

- **Board of Directors**  
**Legal, Claims and Personnel Committee**

October 14, 2003 Board Meeting

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**8-3**

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**Subject**

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Adopt resolution providing for changes in Metropolitan's contributions to medical plans maintained by Public Employees' Retirement System

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**Description**

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Metropolitan purchases medical insurance plans through the Public Employees' Retirement System (PERS). Under the current Memoranda of Understanding among Metropolitan and its employee bargaining units, Metropolitan contributes up to 90 percent of the cost of the most expensive medical insurance program (PERSCare PPO). Under the Metropolitan Water District Administrative Code, Metropolitan's unrepresented employees are provided the same medical insurance benefit as the bargaining units. Additionally, the regulations of the PERS Board of Administration require equal coverage and contributions for eligible annuitants.

Commencing January 1, 2004, PERS will be increasing the rates of its Blue Shield HMO, Kaiser HMO and PERSCare PPO medical plans by an average of 18 percent. The PERSCare PPO will decrease 1 percent. The plan costs vary, but the 90 percent contribution for the PERSCare PPO as agreed to in the respective Memoranda of Understandings is the maximum amount that Metropolitan will apply towards the cost of the other medical plans. Even with the 1 percent PERSCare decrease, the 90 percent contribution exceeds the premium of all other plans. Rates are based on changes in the PERS medical rates that will be in effect from January 1, 2004 through December 31, 2004. The cost to Metropolitan has been estimated assuming employees retain the current mix of participation between the various plans. Based on this assumption it is estimated that the annual cost of Metropolitan's contribution will increase by \$1.95 million (14 percent) as a result of these rate changes. Please see the attached 2004 medical cost breakdown ([Attachment 1](#)) for details and impact of total increase in dollars.

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**Policy**

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The current Memoranda of Understandings among Metropolitan and the Management and Professional Employees Association, Supervisors' Association, Association of Confidential Employees, the Employees Association/AFSCME Local 1902 and the Metropolitan Water District Administrative Code § 6522

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**California Environmental Quality Act (CEQA)**

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CEQA determination for Staff Recommendation:

The proposed action is not defined as a project under CEQA, because it involves continuing administrative activities, such as personnel-related actions, general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other governmental fiscal activities, which do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

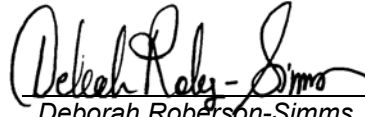
The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

**Staff Recommendation**

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Adopt the CEQA determination and, in accordance with the negotiated labor agreements with Metropolitan's four bargaining units, adopt the attached resolution (**Attachment 2**) changing Metropolitan's contributions to the medical plans maintained by PERS for employees and annuitants in classifications represented by these units, and unrepresented employees, said changes to be effective January 1, 2004.

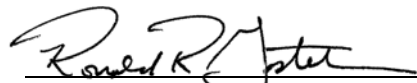
**Fiscal Impact:** \$900,000 increase in medical expense already budgeted for fiscal year 2003/2004.

  
Deborah Roberson-Simms  
Section Manager, Human Resources

9/22/2003

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Date

  
Ronald R. Gastelum  
Chief Executive Officer

9/24/2003

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Date

**Attachment 1 – Medical Rates Table**

**Attachment 2 – Resolution Changing the Employer's Contribution Under the Public Employees' Medical and Hospital Care Act**

BLA #2527

**2004 Medical Cost  
Breakdown**

	Blue Shield HMO		Kaiser HMO		Western Health HMO		PERSChoice PPO		PERSCare PPO		Total Cov EEs	2003 Cost in millions	2004 Cost in millions
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004			
Emp	\$267	\$315	\$259	\$305	\$209	\$280	\$296	\$349	\$493	\$491	346	\$1.34 mil	\$1.49 mil
EE + 1	\$535	\$630	\$518	\$611			\$592	\$699	\$986	\$981	474	\$3.56 mil	\$4.01 mil
Family	\$695	\$820	\$674	\$794			\$770	\$908	\$1282	\$1274	972	\$8.85 mil	\$10.20 mil
<b>Total</b>											1,792	\$13.75 mil	\$15.70 mil

Total District Medical Costs and 2004 Increase:

2003 Total Annual Cost:                   \$13.75 million  
 2004 Total Annual Cost:                   \$15.70 million  
 2004 Total Annual Increase:             \$1.95 million

Percentage Increase for 2004:

Blue Shield HMO       =     18%  
 Kaiser HMO            =     18%  
 PERSChoice PPO      =     18%  
 PERSCare PPO        =     (1%)  
  
 Total Change           =     14% (\$1.95 mil/\$13.75 mil)

**RESOLUTION FIXING THE EMPLOYER’S CONTRIBUTION  
UNDER THE PUBLIC EMPLOYEES’  
MEDICAL AND HOSPITAL CARE ACT**

- WHEREAS (1) Government Code Section 22825.6 provides that a local agency contracting under the Public Employees’ Medical and Hospital Care Act shall fix the amount of the employer’s contribution at an amount not less than the amount required under Section 22825 of the Act, and
- WHEREAS (2) The Metropolitan Water District of Southern California is a local agency contracting under the Act;

NOW THEREFORE, BE IT RESOLVED that from January 1, 2004 until another resolution supersedes this resolution, the employer’s contribution for each employee and annuitant shall be the amount necessary, when added to the employee’s or annuitant’s contribution, to pay the full cost of the employee’s or annuitant’s eligible family members, in a health benefits plan or plans up to a maximum of 90 percent of the PERSCare basic medical rate for all bargaining units.

<u>Code</u>	<u>Bargaining Unit</u>	<u>Contribution Per Month</u>		
		<u>One Party</u>	<u>Two Party</u>	<u>Three Party</u>
01	Unrepresented	90% of basic PERSCare	90% of basic PERSCare	90% of basic PERSCare
02	Employees Association	90% of basic PERSCare	90% of basic PERSCare	90% of basic PERSCare
03	Supervisors’ Association	90% of basic PERSCare	90% of basic PERSCare	90% of basic PERSCare
04	Management and Professional Employees Association	90% of basic PERSCare	90% of basic PERSCare	90% of basic PERSCare
05	Association of Confidential Employees	90% of basic PERSCare	90% of basic PERSCare	90% of basic PERSCare

Adopted at a meeting of the Board of Directors of the Metropolitan Water District of Southern California at Los Angeles on the 14th day of October 2003.

Signed \_\_\_\_\_  
Phillip J. Pace, Chairman

Signed \_\_\_\_\_  
Dawn Chin, Executive Secretary