



- Board of Directors
Organization, Personnel and Technology Committee

11/8/2011 Board Meeting

7-3

Subject

Adopt resolution establishing a new retirement health benefit vesting requirement for future employees under the Public Employees’ Medical and Hospital Care Act

Description

The new authorized Memoranda of Understanding between Metropolitan and the Employees Association/AFSCME Local 1902, MAPA/AFSCME 1001, Supervisors Association and the Association of Confidential Employees establish a broader vesting schedule for retiree medical insurance coverage for those employees hired after January 1, 2012. This new schedule is authorized under the Public Employees’ Medical and Hospital Care Act (PEMHCA). This schedule will require an employee to work at least 10 years in public employment to qualify for an employer contribution for retiree medical insurance coverage equal to 50 percent of that paid for active employees, increasing 5 percent per year until, after 20 years of service, the employee upon retirement is eligible for 100 percent of the employer contribution for active employees. At least 5 years of the credited service must have been for work performed at Metropolitan. The following table illustrates the new vesting schedule:

Credited Years of PERS Service	Employer Contribution
Fewer than 10	0%
10	50%
10-19	50%, plus 5% added for each year after the 10 th year
20 or more	100%

This change will not replace the existing vesting requirement for currently hired employees or those new employees hired prior to January 1. Such individuals will remain eligible for retiree medical insurance coverage after 5 years' total service within the PERS system. However, under PEMHCA, once each year Metropolitan may allow any employee hired before January 1, 2012, the opportunity to individually elect be subject to the provisions of the new schedule.

For employees subject to the new vesting schedule, PEMHCA establishes a minimum employer contribution toward the cost of the monthly health premium during retirement. The minimum must equal the State annuitant’s contribution, annually calculated by the 100/90 formula, which is based on 100 percent of the weighted average of the health benefits plan premiums for annuitants enrolled for self alone plus 90 percent of the weighted average of the additional premiums required for enrollment of the family members in the four PERS health benefits plans that have the largest number of enrollments during the fiscal year.

PEMHCA requires a board resolution ([Attachment 1](#)) to establish this new vesting requirement

Policy

Newly authorized Memoranda of Understanding between Metropolitan and the Employees Association/AFSCME Local 1902, MAPA/AFSCME 1001, Supervisors Association and the Association of Confidential Employees

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

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.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and resolution establishing a new retirement health benefit vesting requirement for future employees and changing the percentage of employer contributions payable for post-retirement health benefits for each retired employee to be based on the employee's years of credited service pursuant to Government Code Section 22893.

Fiscal Impact: No cash savings over 5-year period, savings of \$2.7 million if full OPEB Trust is funded

Business Analysis: Resolution adoption required based on Memoranda of Understanding

Option #2

Do not adopt resolution establishing a new retirement health benefit vesting requirement for future employees and changing the percentage of employer contributions payable for post retirement health benefits for each retired employee to be based on the employee's years of credited service pursuant to Government Code Section 22893.

Fiscal Impact: Unknown

Staff Recommendation

Option #1



Fidencio M. Mares
Director of Human Resources

10/27/2011

Date



Jeffrey Kightlinger
General Manager

10/27/2011

Date

Attachment 1 – Resolution Electing To Establish A Health Benefit Vesting Requirement For Future Retirees Under The Public Employees' Medical And Hospital Care Act

Ref# hr12614929

RESOLUTION**RESOLUTION ELECTING TO
ESTABLISH A HEALTH BENEFIT VESTING REQUIREMENT FOR FUTURE RETIREES
UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT**

- WHEREAS, (1) Government Code Section 22893 provides that a local agency contracting under the Public Employees' Medical and Hospital Care Act may amend its resolution to provide a post retirement vesting requirement to employees who retire for service; and
- WHEREAS, (2) The Metropolitan Water District of Southern California is a local agency contracting under the Act for participation by members of the (a) AFSCME Local 1902, MAPA/AFSCME Local 1001, Supervisors Association, Association of Confidential Employees and Unrepresented employees; and
- WHEREAS, (3) The Metropolitan Water District of Southern California certifies employees are represented by a bargaining unit and subject to a memorandum of understanding; and
- WHEREAS, (4) The credited service for purposes of determining the percentage of employer contributions shall mean service as defined in Section 20069, except that not less than five years of that service shall be performed entirely with The Metropolitan Water District of Southern California; and
- WHEREAS, (5) The contribution for active employees cannot be less than what is defined in Section 22892(b); now, therefore be it
- RESOLVED, (a) That the employer's contribution for each retired employee first hired on or after the effective date of this resolution 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 100% Blue Shield HMO Bay Area Region, plus administrative fees and Contingency Reserve Fund, but not more than 100 percent of the premium applicable to him or her, nor less than the 100 percent of the weighted average of the health benefits plan premiums for employees or annuitants enrolled for self alone plus 90 percent of the weighted average of the additional premiums required for enrollment of family members in the four health benefits plans that have the largest number of enrollments; and be it further
- RESOLVED, (b) That the percentage of employer contribution payable for post retirement health benefits for each retired employee shall be based on the employee's completed years of credited service based upon Government

Code Section 22893; plus administrative fees and Contingency Reserve Fund assessments.

RESOLVED, (c) That The Metropolitan Water District of Southern California has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and be it further

RESOLVED, (d) That coverage under the Act be effective on January 1, 2012.

Adopted at a regular meeting of the Board of Directors of the Metropolitan Water District at Los Angeles this 8th day of November 2011.

Signed:

John V. Foley, Chairman of the Board

Attest:

Dawn Chin, Board Executive Secretary