



LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

Providing Solutions to California Public Agencies

P.O. Box 1350 · Carmel Valley, CA 93924 · 650.587.7300

LGS BOARD AGENDA

Agenda materials may be viewed on the Agency's web site LGS.CA.gov or by contacting the Executive Director prior to the meeting at the contact information below.

SPECIAL MEETING Via Teleconference

August 15, 2013
8:35 a.m.

Dublin Civic Center, City Manager's Office, 100 Civic Plaza, Dublin, CA 94568
Larkspur City Hall, City Manager's Office, 400 Magnolia Avenue, Larkspur, CA 94939
San Rafael City Hall, Human Resources, 1400 Fifth Avenue, San Rafael, CA 94915
Walnut Creek City Hall, City Manager's Office, 1666 North Main Street, Walnut Creek, CA 94596
Yountville Town Hall, Town Manager's Office, 6550 Yount Street, Yountville, CA 94599

1. CALL TO ORDER

2. CHANGES TO THE ORDER OF AGENDA

3. APPROVAL OF CONSENT AGENDA - None

Consent agenda items are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items to be removed for separate action.

4. TREASURER'S REPORT - None

5. OLD BUSINESS - None

6. NEW BUSINESS

- A. Approve **Resolution No. 2013-02** to Terminate Agency Participation in the Public Employees' Medical and Hospital Care Act (PEMHCA) Plan, Effective on January 1, 2014

Action

7. PUBLIC COMMENT

Each speaker is limited to two minutes. If you are addressing the Board on a non-agenda item, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report.

8. ADJOURN

The next Regular Meeting will take place on August 22, 2013 at 2:10 p.m. at the Dublin Civic Center

Americans with Disabilities Act

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Richard Averett at (831) 308.1508. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.



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TO: BOARD OF DIRECTORS **BOD Meeting: 8-15-2013**
FROM: JENNIFER BOWER, Human Resources Director **Item: 6A**
**SUBJECT: TERMINATE AGENCY PARTICIPATION IN THE PUBLIC EMPLOYEES’
MEDICAL AND HOSPITAL CARE ACT (PEMHCA) PLAN**

RECOMMENDATION

Approve Resolution No. 2013-02 to terminate agency participation in the Public Employees’ Medical and Hospital Care Act (PEMHCA) Plan, effective on January 1, 2014.

BACKGROUND AND ANALYSIS

Local Government Services and Regional Government Services elected to participate in the Public Employees’ Medical and Hospital Care Act (PEMHCA) on December 10, 2001, effective January 1, 2002. PEMHCA was selected because there were no other options for agencies employing a relatively few number of employees. The JPAs have continued to use the medical insurance service through CalPERS. Through the intervening years there have been plan changes, premium increases, carrier additions and deletions, co-pay increases, and changes to post retirement benefits; some of which have had a negative impact on the JPAs and their employees.

Employment agreements initially outlined employee eligibility for active and post employment medical insurance. Eligibility for post employment benefits required a minimum of 10 years with the JPA, participation in the Agency’s medical plan at retirement, and retirement from the JPA after age 55. Eligible employees would receive retiree medical benefits for life for themselves of up to the minimum employee contribution (currently at \$600 per month). In 2007 employment agreements no longer provided for retiree medical and new employees were eligible for employer contributions at the minimum PEMCHA levels.

The current PEMCHA required employer contribution amount is \$115 per month for the employee’s lifetime and the employee’s surviving spouse, if covered under the medical plan. This amount is indexed for inflation; therefore it increases each calendar year (e.g. \$119 in 2014). Unlike other public agencies with dedicated tax revenue sources, the JPAs are totally fee supported and cannot reasonably presume that partner agencies (clients) will still be clients when assigned employees retire from LGS or RGS. While the JPAs have been collecting a fee for this Other Post-Employment Benefit (OPEB) liability for the past three years, we have also been seeking alternative medical plan services that would not have a post-employment employer obligation.

There are no retirees receiving JPA medical benefits at this time, which makes the JPA major medical insurance plan highly marketable to medical insurance providers. Conversely, the JPA plan is less marketable due to the total employee count of those eligible for medical insurance consistently hovering just below 50. However, the Affordable Care Act would change the method of calculating the number of eligible employees and the JPAs will most likely achieve the 50-eligible-employees threshold sometime

during 2014. An additional hurdle to obtaining quotes from other medical plan providers is a prohibition for providers who are also part of PEMCHA to give quotes to public agencies until the agency gives notice to CalPERS to terminate its participation in the PEMCHA plan.

During three of the last five years, the JPAs have attempted to obtain comparative cost quotes from medical insurance carriers. This year, the JPAs were again informed that no carriers were expected to provide quotes. However, just last Thursday (8/8/2013), the JPAs were informed of a quote from a provider who is not in the PEMCHA plans. The JPA's insurance broker believes that once a termination letter is provided to CalPERS, then more quotes will likely be forthcoming from PEMCHA providers, which will provide the JPAs with additional options. The statutory PERS notification deadline is August 19, 2013.

Changing medical insurance plans would be a significant move for the JPAs with a myriad of details to address in the next four months. There would also be important and long-lasting benefits to the JPAs which would result from the switch. The most positive impact is that the long-term OPEB liability can be more easily managed without PEMCHA obligations. The JPAs would also have more control over plan changes, and would no longer be dependent on CalPERS (and its associated regulations) for this employee benefit.

Issues that staff will need to address by January 1st include:

- Work with employees to understand the changes in medical plans and retiree benefits – e.g. fewer plans to choose from and defined benefit versus defined contribution retiree medical benefit;
- Establish Health Savings Accounts and/or other defined contribution plans to replace the former retirement plan for those; and
- Develop mitigation and accommodation options for those employees already substantially 'vested' in the current retiree medical program.

FISCAL IMPACT

It is expected that there will be no net fiscal impact of terminating JPA participation in the PEMCHA plan, because alternative carrier rates are competitive and because current OPEB fees will be sufficient for funding current employees' retiree medical benefits. Current OPEB fees will also help mitigate the potential greater volatility of health plan costs outside of the PEMCHA pool.

RESOLUTION No. LGSBOD2013-02

**TERMINATING PARTICIPATION OF
LOCAL GOVERNMENT SERVICES AUTHORITY IN
PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT**

WHEREAS, we do hereby adopt the following, in accordance with State law and the bylaws of this municipal corporation, by a majority of the board of directors, that this Agency shall terminate participation in the California Public Employees' Retirement System medical health plans under Public Employees' Medical and Hospital Care Act (PEMHCA), effective January 1, 2014.

THEREFORE, it is resolved that the Agency shall notify the California Public Employees' Retirement System of its intent to terminate in writing by sending a copy of this resolution to CalPERS to be delivered no later than 5:00 p.m. on August 19, 2013.

The officers of this Agency are authorized to perform the acts to carry out this Board resolution.

NOW, THEREFORE, BE IT RESOLVED that the Joint Powers Authority elects to terminate their participation in the Public Employees' Medical and Hospital Care Act (PEMHCA), effective January 1, 2014.

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the Board of Directors of the Local Government Services Authority at a publicly noticed meeting thereof held on the 15th day of August, 2013, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

APPROVED: _____

Dan Schwarz, Chair, Board of Directors
Local Government Services Authority