



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 5/23/2023

To: Sonoma County Board of Supervisors
Department or Agency Name(s): Human Resources Department
Staff Name and Phone Number: Jeremia Mills, 707-565-3228
Vote Requirement: Majority
Supervisorial District(s): All

Title:

Approval of Changes to Article 13 - Medical Benefits for Future Retirees, in the 2023-2026 Memorandum of Understanding between the County of Sonoma and Service Employees International Union, Local 1021.

Recommended Action:

Adopt a Concurrent Resolution approving changes to Article 13 - Medical Benefits for Future Retirees - that were negotiated as part of the 2023/2026 Successor Memorandum of Understanding ("MOU") between the County of Sonoma and Service Employees International Union, Local 1021 ("SEIU"), to be effective July 1, 2023 through February 28, 2026.

Executive Summary:

Representatives of the County and Service Employees International Union, Local 1021 (SEIU) met and conferred, and reached tentative agreements regarding negotiated changes to the terms and conditions of employment for a successor Memorandum of Understanding (MOU). (Tentative Agreement 1) which was approved on May 9, 2023 by Resolution No. 23-0236, effective May 9, 2023 through February 28, 2026.

On May 9, 2023, the Board also received and reviewed information regarding changes to Article 13 - Medical Benefits for Future Retirees, Tentative Agreement 2 (Attachment A), which included an actuarial analysis of the financial impact of the changes to other post-employment benefits (OPEB) prepared by Segal Consulting dated May 3, 2023 (Attachment B).

Based upon this analysis, the negotiated changes to retiree medical benefits will result in a slight decrease in liabilities of (0.08%) or (\$23,403). In compliance with law, this information was presented at least two weeks prior to your Board's action on these changes today, pursuant to California Government Code sections 7507, 23026, 31515.5, 31516.

Discussion:

The negotiated changes to Article 13 of the SEIU successor MOU provides an option allowing portability of monthly retiree medical contributions to pre-2009 hired employees who retire on or after July 1, 2023, and either live or move out of a County-sponsored medical plan service area. Currently, a retiree must be enrolled in a County-sponsored medical plan in order to receive the \$500 per month contribution towards retiree medical.

The negotiated changes to retiree medical benefits revises Article 13 to allow future retirees who reside or

move out of a County offered medical plan service area, the option to place the current monthly retiree medical contribution (\$500) into the Retiree Health Reimbursement Account (HRA). Currently, a retiree must be enrolled in a County sponsored medical plan to receive the monthly contribution. If a retiree moves outside of a service area, their only option to receive the County contribution is to enroll in the County Health Plan, or if Medicare eligible, to enroll into AARP United Healthcare. Due to cost factors, some retirees decide not to opt for any coverage through the County. The revisions to Article 13 provide another option to retirees to receive the monthly contribution into the Retiree HRA which can be used to enroll in any medical plan available in the area where they live. As the negotiated changes expands the options available to future retirees who live or move out of a service area, participation may slightly increase. Any future retiree opting for the HRA contribution will be responsible for all premium costs, including Medicare Part B. This benefit is available to bargaining unit members who were hired before 1/1/2009 and retire on or after 7/1/2023.

Government Code Compliance Requirements:

Various provisions of the California Government Code require certain disclosures before the Board can adopt changes in salaries or benefits, with additional disclosures required for changes in pension and other post-employment benefits. Any changes in salaries and benefits must be adopted at a public meeting of the Board (Cal Gov't Code §23026). Notice of the consideration of such increases must be provided prior to the meeting and shall include "an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system." (Cal Gov't Code §31515.5).

In addition, when considering changes in retirement benefits or other postemployment benefits, the Board "shall secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability, before authorizing changes in public retirement plan benefits or other postemployment benefits." (Cal Gov't Code §7507). When there are changes in retirement benefits or other postemployment benefits, the statement of actuarial impacts shall be provided by an enrolled actuary and shall be made public at a meeting at least two weeks before the adoption of the increase in benefits. (Cal Gov't Code §31516).

The County Administrator has reviewed and acknowledges her understanding of the current and future financial impacts of the negotiated changes to retiree medical or other post-employment benefits (Cal Gov't Code §7507) (Attachment C).

Segal Valuation Analysis of Changes to Retiree Medical - SEIU

The following information provides a summary of the actuarial analysis conducted by Segal Consulting which was previously received and reviewed by your Board on May 9, 2023. Based on the analysis, this change results in a slight decrease to the OPEB liability by (0.08%) or (\$23,403), as illustrated below:

SEIU OPEB Liabilities as of June 30, 2022	Pre-2009 SEIU Current Benefit	Proposed \$500/Mo HRA	\$ Impact	% Impact
Implicit Subsidy	\$9,915,965	\$9,544,116	(\$371,849)	(3.75%)
Medicare Part B	\$2,249,969	\$2,168,645	(\$81,324)	(3.61%)
Cash Subsidy	\$16,780,781	\$17,210,551	\$429,770	2.56%

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Total OPEB Liability	\$28,946,715	\$28,923,312	(\$23,403)	(0.08%)
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This slight change to liability will not have a measurable impact on future annual costs.

Strategic Plan:

This item directly supports the County's Five-year Strategic Plan and is aligned with all the pillars, goals, and objectives.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

Choose an item.

INSTRUCTIONS: If 'Yes' to the above, or if equity analysis was conducted, include requisite information in this section staff's discussion, findings, and recommendations as it directly relates to this item's requested action(s).

Prior Board Actions:

May 9, 2023: Approved SEIU MOU Resolution #23-0236

May 7, 2019, Board adopted SEIU MOU, Resolution #19-0191

October 23, 2018, Board adopted SEIU MOU- Side Letter (FYC), Resolution #18-0461

July 10, 2018, Board adopted SEIU MOU Extension, Resolution #18-0263

June 11, 2018, Board adopted SEIU MOU-Side Letter (VPP), Resolution #18-0244

March 15, 2016, Board adopted SEIU MOU, Resolution #16-0093

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

The proposed changes to Article 13 - Medical Benefits for Future Retirees, will result in an actuarially estimated decrease of (\$23,403) to the County's Total OPEB liability for the SEIU bargaining group, impacting

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the overall liability from \$28,946,715 to \$28,923,312. There is no expected impact to county expenditures based on this change.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

Not applicable.

Attachments:

1. Resolution
2. Attachment A - Tentative Agreement 2 - Retiree Medical - Article 13
3. Attachment B - Actuarial Analysis of OPEB Liability from Segal Consulting dated May 3, 2023
4. Attachment C - Memorandum from County Administrator pursuant to GC §7507

Related Items "On File" with the Clerk of the Board:

None.