successor Memorandum of Understanding (MOU) and a Resolution setting pay and benefits for unrepresented employees. Among the agreed-upon changes to terms and conditions is the establishment of a fixed employer contribution for active employee medical and retirement medical equal to 90% of the 2016 Kaiser premium rate for Basic health plans. In addition, the employer contributions for Teamster retirees and unrepresented retirees participating in Medicare Supplemental plans or Combination plans remain fixed at the existing 2016 employer contribution level.

Further, for employees actively working for the City of Concord, the City and Teamsters Local Union 856 established a cost sharing formula for increases or decreases to the

Kaiser premium rates which may occur during the term of the agreement (expiring June 30, 2019) and impact actively working employees. Under these terms, the City will be picking up 75% of each increase or decrease during the term, with bargaining unit members (Administrative, Technical and Clerical, as well as Field & Operations) picking up the remaining 25% of each increase or decrease. Formerly, the City and the Teamster bargaining units shared any such changes on a 50%/50% basis.

The cost sharing formula for unrepresented active employees receiving their health insurance through the City shall remain at the current 50%/50% level.

To effect these changes with the CalPERS system, formal action is required through the adoption of separate resolutions for the Administrative, Technical and Clerical (ATC) and Field & Operations (F&O) units of the Teamsters Local Union 856, as well as for Unrepresented Employees (Council-appointed, Executive Management, Mid-Management, and Confidential Employees) and Elected Officials (the City Treasurer and Council Members).

Recommended Action

Staff recommends the City Council adopt Resolutions Nos. 16-49, 16-50 and 16-51 as required by the California Public Employees' Retirement System (CalPERS) fixing the City's contribution to the CalPERS Health program under the Public Employees' Medical and Hospital Care Act (PEMHCA) for all members of the Administrative, Technical & Clerical Representation Unit of the Teamsters Local Union 856 (Resolution No. 16-49), members of the Field & Operations Representation Unit of the Teamsters Local Union 856 (Resolution No. 16-50), and all Unrepresented Employees and Elected Officials (Resolution No. 16-51).

Background

Under Government Code Section 22850.3, a contracting PERS agency may elect to participate in PERS Health Plans, allowing such participation to be elected by individual bargaining units. The City currently provides medical benefits through the CalPERS health system as a result of contract negotiations which occurred in 1998. The City's contribution to active employees medical premiums is determined through negotiations with the employees' exclusive representative (if applicable), Cal Gov't Code §22892(b).

In 2016, during the course of negotiations with the International Brotherhood of Teamsters Local Union 856, the parties agreed to increase the City's current employer contribution for basic medical plan premiums from the current benefit level 86% of the Kaiser premium rate for 2016 to 90%. Additionally, for employees actively working for the City, for the term of the successor MOU (expiring June 30, 2019), the parties further agreed to share any increase or decrease to the Kaiser annual premium on a 75%/25% basis, with the City picking up 75% of the change and bargaining unit members picking up the remaining 25%.

The parties also agreed to significant cost containment measures relating to the Retirement Medical program, including fixing the employer contribution and requiring a minimum of five (5) years of service in Concord for eligibility purposes for current employees. Employees hired by Concord on or after June 28, 2016 would be limited to the PEMHCA minimum upon future retirement. These are the same terms proposed for Unrepresented Employees with one exception. The cost split of future increases or decreases for active employees medical premiums will be split equally (50%/50%), which is the City's current model. As used in this staff report and accompanying Resolution No. 16-51, Unrepresented Employees and Elected Officials includes City Council Members, the City Treasurer, and Council-appointed, Executive Management, Mid-Management, and Confidential Employees.

