



Agenda Item No. (3)

To: Rules, Policy and Industrial Relations Committee/Committee of the Whole Meeting of June 26, 2020

From: Stephanie LaRue, Human Resources Manager  
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Subject: **APPROVE ACTIONS RELATIVE TO TRANSITION TO THE CALPERS HEALTH SYSTEM AND ASSOCIATED ACTIONS FOR NON-REPRESENTED EMPLOYEES**

**Recommendation**

The Rules, Policy and Industrial Relations Committee recommends that the Board of Directors approve the following actions relating to a transition to the CalPERS health system for non-represented administrative employees and District Officers (collectively “non-represented”), effective January 1, 2021:

1. Approve transition of District-provided health care coverage for Non-Represented Employees and Retirees to CalPERS, pending adoption of CalPERS Resolutions;
2. Approve establishment of a Health Reimbursement Arrangement (HRA) plan for individuals enrolled in specified CalPERS medical plans; and,
3. Approve updates to the District’s Human Resources Guide and policies, as appropriate.

This matter will be presented to the Board of Directors at its June 26, 2020, meeting for appropriate action. Adoption of Resolutions required by CalPERS to complete the transition will be agendized for a subsequent meeting. At that time, staff also will agendize adoption of CalPERS Resolutions necessary to complete the recently-negotiated transition to CalPERS health coverage for the Amalgamated Transit Union (ATU).

**Summary of CalPERS Health Coverage Structure and District Funding**

- **Active Employees**
  - Can enroll in any eligible CalPERS plan, although enrollees in District-specified plans will pay less for their premiums and will receive cash stipends and credits under an HRA plan that can be used for medical and prescription drug copays.

- **Pre-65 Retirees**

- Can enroll in any eligible CalPERS plan available to actives, although enrollees in District-specified plans will pay less for their premiums and will receive credits under an HRA plan.
- District contributions based on a formula of age plus years of service will continue, capped at 100% of a low-cost plan premium (Maximum District Contribution).
- CalPERS will bill the District each month for the Minimum Employer Contribution (MEC) for each retiree.
- The difference between the retiree's premium amount and the MEC will be deducted from retiree's pension check.
- Pre-65 retirees will be reimbursed for the premium amount deducted from their pension checks, up to their Maximum District Contribution, through the HRA plan, which can also be used to reimburse medical and prescription copays.

- **Medicare Retirees**

- Can enroll in any eligible CalPERS Medicare Plan, although Medicare retirees who enroll in District-specified plans will receive credits under an HRA plan.
- District contributions based on a formula of age plus years of service will continue, capped at 100% of a low-cost plan premium (Maximum District Contribution).
- CalPERS will bill the District each month for the MEC for each retiree.
- The difference between the retiree's premium amount and the MEC will be deducted from retiree's pension check.
- Medicare retirees will be reimbursed for the premium amount deducted from their pension checks, up to their Maximum District Contribution, through the HRA plan, which can also be used to reimburse medical and prescription copays.

### **Background**

The Golden Gate Bridge, Highway and Transportation District (District) currently contracts with Kaiser and Blue Shield for medical plans and Caremark for prescription drug coverage for active non-represented administrative employees and Non-Medicare non-represented administrative retirees and dependents. For Medicare-eligible retirees and dependents, the District provides funding through a Health Reimbursement Arrangement (HRA) plan and contracts with Via Benefits for access to individual Medicare supplemental policies. The HRA plan also reimburses retirees for certain qualified medical expenses, as administered by PayFlex.

Given the recent global economic crisis as a result of the COVID-19 pandemic, with a corresponding precipitous drop in District revenues, staff has begun to evaluate innovative ways to manage costs until more is known about what transportation demand will be in the post-COVID world. For instance, staff will not recommend a cost of living adjustment for non-represented administrative employees in the coming fiscal year. Additionally, staff is evaluating every vacant position to determine whether to defer active recruitment of the position or proceed as usual.

Another initiative staff evaluated was modifying the District's medical plans. Medical benefits for our non-represented sector are estimated to cost the District \$4,356,000 this coming fiscal year. With the Amalgamated Transit Union recently negotiating the transition of their medical benefits to the CalPERS medical plans, staff obtained more information about the capability of CalPERS

to provide generous plan offerings in a more cost-effective manner to contracting agencies through coverage under the Public Employees Medical and Hospital Care Act (PEMHCA), the state law that provides for health benefits for state employees and retirees, and for employees and retirees of public agencies that contract with CalPERS to provide such health benefits.

