



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 12/01/2020

ITEM NO: 10

DATE: November 23, 2020
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Adopt a Resolution for the California Public Employees' Retirement System Health Plan Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants

RECOMMENDATION:

Adopt a resolution (Attachment 1) for the California Public Employees' Retirement System health plan fixing the employer contribution at an equal amount for employees and annuitants.

BACKGROUND:

The Town has an existing agreement with the California Public Employees' Retirement System (CalPERS) to provide its health program to active Town employees and retired annuitants. The CalPERS health program is governed by the Public Employees Medical and Hospital Care Act (PEMHCA), and the California Code of Regulations (CCR) of the California Public Employees Retirement Law (PERL). PEMHCA contains all the rules and regulations that a contracting agency must adhere to. PEMHCA is the health contract and the resolution is the method by which an agency elects to become subject to PEMHCA. The resolution also defines an agency's contribution amount toward the cost of health premiums for active employees and retired annuitants.

DISCUSSION:

Until 2018, the Town contribution method toward the cost of health premiums for active employees and retired annuitants was 100% of Kaiser Region 1 rates for employee only coverage and 90% for dependent coverage. During labor negotiations in 2018, agreements were executed to reduce the Town retired annuitant health contribution amount to the lower required employer PEMHCA contribution amount only for Town employees hired after varying dates in 2018 that complete (5) years of continuous Town service prior to retiring from the

PREPARED BY: Lisa Velasco
Human Resources Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

DISCUSSION (continued):

Town. The contribution change is anticipated to reduce future Other Post-Employment Benefits (OPEB) actuarial liabilities. Although the reduction to the future retired annuitant health contribution amount is already approved in the Town's existing labor agreements, CalPERS requires that the contribution change is also formalized by executing a new PEMHCA resolution approved by the Town's governing body.

The resolution will not change the contribution amount for current employees. However, due to CalPERS system constraints resulting in the lack of ability to maintain different tiers of retired annuitant employer health contribution amounts, all retired annuitants will notice a reduction in the Town's contribution amount as it is adjusted to the PEMHCA rate. To ensure prior benefit agreements with retired annuitants are not impacted by the new resolution, the Town will directly reimburse affected retired annuitants monthly the difference between the PEMHCA rate and the previously agreed 100% or 90% of the Kaiser Region 1 rates.

CONCLUSION:

Staff recommends that the revised CalPERS resolution is adopted to formalize the retired annuitant employer health contribution change for employees that were hired after varying dates in 2018 so that the Town's health premium cost is correctly calculated by CalPERS for these future retirees.

FISCAL IMPACT:

The revised resolution is an administrative change, therefore, there is no fiscal impact.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. CalPERS Health Resolution