Analysis

The City currently provides medical benefits through the CalPERS (PEMHCA) health system. During contract negotiations and discussions held in 2016, the bargaining units represented by The International Brotherhood of Teamsters Local Union 856 agreed to a fixed employer contribution for active and retired participants in the PEMHCA health system. The fixed employer contribution will be increasing for the remainder of 2016 to 90% of the Kaiser 2016 premium rate for the Basic plan from the current 86% level; the employer contribution for Medicare Supplemental plans and Combination plans will remain at the level provided in 2016 without change, which is currently at 97% for the Medicare plan, and ranges between 89% - 93% for the Combination plan options. These fixed employer contributions also apply to active and retired Unrepresented Employees and Elected Officials including Council Members, the City Treasurer, Council-appointed Employees, Executive Management, Mid-Management, and Confidential Employees.

Per the terms of the successor Memorandum of Understanding with the Teamsters, the City's share of any premium increase or decrease during the term of the agreement (expiring June 30, 2019) will be shared on a 75%/25% (City/Employee) split for active employees.

For unrepresented active employees, the City shall continue the current 50%/50% share of any premium increases or decreases to the Kaiser premium rate.

Financial Impact

The City currently contributes approximately 86% of the 2016 Kaiser premium rate for Basic health plans. The cost to implement a 90% fixed employer contribution is approximately \$52,000 for Teamsters and \$31,000 for Unrepresented for the remainder of calendar year 2016; annualized costs for the respective groups are \$125,000 and \$74,000. The continuation of the cost sharing (75/25 split for Teamsters and 50/50 split for Unrepresented) of the premium rate adjustment between the City and employees/retirees reduces the fiscal impact on the City's healthcare budget long term. In addition, at their June 28, 2016 meeting, the City Council will consider significant cost containment measures related to the City's retiree medical benefit that reduce the City's

City Council Agenda Report

Considering fixing the employer's contribution under the Public Employee's Medical and Hospital Care Act (PEMCHA)

June 28, 2016

unfunded liability by \$7.6 million and saves \$1.0 million a year on the annual recommended contribution (ARC) for the Teamsters and Unrepresented groups.

Public Contact

The City Council Agenda was posted. A copy of this report has been distributed to the bargaining group and affected unrepresented employees have been notified of the change. Notification has also been sent to the current retirees affected by this change.

Attachments

1. Resolution No. 16-49 - Administrative, Technical and Clerical Unit of the International Brotherhood of Teamsters Local Union 856
2. Resolution No. 16-50 – Field & Operations Unit of the International Brotherhood of Teamsters Local Union 856
3. Resolution No. 16-51 – Unrepresented Employees and Elected Officials, to include Council-appointed Employees, Executive Management, Mid-Management, and Confidential Employees Unit

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution Fixing the Employer’s Contribution
at an Equal Amount for Employees and Annuitants
Under the Public Employees’ Medical and Hospital
Care Act With Respect to a Recognized Employee
Organization (Administrative, Technical, & Clerical
Representation Unit)**

Resolution No. 16-49

WHEREAS, City of Concord is a contracting agency under Government Code Section 22920 and subject to the Public Employees’ Medical and Hospital Care Act (the “Act”) for participation by members of Administrative, Technical & Clerical (ATC) Representation Unit (003); and

WHEREAS, Government Code Section 22892 (a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and

WHEREAS, Government Code Section 22892 (b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892 (b) of the Act; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES RESOLVE AS FOLLOWS:

Section 1. (a) That the employer contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan or plans up to a maximum of:

Party Rate	Party Rate Description Basic and Medicare Supplement Combination	Employer Contribution Rates
Rate 1	Basic Employee/Retiree only	\$ 671.82
Rate 2	Basic Employee/Retiree +1 Basic Dependent	\$ 1,343.65
Rate 3	Basic Employee/Retiree +2 Basic Dependents	\$ 1,746.74
Rate 4	Medicare Retiree only	\$ 287.52

1	Rate 5	Medicare Retiree +1 Medicare Dependent	\$ 575.04
2	Rate 6	Medicare Retiree +2 Medicare Dependents	\$ 862.56
3	Rate 7	Medicare Retiree +1 Basic Dependent	\$ 937.30
4	Rate 8	Medicare Retiree +2 Basic Dependents	\$ 1,321.01
5	Rate 9	Medicare Retiree +1 Medicare Dependent +1 Basic Dependent	\$ 974.16
6	Rate 10	Basic Retiree +1 Medicare Dependent	\$ 937.30
7	Rate 11	Basic Retiree +2 Medicare Dependents	\$ 1,235.10
8	Rate 12	Basic Retiree +1 Basic Dependent +1 Medicare Dependent	\$ 1,321.01

