Transportation Authority of Marin

DATE: March 12, 2018

TO: Transportation Authority of Marin Finance and Policy Executive Committee

FROM: Dianne Steinhauser, Executive Director
Li Zhang, Chief Financial Officer

SUBJECT: Review and Approval of the Resolution to Elect the CalPERS Health Program as TAM's Medical Benefit Program (Action), Agenda Item No. 9

RECOMMENDATION:

The Finance and Policy Executive Committee reviews the CalPERS Health Program Resolution and refer it to the TAM Board for approval.

BACKGROUND:

At its December 11, 2017 meeting, the TAM Board reviewed the medical benefit options presented by staff and voted unanimously to approve the selection of the CalPERS Healthcare Program, also referred as PEMHCA, Public Employees' Medical and Hospital Care Act, as the medical benefit program offered to all TAM employees.

DISCUSSION/ANALYSIS:

Back in December 2017, the TAM Board approved the selection of the CalPERS Healthcare Program as TAM's medical benefit provider with the consideration of the following advantages the Program offers.

1. Stable Premium Rates
2. Comparable benefit design as what were offered through LGS/RGS
3. Total of 11 various plan options, with 7 HMO and 4 PPO plans
4. Extensive plan availabilities, employees can access plan by either work or home zip code

In order to join the CalPERS Healthcare Program, it's required by CalPERS that the TAM Board adopts a resolution to establish the contract relationship between TAM and CalPERS for the providing of the medical benefits.

Highlights of the Resolution:

The Resolution, which is provided and required by CalPERS, covers the basic requirements and terms of the contracting between CalPERS and TAM for the implementation of the CalPERS Healthcare Program, with the following points highlighted.

1. Confirming TAM's eligibility to join the Program as a public agency by submitting the resolution to CalPERS Board of Administration for approval
2. Confirming TAM's desire to join the Program and offer its employees and retirees the benefit of the Program and accept the liabilities and obligations associated
3. Confirming that TAM will join the program under the unequal amounts for employees and retirees
4. Confirming that medical benefit coverage will be effective on July 1, 2018

Execution of the Resolution will require the approval of the TAM Board, as well as the approval of the CalPERS Board.

Other Items Considered/To be Considered:

OPEB Liabilities:
To make sure the Board has accurate and complete information for its decision making process, staff engaged Bickmore Risk Management Consulting in October 2017 and conducted an evaluation of potential OPEB (Other Post-Employment Benefits) liabilities associated with the implementation of the CalPERS Healthcare Program. The detail results were presented to the TAM Board at the December 11, 2017 meeting. All employees transferred from LGS/RGS also agreed to give up the $2,500 annual HRA (Health Retirement Account) benefit that was offered under their current contracts upon directly employment of TAM as of January 1, 2018 in exchange for the minimum employer contribution (MEC) benefit for retirees as required by the CalPERS Healthcare Program. The Board discussed the option of putting the savings from HRA benefits, $27,500 annually, into a trust account to address the potential liabilities, which was widely supported by the group.

CalPERS Healthcare Program Administration Cost:
Please note CalPERS charges a small percentage of the premium monthly for the administration of the Program. Below you can see the historical percent cost over the past 12 years, averaging 0.35% with the highest at 0.45%, lowest at 0.25%. Assuming premium costs for employees stay around the same $15,000 monthly level under the CalPERS Healthcare Program, using the 0.35% average rate, TAM will be paying $52.5 per month for the administration cost.

FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Average
0.44%	0.29%	0.45%	0.43%	0.37%	0.36%	0.25%	0.33%	0.34%	0.32%	0.31%	0.33%	0.35%

Termination of the Contract:
Unlike the CalPERS Retirement Benefit Contract, there is no penalty if the Board later on decides that the CalPERS Healthcare Program is not the right option for this agency and directs staff to terminate its contract with CalPERS. However, there is a five-year waiting period requirement before an agency can rejoin the Program once the contract is terminated.

FISCAL CONSIDERATION:

There may be some short-term, up-front costs associated with the funding of an OPEB trust, but based on the study results and benefit concessions employees agreed to, staff believes the CalPERS Healthcare Program will have positive long-term financial impacts and definitely help the Agency stay competitive in the public sector and retain and attract a quality workforce.

NEXT STEPS:

Staff will work on the following next steps over the next 3 months period:

1. Update the agency's Human Resources Policies and Procedures to reflect this benefit change
2. Implement the medical benefit program with the help of CalPERS Healthcare Program staff and make it effective as of July 1, 2018
3. Under the continuing guidance of the HR Ad Hoc Committee, set up trust funds to address the potential OPEB liabilities.

ATTACHMENT:

TAM Resolution No. 2018-03: Election of the CalPERS Healthcare Program

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TAM RESOLUTION NO. 2018-03
RESOLUTION OF THE TRANSPORTATION AUTHORITY OF MARIN (TAM) FOR ELECTING TO BE SUBJECT TO THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT AT UNEQUAL AMOUNTS FOR EMPLOYEES AND ANNUITANTS

WHEREAS, (1) A contracting agency meeting the eligibility requirements set forth in Government Code Section 22920, may obtain health benefit plan(s), as defined under Government Code Section 22777, by submitting a resolution to the Board of Administration of the California Public Employees' Retirement System (the "Board"), and upon approval of such resolution by the Board, become subject to the Public Employees' Medical and Hospital Care Act (the "Act"); and

WHEREAS, (2) **Transportation Authority of Marin** is a contracting agency eligible to be subject to the Act under Government Code Section 22920; and

WHEREAS, (3) 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, (4) 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; and

WHEREAS, (5) Government Code Section 22892(c) provides that, notwithstanding Section 22892(b), a contracting agency may establish a lesser monthly employer contribution for annuitants than for employees, provided that the monthly employer contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly employer contribution for employees, until the time that the employer contribution for annuitants equals the employer contribution paid for employees; and

WHEREAS, (6) **Transportation Authority of Marin** desires to obtain for its employees and annuitants the benefit of the Act and to accept the liabilities and obligations of an employer under the Act; now, therefore, be it

RESOLVED, (a) **Transportation Authority of Marin** elects to be subject to the provisions of the Act; and be it further

RESOLVED, (b) That the employer contribution for each employee 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, and be it further

RESOLVED, (c) That the employer contribution for each 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 **$1.00** per month, and be it further

RESOLVED, (d) That the monthly employer contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly employer contribution for employees, until the time that the employer contribution for annuitants equals the employer contribution paid for employees;

And that the contributions for employees and annuitants shall be in addition to those amounts contributed by the Public Agency for administrative fees and to the Contingency Reserve Fund; and be it further

RESOLVED, (e) **Transportation Authority of Marin** 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, (f) That the participation of the employees and annuitants of **Transportation Authority of Marin** 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 **Transportation Authority of Marin** 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.

RESOLVED, (g) That the executive body appoint and direct, and it does hereby appoint and direct, **Stephanie Moulton-Peters, Chairperson**, to file with the Board a verified copy of this resolution, and to perform on behalf of **Transportation Authority of Marin** all functions required of it under the Act; and be it further

RESOLVED, (h) That coverage under the Act be effective on **July 1, 2018.**

Adopted at a regular or special meeting of the Board of Commissioners at Location, this 22 day of March, 2018.

Signed: ________________________________
Stephanie Moulton-Peters, Chairperson

Attest: ________________________________
Denise Merleno, Executive Assistant