### **Advantages of Transitioning to CalPERS Medical Plans**

CalPERS provides more options and a larger community risk pool than are otherwise available to the District, as the CalPERS medical plans cover over 1,100 public agencies and schools and more than 1.4 million enrollees. Given this large pool of enrollees, medical risk is able to be dispersed more widely which normalizes premiums and costs better than in a smaller pool like the District currently has. Presently, CalPERS offers 12 different medical plans, both HMO and PPO plans, with coverage in every state and internationally. CalPERS also offers Medicare health benefits plans for those members eligible for Medicare.

The advantages to the CalPERS system for the District, active employees and retirees include:

- Generous medical benefit offerings (PPO and HMO plans) for employees and retirees;
- Expanded plan offerings available to best meet an employee's specific needs;
- Medical plans are available nationally and even internationally;
- Due to the larger membership pool, premiums are significantly less than the District's current self-insured model;
- Administrative efficiencies for Medicare retirees by offering District-sponsored plans, instead of having them manage their own supplemental medical coverage through a District-funded account; and,
- Offers retirees who do not meet the minimum age and years of service requirements to qualify for District retirement benefits to enroll in CalPERS health plans by paying monthly premiums directly to CalPERS (net of the Employer's CalPERS minimum contribution discussed below).

### **Changes in Transitioning to CalPERS Medical Plans**

The District will need to make the following changes to its current health coverage structure in order to accommodate the transition to CalPERS medical coverage:

- The District must contribute the CalPERS medical Minimum Employer Contribution (MEC) for both active employees and retirees. The District will contract with CalPERS using the statutory "unequal contribution method" that will require the District to make at least the MEC for active employees and will gradually increase the contribution for retirees over 20 years until the amounts are equal.
- CalPERS will set the MEC that the District must pay for actives and retirees on an annual basis.
- The District will establish a stipend to be paid to active employees through its cafeteria plan to incentivize employees to elect lower-cost CalPERS plans.
- The District will also establish an HRA plan to provide funding in excess of the CalPERS MEC for active employees.
- All retirees who qualify for a CalPERS pension will be eligible for CalPERS medical retiree coverage under the District's contract, if they retire with 120 days of separation

from the District and begin receiving their pension. The District will be required to pay the annual MEC for such retirees.

- The District will establish an HRA Plan to provide funding in excess of the annual CalPERS MEC for qualified retirees.
- VSP (vision) benefits would also be available to those employees enrolled in the CalPERS Kaiser plan. Otherwise vision and dental benefits will not change.

### **Recommendation to Change to CalPERS Medical Plans**

Staff is recommending that medical plan offerings for non-represented administrative employees' transition from existing medical plans to the CalPERS health system. If approved, adoption of at a subsequent meeting of the CalPERS Resolutions required to finalize the transition will act as execution of the District's contract with CalPERS to provide medical benefits for these identified employees and retirees effective January 1, 2021.

### **Details of New Benefit Structure**

#### Eligibility and District Contributions for Retiree Benefits

The District has an existing resolution which outlines the eligibility requirements for receive District retiree medical benefits (District Resolution 2010-105). However, under CalPERS medical, the District must pay a Minimum Equal Contribution (MEC) for every employee, retiree, and survivor. A retiree is defined under CalPERS medical as an individual who is eligible to receive a retiree pension, and retires within 120 days of separation of employment. This means that anyone who meets the CalPERS medical rules definition of "retiree" would now be able to receive retiree medical benefits through CalPERS, and the District will be required to pay the MEC for them, even for those employees that would not have been eligible under the existing District retiree resolution.

Therefore, given the CalPERS requirements, staff recommends that the District make contributions for non-represented employees who meet the CalPERS medical rules definition of retiree based on the percentage listed in the following chart of:

- For pre-65 retirees who enroll in PERS Select, PERS Kaiser or PERS Choice Basic Plans for Region 1, the premium cost of the selected plan,
- For pre-65 retirees who select any other plan, the premium cost of the selected plan, up to the premium cost of PERS Select Basic Plan; and
- For Medicare Eligible Retirees who enroll in PERS Medicare Select, PERS Medicare Kaiser or Medicare Choice Medicare Plans for Region 1, the premium cost of the selected plan;
- For Medicare Eligible Retirees, who select any other plan, the premium cost of the selected plan, up to the premium cost of PERS Medicare Select.

