



## Staff Report

**Date:** July 12, 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  
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**Subject:** **Considering adoption of Resolution No. 16-56 fixing the employer's contribution under the Public Employees' Medical and Hospital Care Act (PEMHCA) for members of the Office and Professional Employees International Union (OPEIU) Local 29 (General Fund)**

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### 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 July 12, 2016, the Concord City Council will be asked to approve a tentative agreement with the Office and Professional Employees International Union (OPEIU), Local 29, on a successor Memorandum of Understanding (MOU). 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 OPEIU Local 29 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 OPEIU Local 29 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 OPEIU Local 29 bargaining unit members picking up the remaining 25% of each increase or decrease. Formerly, the City and the OPEIU Local 29 bargaining unit shared any such changes on a 50%/50% basis.

To effect these changes with the CalPERS system, formal action is required through the adoption of a resolution for the OPEIU Local 29 bargaining unit.

### **Recommended Action**

Staff recommends that the City Council adopt Resolution No. 16-56 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 Office and Professional Employees International Union (OPEIU) Local 29.

### **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 Office and Professional Employees International Union (OPEIU) Local 29, the parties agreed to increase the City's current employer contribution for basic medical plan premiums from the current benefit level of 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 July 12, 2016 would be limited to the PEMHCA minimum upon future retirement.

### **Analysis**

The City currently provides medical benefits through the CalPERS (PEMHCA) health system. During contract negotiations and discussions held in 2016, the OPEIU Local 29 bargaining unit 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.

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Per the terms of the successor Memorandum of Understanding with OPEIU Local 29, 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.

### **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 \$9,400 for OPEIU Local 29 for the remainder of calendar year 2016; the annualized costs for OPEIU Local 29 is \$20,000. The continuation of the cost sharing (75/25 split between the City and OPEIU Local 29) 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 July 12, 2016 meeting, the City Council will consider significant cost containment measures related to the City's retiree medical benefit that will reduce the City's unfunded liability by \$660,000 and saves \$90,000 a year on the annual recommended contribution (ARC) for the OPEIU Local 29 bargaining group, if the same benefit is applied to active and retired employees.

### **Public Contact**

The City Council Agenda was posted. A copy of this report has been distributed to the bargaining group.

### **Attachments**

1. Resolution No. 16-56 – Office and Professional Employees International Union (OPEIU) Local 29

**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 (Office and Professional Employees  
International Union (OPEIU Local 29))**

**Resolution No. 16-56**

**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 the Office and Professional Employees International Union (OPEIU) Local 29 representation unit (005); 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:

<b>Party Rate</b>	<b>Party Rate Description Basic and Medicare Supplement Combination</b>	<b>Employer Contribution Rates</b>
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

1	Rate 4	Medicare Retiree only	\$ 287.52
2	Rate 5	Medicare Retiree +1 Medicare Dependent	\$ 575.04
3	Rate 6	Medicare Retiree +2 Medicare Dependents	\$ 862.56
4	Rate 7	Medicare Retiree +1 Basic Dependent	\$ 937.30
5	Rate 8	Medicare Retiree +2 Basic Dependents	\$ 1,321.01
6	Rate 9	Medicare Retiree +1 Medicare Dependent +1 Basic Dependent	\$ 974.16
7	Rate 10	Basic Retiree +1 Medicare Dependent	\$ 937.30
8	Rate 11	Basic Retiree +2 Medicare Dependents	\$ 1,235.10
9	Rate 12	Basic Retiree +1 Basic Dependent +1 Medicare Dependent	\$ 1,321.01

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

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

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

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 July 12, 2016, by  
7 the following vote:

8 **AYES:** Councilmembers –

9 **NOES:** Councilmembers –

10 **ABSTAIN:** Councilmembers –

11 **ABSENT:** Councilmembers –

12 **I HEREBY CERTIFY** that the foregoing Resolution No. 16-56 was duly and regularly  
13 adopted at a regular meeting of the City Council of the City of Concord on July 12, 2016.

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16 Joelle Fockler, MMC  
City Clerk

17 **APPROVED AS TO FORM:**

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19 Susanne Meyer Brown  
City Attorney