



DISCUSSION/ACTION ITEM NO. XIII.4

STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of July 11, 2017

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager
Lori Martin, Director of Administrative Services/City Clerk

SUBJECT: Possible Reinstatement of City Council Health Benefits

RECOMMENDATION: Receive a Report, Discuss Options, and if applicable, Adopt a Resolution Reinstating City Council Medical Insurance Benefits

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION: Not Applicable.

FISCAL IMPACT OF RECOMMENDATION: If the City Council were to reinstate some level of City paid health care benefits, there would be an on-going fiscal impact. On June 27, 2017, as part of the adoption of the fiscal year 2017/18 budget, the City Council included a placeholder amount of \$44,000 per year maximum. The final impact will depend on which, if any, of the options discussed the City Council chooses.

DISCUSSION: Budget Referral #18-1 Council Benefits was discussed at the June 27, 2017, City Council meeting at which the City Council adopted the FY 2017/18 Budget which included direction to bring this matter back for further discussion by the City Council. The matter had previously been discussed on April 25, 2017, with no conclusion pending the budget discussion. The staff report from April 25, 2017, is attached to provide additional background information.

The reinstatement of any level of paid healthcare benefit is a City Council policy matter subject to some limitations under State law and requirements of the California Public Employees Retirement System through which the City sources healthcare coverage for employees. There are also some procedural steps required by CalPERS should the Council elect to reinstate healthcare benefits.

Under state law, the healthcare benefits provided to Council cannot exceed the level provided to other miscellaneous employees in regard to how much can be paid, so that the maximum contribution would be Kaiser coverage up to the family level. The program for City Council Members could be more restrictive, for example it could provide single only as the maximum contribution. The same applies

to any opt out options. Set forth below is the opt out language from the Senior Management Pay Plan which is the same for other miscellaneous groups:

1.1 If an Executive Level employee elects no health coverage, and can demonstrate to the City, on an annual basis or any other time upon request, that the Executive Level employee has alternative health care coverage, the Executive Level employee shall be entitled to any one of the following options:

1. The City will pay 50% of the eligible contribution into the Executive Level employee's 457 Plan account; or
2. The City will pay to the Executive Level employee directly 25% of the eligible contribution in cash; or
3. At the Executive Level employee's option, the City will pay a portion of the eligible contribution to increase the Executive Level employee's supplemental life insurance coverage and the Executive Level employee will receive the remainder of the eligible contribution under either option one or two above.

Though based on an Attorney General's Opinion, the only option available to Council Members would be the deposit of the opt out amount into a Deferred Compensation Account or 457 Plan with 50% being the maximum opt out amount. The Council could select a lower percentage.

From a CalPERS perspective, there are also some limitations and/or requirements. There is a minimum City paid contribution towards healthcare of \$128 per month for 2017 that is increasing to \$133 per month next year. As such, the City cannot just provide access to healthcare on a fully Council Member funded basis. Also, this contribution level continues into "retirement" if a Council Member retires from CalPERS within 120 days of separating (i.e., leaving office) and they are eligible to retire (over age 50 and 5 years of service).

Council Members are no longer participating in the CalPERS retirement program, with the exception of one member who was grandfathered in before this was changed. As such, there is very little exposure to cost from the retirement perspective on a forward going basis.

There are no CalPERS restrictions on Council Members having different healthcare benefits than other employee groups. Actually, each employee group has their own CalPERS Health resolution, so there can be some differentiation if desired. Once the City Council decides what they wish to do and if they adopt a City resolution reinstating paid healthcare benefits, the City Council will have to subsequently adopt two CalPERS resolutions – one for PERS participating Council Members and one for non-participating. The resolutions will allow for the benefits to begin on the first of the month following the month they are submitted as long as it is by the 10th of that month. If the City Council approves a resolution approving reinstatement of healthcare benefits as part of this item, the two CalPERS resolutions could be considered on August 8th, which would allow them to be submitted to CalPERS by the 10th, and as such, the earliest date the benefits would be effective is September 1st.

ATTACHMENTS:

1. Budget Referral #18-1
2. Staff Report from April 25, 2017
3. Resolution