<b>Points (Age plus Years of Service)</b>	<b>Maximum District Contribution</b>
80	100% of cost of applicable tier (Employee or Family)
75-79	80% of cost of applicable tier (Employee or Family)
70-74	70% of cost of applicable tier (Employee or Family)

For employees with fewer than 15 years of service but who are eligible to receive a public agency pension, the District would pay the MEC.

Survivors of employees who retire and do not receive a pension, or who elect a pension with no survivor benefits, will not be eligible for CalPERS medical coverage.

**Annual Stipend and HRA Funding**

All of the CalPERS Health Plans are traditional group plans and have comparable benefits to the existing District plans. Though benefits and plan design are similar, some CalPERS plans may have slightly higher copays and other out-of-pocket costs than the District’s current plans. To address this, a health reimbursement arrangement (“HRA”) plan will be established for enrollees in certain plans, to which the District will credit amounts intended to offset the potential higher out-of-pocket costs. Further, stipends will be provided through the District’s cafeteria plan to incentivize employees to select the most cost effective plans yet still comparable to the District’s existing plans.

**Active Employees**

Annual Stipends

On the second pay period of every calendar year, the following annual stipends will be provided through the District’s cafeteria plan to employees who choose to enroll in PERS Kaiser or PERS Select:

- |           | <u>PERS Kaiser</u> | <u>PERS Select</u> |
|-----------|--------------------|--------------------|
| • Single: | \$1,000 annually   | \$500 annually     |
| • EE+1:   | \$2,000 annually   | \$1,500 annually   |
| • Family: | \$3,000 annually   | \$2,000 annually   |

No stipend will be provided for enrollees in any plans other than PERS Kaiser and PERS Select.

District Health Reimbursement Arrangement (HRA) Plan

A HRA plan will be established for non-represented actives who enroll in PERS Kaiser, PERS Select, or PERS Choice Plans. The following amounts will be credited for HRA plan participants effective January 1, 2021 for the 2021 year:

<u>Kaiser HRA</u>	<u>PERS Select HRA</u>	<u>PERS Choice HRA</u>
Single: \$1,350	Single: \$3,140	Single: \$2,640
EE+1: \$2,700	EE+1: \$6,280	EE+1: \$5,280
Family: \$3,300	Family: \$6,520	Family: \$5,520

HRA funding may only be used to pay for qualified medical costs and copays, and prescription copays. Current balances credited to the HRA plan for employees who are currently enrolled in the District’s high deductible health plans will be transferred into the CalPERS Health Plan related HRA program, for employees who enroll in a CalPERS medical plan. Going forward, all unused balances credited to participants’ HRA at the end of the plan year would not be rolled over.

Employees who enroll in a plan other than PERS Kaiser, PERS Choice, or PERS Select will not receive funding through a HRA (or a stipend). In addition, they will pay the difference between the cost of the premium for the selected plan and the premium for PERS Select, in addition to the employee’s premium sharing for the plan selected, as their total premium share.

New employees who do not choose to enroll in the PERS Kaiser HMO during the first three open enrollment cycles, (1) do not receive funding through the HRA plan; and (2) pay the difference between the premium of the selected plan and the PERS Kaiser premium, in addition to the employee’s premium sharing for the plan selected, as their total premium share.

Premium Sharing Percentage

**Active Employees**

No changes are being recommended to the premium sharing percentage agreement, which is as follows:

<b>Hourly Wage</b>	<b>\$32.00 per hour and below</b>	<b>\$32.01 and \$50.00</b>	<b>\$50.01 per hour and above</b>
Premium Share Percentage	3.50%	6%	8.50%

Because CalPERS is able to disperse medical risk across its large pool of members, the premiums for the CalPERS plans are lower than the District’s current traditional group health plans. As a result, employees who are currently enrolled in one of the District traditional group health plans will pay less in premium sharing when they are enrolled in a CalPERS plan. However, most employees who are currently enrolled in one of the District high deductible health plans will likely pay higher premium sharing in the CalPERS Plans. The cash stipends offered to employees who enroll in either the PERS Kaiser and PERS Select plans will help mitigate the higher premium sharing for those employees previously enrolled in the District’s high deductible health plans.

A comparison of employee premium sharing under the District’s current plans for FY 20/21 versus 2020 PERS Kaiser, PERS Select and PERS Choice is shown in the attachment (2021 PERS premium is not available until July/August 2021).