15 per month, plus administrative fees and Contingency Reserve Fund Assessments; and be it further

16 (b) City of Concord has fully complied with any and all applicable provisions of Government
17 Code Section 7507 in electing the benefits set forth above; and be it further

18 (c) That the participation of the employees and annuitants of City of Concord shall be subject
19 to determination of its status as an “agency or instrumentality of the state or political subdivision of a
20 State” that is eligible to participate in a governmental plan within the meaning of Section 414(d) of
21 the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is
22 determined that City of Concord would not qualify as an agency or instrumentality of the state of
23 political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves
24 the right to terminate the health coverage of all participants of the employer.

25 (d) That the executive body appoint and direct, and it does hereby appoint and direct, Director
26 of Human Resources to file with the Board a verified copy of this resolution, and to perform on behalf
27 of City of Concord all functions required of it under the Act.

28 **Section 2.** This resolution shall become effective immediately upon its passage and adoption
but the employers’ contribution specified will be effective within 90 days of this action.

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution Fixing the Employer’s Contribution
at an Equal Amount for Employees and Annuitants
Under the Public Employees’ Medical and Hospital
Care Act With Respect to a Recognized Employee
Organization (Field & Operations Representation Unit)**

Resolution No. 16-50

WHEREAS, City of Concord is a contracting agency under Government Code Section 22920 and subject to the Public Employees’ Medical and Hospital Care Act (the “Act”) for participation by members of Field & Operations (F&O) Representation Unit (004) ; and

WHEREAS, Government Code Section 22892 (a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and

WHEREAS, Government Code Section 22892 (b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892 (b) of the Act; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES RESOLVE AS FOLLOWS:

Section 1. (a) That the employer contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan or plans up to a maximum of:

Party Rate	Party Rate Description Basic and Medicare Supplement Combination	Employer Contribution Rates
Rate 1	Basic Employee/Retiree only	\$ 671.82
Rate 2	Basic Employee/Retiree +1 Basic Dependent	\$ 1,343.65
Rate 3	Basic Employee/Retiree +2 Basic Dependents	\$ 1,746.74
Rate 4	Medicare Retiree only	\$ 287.52

1	Rate 5	Medicare Retiree +1 Medicare Dependent	\$ 575.04
2	Rate 6	Medicare Retiree +2 Medicare Dependents	\$ 862.56
3	Rate 7	Medicare Retiree +1 Basic Dependent	\$ 937.30
4	Rate 8	Medicare Retiree +2 Basic Dependents	\$ 1,321.01
5	Rate 9	Medicare Retiree +1 Medicare Dependent +1 Basic Dependent	\$ 974.16
6	Rate 10	Basic Retiree +1 Medicare Dependent	\$ 937.30
7	Rate 11	Basic Retiree +2 Medicare Dependents	\$ 1,235.10
8	Rate 12	Basic Retiree +1 Basic Dependent +1 Medicare Dependent	\$ 1,321.01

15 per month, plus administrative fees and Contingency Reserve Fund Assessments; and be it further

16 (b) City of Concord has fully complied with any and all applicable provisions of Government
17 Code Section 7507 in electing the benefits set forth above; and be it further

18 (c) That the participation of the employees and annuitants of City of Concord shall be subject
19 to determination of its status as an “agency or instrumentality of the state or political subdivision of a
20 State” that is eligible to participate in a governmental plan within the meaning of Section 414(d) of
21 the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is
22 determined that City of Concord would not qualify as an agency or instrumentality of the state of
23 political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves
24 the right to terminate the health coverage of all participants of the employer.

25 (d) That the executive body appoint and direct, and it does hereby appoint and direct, Director
26 of Human Resources to file with the Board a verified copy of this resolution, and to perform on behalf
27 of City of Concord all functions required of it under the Act.

