



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2019 SEP -5 PM11:16

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Adam Benson
Finance Director

SUBJECT: Medical Premiums for CalPERS
Sworn Retirees

DATE: August 28, 2019

City Administrator Approval

Date:

9/5/19

RECOMMENDATION

Staff Recommends That The City Council Approve:

1. A Resolution Fixing The Employer Contribution At An Equal Amount For Employees And Annuitants Under The Public Employees' Medical And Hospital Care Act With Respect To A Recognized Employee Organizations (For 005 Police Unit); And
2. A Resolution Fixing The Employer Contribution At An Equal Amount For Employees And Annuitants Under The Public Employees' Medical And Hospital Care Act With Respect To A Recognized Employee Organizations (For 006 Fire Unit).

EXECUTIVE SUMMARY

Approval of the resolutions will amend the City's direct Public Employees' Medical and Hospital Care Act (PEMHCA) contribution towards health insurance premiums for sworn police and fire unit members and annuitants, to establish a maximum monthly contribution at the PEMHCA Minimum. This action is necessary to implement the provisions of the Memorandums of Understanding (MOU's) between the parties, which have already been ratified by each bargaining unit's members and approved by the City Council.

BACKGROUND / LEGISLATIVE HISTORY

On November 20, 2018, the City Council approved the MOU between the City of Oakland and Police Unions, Oakland Police Office's Association/ Oakland Police Management Association (OPOA/OPMA) for July 1, 2019 through June 30, 2024 through passage of Resolution 87430 C.M.S. Subsequently, on February 5, 2019, the City Council approved the MOU between the City of Oakland and Firefighter Union, the International Association of Firefighters, Local 55 ("IAFF"), through passage of Resolution 87527 C.M.S.

Pursuant to the MOUs between the City, IAFF, and OPOA/OPMA effective January 1, 2020, the parties agreed to cap the City's direct monthly PEMHCA contribution at the PEMHCA Minimum.

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ANALYSIS AND POLICY ALTERNATIVES

Based on the new collective bargaining agreements with OPOA/OPMA and IAFF, a more sustainable retiree medical program has been negotiated to moderate Other Post-Employment Benefits (OPEB) costs for current and future police retirees. OPEB cost refers to retiree benefits other than pensions, including retiree healthcare coverage.

For active employees and existing retirees hired prior to December 31, 2018, the City contribution toward retiree health benefits will now be capped at the Bay Area Kaiser rate for two-party (retiree plus dependent) coverage effective January 1, 2020, rather than continuing to grow on an uncapped basis. Under the PEMHCA program, the Kaiser rate is typically more affordable than other available options thus limiting costs while maintaining strong coverage for the retiree and dependent. The changes to retiree health benefits represent a significant OPEB relief to the City and is projected to reduce the unfunded liability by over \$450 million over a multi-year time period.

For new employees hired after January 1, 2019, the City will provide the same benefit now provided to Miscellaneous employees: City contributions capped at the PEMHCA minimum, plus an additional \$425.40 per month if the employee retires from the City with ten or more years of service.

Effective January 1, 2020, the City will reimburse covered sworn retirees the difference between the PEMHCA Minimums and the new retiree health benefit rates set forth in the MOU. The City will use a third-party administrator to issue monthly retirement reimbursement payments to qualified police and fire retirees and eligible dependents on behalf of the City of Oakland.

In order to implement the parties' MOU's, and adjust the City's direct PEMHCA contribution, CalPERS requires the City to approve a separate resolution changing the subsidy. Resolutions have been prepared in CalPERS-sanctioned form for City Council's approval.

FISCAL IMPACT

For active employees and current retirees, hired prior to December 31, 2018, the City contribution toward retiree health benefits will now be capped, effective January 1, 2020, rather than continuing to grow on an uncapped basis. The changes to retiree health benefits represent a projected reduction of over \$450 million to the City's OPEB unfunded liability over a multi-year time period.

PUBLIC OUTREACH / INTEREST

This item did not require public outreach other than the required posting on the City's website.

COORDINATION

This report has been prepared by the Finance Department in coordination with City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: There are no impacts to economic opportunities associated with this report.

Environmental: There are no impacts to environmental opportunities associated with this report.

Social Equity: There are no impacts to social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends that the City Council approve the following resolutions:

1. A Resolution Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants Under the Public Employees' Medical and Hospital Care Act with Respect to a Recognized Employee Organizations (for 005 Police Unit); and
2. A Resolution Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants Under the Public Employees' Medical and Hospital Care Act with Respect to a Recognized Employee Organizations (for 006 Fire Unit).

For questions regarding this report, please contact Adam Benson, Finance Director, at (510) 238-2026.

Respectfully submitted,



ADAM BENSON
Finance Director

Prepared by:
Téir Jenkins, Investment Officer

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OAKLAND CITY COUNCIL


Oakland City Attorney's Office

RESOLUTION NO. _____ C.M.S.

**FIXING THE EMPLOYER 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 (FOR 005 POLICE
UNIT)**

WHEREAS, City of Oakland 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 005 Sworn Police Unit 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; now, therefore, be it

RESOLVED, 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 up to a maximum of the PEMHCA Minimum per month, plus administrative fees and Contingency Reserve Fund assessments; and be it further

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

RESOLVED, That the executive body appoint and direct, and it does hereby appoint and direct, The City Administrator to file with the Board a verified copy of this resolution, and to perform on behalf of City of Oakland all functions required of it under the Act.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES – FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND PRESIDENT KAPLAN

NOES –

ABSENT –

ABSTENTION –

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION. _____