### **Pre-65 Retirees**

The CalPERS medical coverage structure will be the same as for active employees, except:

- The regular monthly premium sharing amount that pre-65 retirees pay is the standard annual Medicare Part B premium.
- Pre-65 retirees who enroll in PERS Kaiser or PERS Select, will pay the regular premium sharing amount, less the amount of the monthly cash stipend for actives in the same plan. This is a new benefit for pre-65 retirees.
- All other Pre-65 retirees not enrolled in PERS Kaiser or PERS Select will be required to pay the full regular monthly premium sharing amount.

Because of the way that CalPERS bills the District the MEC and deducts the rest of the premium amount from retirees' pension checks, the District will need to establish an HRA plan so that the District can continue its contributions towards the cost of retiree health coverage. Monthly, CalPERS will bill the District for the MEC applicable to District retirees. This amount will increase over time under the "unequal" (graduated) method of increasing the annual MEC for retirees, as provided under the CalPERS medical rules. The difference between the MEC and the premium amount for the plan each pre-65 retiree selects will be deducted from the retiree's CalPERS pension check. The HRA plan will allow pre-65 retirees to be reimbursed for those pension deductions, up to amount of the premium the District will cover.

- For pre-65 retirees who enroll in PERS Kaiser, PERS Choice or PERS Select Basic Plans, the District will credit amounts to the HRA plan for the difference between the total monthly premium paid by the retiree and the Maximum District Contribution, on a monthly basis.
- For pre-65 retirees who enroll in any plan other than the PERS Kaiser, PERS Choice or PERS Select Basic Plans, the District will credit amounts to the HRA plan for the difference between the total monthly premium paid by the retiree and the applicable Maximum District Contribution, on a monthly basis, up to an amount equal to the total monthly premium for the PERS Select Basic Plan.

In addition, PERS Kaiser and PERS Choice and PERS Select pre-65 retirees receive the same annual funding to the HRA plan under the same rules as active employees who enroll in those plans, except that HRA funding for pre-65 retirees may be used to pay for qualified medical premiums, in addition to qualified medical costs and copays, and prescription copays.

### **Medicare Eligible Retirees**

All Medicare eligible non-represented retirees will transition to the CalPERS group health plans for Medicare-eligible enrollees. As with pre-65 retirees, CalPERS will bill the District for the MEC applicable to the retirees. The difference between the MEC and the premium amount for the plan each Medicare retiree selects will be deducted from the retiree's CalPERS pension check. As with pre-65 retirees, an HRA plan will be provided to Non-Represented Medicare Eligible Retirees. For retirees who enroll in PERS Medicare Kaiser, PERS Medicare Select, or PERS Medicare Choice Plans, the HRA will be credited annually with amounts based on the elected plan. Retirees who

select a plan other than PERS Medicare Kaiser, PERS Medicare Choice or PERS Medicare Select will not receive this annual funding through the HRA plan.

The following annual amounts will be credited for HRA plan participants effective January 1, 2020 for the 2020 year:

- PERS Medicare Kaiser: \$550 annual amount
- PERS Medicare Choice: \$400 annual amount
- PERS Medicare Select: \$400 annual amount

In addition, as with pre-65 retirees, the HRA plan will allow Medicare retirees to be reimbursed for the pension check premium deductions, up to amount of the premium the District will cover. This is in addition to the above amounts.

- For Medicare retirees who enroll in PERS Medicare Kaiser, PERS Medicare Choice or PERS Medicare Select, the District will credit to the retiree's HRA the difference between the total monthly premium paid by the retiree and the Maximum District Contribution, on a monthly basis.
- For Medicare retirees who enroll in any plan other than the PERS Medicare Kaiser, PERS Medicare Choice or PERS Medicare Select, the District will credit to the retiree's HRA the difference between the total monthly premium paid by the retiree and the applicable Maximum District Contribution, on a monthly basis, up to an amount equal to the total monthly premium for PERS Medicare Select.

As with pre-65 retirees, HRA funding for Medicare retirees may only be used to pay for qualified medical premiums, costs and copays and prescription copays. Requests for additional funds will not be allowed. Unused HRA balances are allowed to carry over to future years. Retirees in the current Via Benefits HRA program may roll over unused balances under the current retiree HRA plan at the transition to the PERS related Medicare Plan HRA program. In addition, at the time of aging into the PERS Medicare eligible Plans, unused ending balances in the PERS related Basic Plan HRA for pre-65 retirees may rollover to the PERS Medicare Plan HRA.