28 **Section 2.** This resolution shall become effective immediately upon its passage and adoption
but the employers’ contribution specified will be effective within 90 days of this action.

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution Fixing the Employer’s Contribution
at an Equal Amount for Employees and Annuitants
Under the Public Employees’ Medical and Hospital
Care Act With Respect to a Recognized Employee
Organization (Unrepresented Employees and Elected
Officials, to include Council-appointed Employees,
Executive Management, Mid-Management and
Confidential Employees Unit)**

Resolution No. 16-51

WHEREAS, City of Concord is a contracting agency under Government Code Section 22920 and subject to the Public Employees’ Medical and Hospital Care Act (the “Act”) for participation by members of Unrepresented Employees and Elected Officials, to include Council-appointed Employees, Executive Management, Mid-Management and Confidential Employees Unit (006) and

WHEREAS, Government Code Section 22892 (a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and

WHEREAS, Government Code Section 22892 (b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892 (b) of the Act; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES RESOLVE AS FOLLOWS:

Section 1. (a) That the employer contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan or plans up to a maximum of:

Party Rate	Party Rate Description Basic and Medicare Supplement Combination	Employer Contribution Rates
Rate 1	Basic Employee/Retiree only	\$ 671.82
Rate 2	Basic Employee/Retiree +1 Basic Dependent	\$ 1,343.65

1	Rate 3	Basic Employee/Retiree +2 Basic Dependents	\$ 1,746.74
2	Rate 4	Medicare Retiree only	\$ 287.52
3			
4	Rate 5	Medicare Retiree +1 Medicare Dependent	\$ 575.04
5			
6	Rate 6	Medicare Retiree +2 Medicare Dependents	\$ 862.56
7	Rate 7	Medicare Retiree +1 Basic Dependent	\$ 937.30
8			
9	Rate 8	Medicare Retiree +2 Basic Dependents	\$ 1,321.01
10	Rate 9	Medicare Retiree +1 Medicare Dependent +1 Basic Dependent	\$ 974.16
11			
12	Rate 10	Basic Retiree +1 Medicare Dependent	\$ 937.30
13			
14	Rate 11	Basic Retiree +2 Medicare Dependents	\$ 1,235.10
15			
16	Rate 12	Basic Retiree +1 Basic Dependent +1 Medicare Dependent	\$ 1,321.01
17			

18
19 per month, plus administrative fees and Contingency Reserve Fund Assessments; and be it further

20 (b) City of Concord has fully complied with any and all applicable provisions of Government
21 Code Section 7507 in electing the benefits set forth above; and be it further

22 (c) That the participation of the employees and annuitants of City of Concord shall be subject
23 to determination of its status as an “agency or instrumentality of the state or political subdivision of a
24 State” that is eligible to participate in a governmental plan within the meaning of Section 414(d) of
25 the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is
26 determined that City of Concord would not qualify as an agency or instrumentality of the state of
27 political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves
28 the right to terminate the health coverage of all participants of the employer.

1 (d) That the executive body appoint and direct, and it does hereby appoint and direct, Director
2 of Human Resources to file with the Board a verified copy of this resolution, and to perform on behalf
3 of City of Concord all functions required of it under the Act.

4 **Section 2.** This resolution shall become effective immediately upon its passage and adoption
5 but the employers' contribution specified will be effective within 90 days of this action.

6 **PASSED AND ADOPTED** by the City Council of the City of Concord on June 28, 2016, by
7 the following vote:

8 **AYES:** Councilmembers –

9 **NOES:** Councilmembers –

10 **ABSTAIN:** Councilmembers –

11 **ABSENT:** Councilmembers –
12

13 **I HEREBY CERTIFY** that the foregoing Resolution No. 16-51 was duly and regularly
14 adopted at a regular meeting of the City Council of the City of Concord on June 28, 2016.

15
16 _____
Joelle Fockler, MMC
City Clerk

17 **APPROVED AS TO FORM:**

18
19 _____
Susanne Meyer Brown
20 City Attorney