### **Fiscal Impact**

The fiscal impact to this recommendation is a savings of approximately \$200,000 in the FY 20/21 Operating Budget due to the implementation beginning in January 2021 and assuming all HRAs are fully spent. Depending on the employee's plan choice and actual HRA spending levels, the District could save up to an additional \$160,000 for the initial implementation period between January through June 2021. In future years the savings are estimated to consistently grow due to CalPERS' pricing power with the health care providers. The budget is built on aggregate historical spending levels not per employee cost estimates thus budget savings will vary from savings calculated from contract pricing.

Attachment: Non-Represented Premium Sharing Comparison

**NON-REPRESENTED**  
**Employee Premium Sharing**  
**Contribution Amounts Effective 7/1/2020**

**TRADITIONAL PLANS**

Coverage Tier	PROVIDER	7/1/2020 Monthly Premiums	Base Hourly Wage Rates		
			\$32.00 and below	\$32.01- \$50.00	\$50.01 and Above
			Corresponding % Employee is to Contribute		
			3.50%	6%	8.50%
		7/1/2020 Monthly Premiums	Monthly Premium Sharing Employee Contribution		
Employee Only	Kaiser: Actives	\$872.30	\$30.53	\$52.34	\$74.15
Employee +1		\$1,744.60	\$61.06	\$104.68	\$148.29
Employee + Family		\$2,468.61	\$86.40	\$148.12	\$209.83
Employee Only	Blue Shield HMO: Actives	\$1,427.65	\$49.97	\$85.66	\$121.35
Employee +1		\$2,855.32	\$99.94	\$171.32	\$242.70
Employee + Family		\$4,040.27	\$141.41	\$242.42	\$343.42
Employee Only	Blue Shield PPO: Actives	\$1,650.69	\$57.77	\$99.04	\$140.31
Employee +1		\$2,971.25	\$103.99	\$178.28	\$252.56
Employee + Family		\$4,126.74	\$144.44	\$247.60	\$350.77

**HIGH DEDUCTIBLE PLANS**

PROVIDER	7/1/2020 Monthly Premiums	Base Hourly Wage Rates			
		\$32.00 and below	\$32.01- \$50.00	\$50.01 and Above	
		Corresponding % Employee is to Contribute			
		3.50%	6%	8.50%	
		7/1/2020 Monthly Premiums	Monthly Premium Sharing Employee Contribution		
<b>HIGH DEDUCTIBLE PLANS w/ HRA</b>					
Kaiser: Actives	\$1,276.59	\$44.68	\$76.60	\$108.51	
Blue Shield HMO: Actives	\$1,204.00	\$42.14	\$72.24	\$102.34	
	\$2,398.96	\$83.96	\$143.94	\$203.91	
	\$3,390.80	\$118.68	\$203.45	\$288.22	
Blue Shield PPO: Actives	\$844.89	\$29.57	\$50.69	\$71.82	
	\$1,454.78	\$50.92	\$87.29	\$123.66	
	\$1,988.42	\$69.59	\$119.31	\$169.02	

**CALPERS HEALTH PLANS**

(For illustrative purposes only)

PROVIDER	Calendar Year 2020** Monthly Premiums	Base Hourly Wage Rates			
		\$32.00 and below	\$32.01- \$50.00	\$50.01 and Above	
		Corresponding % Employee is to Contribute			
		3.50%	6%	8.50%	
		Calendar Year 2020** Monthly Premiums	Monthly Premium Sharing Employee Contribution		
PERS Kaiser: Actives	\$768.49	\$26.90	\$46.11	\$65.32	
	\$1,536.98	\$53.79	\$92.22	\$130.64	
	\$1,998.07	\$69.93	\$119.88	\$169.84	
PERS Select PPO: Actives	\$520.29	\$18.21	\$31.22	\$44.22	
	\$1,040.58	\$36.42	\$62.43	\$88.45	
	\$1,352.75	\$47.35	\$81.17	\$114.98	
PERS Choice PPO: Actives	\$861.18	\$30.14	\$51.67	\$73.20	
	\$1,722.36	\$60.28	\$103.34	\$146.40	
	\$2,239.07	\$78.37	\$134.34	\$190.32	

\*\* 2021 Rates will be available in the Fall 2020

Note 1: Please keep in mind any future base hourly wage rate changes may impact your contribution percentage.

Note 2: Monthly amount will be deducted from the second paycheck of each month in one lump sum on a pre-tax basis.

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