

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	12/11/17	Open	Action	11/27/17

Subject: Electing CalPERS Government Code Sections to Provide Medical and Hospital Care for Surviving Family Member's

ISSUE

Whether or not to elect to be subject to California Government Code Section 22819 for family members of deceased employees without a warrant under the Public Employees' Medical Hospital Case Act with Respect to SacRT employees represented by the Amalgamated Transit Union, Local 256 (ATU), the International Brotherhood of Electrical Workers, Local 1245 (IBEW), the American Federation of State, County and Municipal Employees (AFSCME), the Administrative Employees Association (AEA) and all Non-Represented SacRT Employees (MCEG); and

Whether or not to elect to be subject to California Government Code Section 22819.1 for family members of a deceased annuitant without a warrant under the Public Employees' Medical and Hospital Care Act with respect to SacRT retirees represented by the Amalgamated Transit Union, Local 256 (ATU), the International Brotherhood of Electrical Workers, Local 1245 (IBEW), the American Federation of State, County and Municipal Employees (AFSCME), the Administrative Employees Association (AEA) and all Non-Represented SacRT Employees (MCEG).

RECOMMENDED ACTION

- A. Adopt Resolution 17-12-_____, Electing to be Subject to California Government Code Section 22819 for Family Members of Deceased Employees Without a Warrant Under the Public Employees' Medical Hospital Case Act with Respect to SacRT Employees Represented by the Amalgamated Transit Union, Local 256 (ATU), the International Brotherhood of Electrical Workers, Local 1245 (IBEW), the American Federation of State, County and Municipal Employees (AFSCME), the Administrative Employees Association (AEA) and all Non-Represented SacRT Employees (MCEG); and

- B. Adopt Resolutions 17-12-_____, Electing to be Subject to California Government Code Section 22819.1 for Family Members of a Deceased Annuitant Without a Warrant Under the Public Employees' Medical and Hospital Care Act with Respect to SacRT Retirees Represented by the Amalgamated Transit Union, Local 256 (ATU), the International Brotherhood of Electrical Workers, Local 1245 (IBEW), the American Federation of State, County and Municipal Employees (AFSCME), the Administrative Employees Association (AEA) and all Non-Represented SacRT Employees (MCEG).

Approved:

Presented:

Final 12/6/17

General Manager/CEO

Director, Human Resources

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FISCAL IMPACT

There is no additional fiscal impact associated with this election, as all expenses related to active and retiree medical plans have been included in the FY18 budget. Fiscal impact in future years' for the active employees surviving family members will be covered in this fiscal year budget. The fiscal impact for future years' surviving retiree family members will be included in the Other Post Employment Benefits (OPEB) liabilities.

DISCUSSION

In 2010, SacRT entered into Agreements with CalPERS to provide some level of medical benefits to all our active employees and retirees. Pursuant to provisions in some of SacRT's Memorandum of Understandings (MOU) and Collective Bargaining Agreements (CBA), the surviving spouse and dependent children of retirees are eligible to continue to obtain health care coverage under SacRT's retiree health care program. A few individuals receive this coverage at no or low cost, but the majority have to pay the full premium amount.

Recently, CalPERS informed staff that there is an administrative requirement that SacRT must adopt an authorizing resolution for each Employee Group (ATU, IBEW, AFSCME, and AEA/MCEG) to ensure that eligible surviving family members of both active employees who die in service and retirees are able to retain medical benefits after the employee/retiree passes. Therefore, this issue paper and Resolution was prepared to maintain compliance with CalPERS rules.

Surviving Spouses of Active Employees

In January 2009, after the death of a SacRT employee while in active service, the SacRT Board adopted Resolution No. 09-01-0005, allowing a two month extension of benefits for the spouse and dependents of employees who die during active service. In order for SacRT to ensure that staff is able to abide by that Resolution, the SacRT Board of Directors must adopt a resolution affirmatively electing to be subject to the terms set out in California Government Code 22819, authorizing the extension of health benefits for the two months from the date benefits would normally expire for a deceased employee.

The cost of the benefits will be offered at the rate provided to the former employee during active service and has been accounted for in the current fiscal year budget. At the expiration of the two month extension, the surviving spouse and dependents are provided an opportunity to COBRA their medical benefits.

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Surviving Spouses of Retired Employees

Under the current negotiated Collective Bargaining Agreements and CalPERS requirements, SacRT offers medical benefits in retirement to all employees. During their retirement, the retiree's share of cost of the medical benefit premium is deducted from the retiree's pension check, as it is for active employees. At retirement, employees have the option to select from 1 of 3 payment options. They may select Life Alone, 50% Joint and Survivor, or 100% Joint and Survivor. For those employees who select a Life Alone option, pension payments stop at the time of their death, leaving the surviving spouse without a pension payment from which to pay their health benefit premiums directly to SacRT. This presents an issue with CalPERS, which generally requires that participating employees/retirees and their surviving family members pay their premiums through deduction from their pension payments. Section 22819.1 of the Government Code does, however, provide SacRT with the ability to continue to allow such individuals to participate in SacRT's health benefit system. In order for SacRT to ensure compliance with the Collective Bargaining Agreements and/or CalPERS requirements, the SacRT Board of Directors must adopt a resolution for each of its employee groups affirmatively electing to be subject to California Government Code Section 22819.1, which authorizes the surviving spouse and dependent children to continue to participate in SacRT's health benefit program when a retiree selects the Life Alone option at retirement and pension payments cease at the retired employee's death.

The cost of the benefits provided to surviving family members will be offered at the rate provided to the former retiree, and will be accounted for through the implicit rate subsidy in the annual Other Post Employment Benefits (OPEB) liability study complete by SacRT's actuary.

Staff recommends the Board adopt the attached resolutions and elect to be subject to California Government Code Sections 22819 and 22819.1.

RESOLUTION NO. 17-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 11, 2017

ELECTING TO BE SUBJECT TO CALIFORNIA GOVERNMENT CODE SECTION 22819 FOR FAMILY MEMBERS OF A DECEASED EMPLOYEE UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT WITH RESPECT TO SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES REPRESENTED BY THE AMALGAMATED TRANSIT UNION LOCAL 256 (ATU), THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS LOCAL 1245 (IBEW), THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES (AFSCME), ADMINISTRATIVE EMPLOYEES ASSOCIATION (AEA) AND ALL NON REPRESENTED EMPLOYEES (MCEG)

WHEREAS, 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, the Sacramento Regional Transit District is a contracting agency eligible to be subject to the Act under Government Code Section 22920; and

WHEREAS, Government Code Section 22819 permits a contracting agency subject to the Act to provide benefits to family members of a deceased active employee, upon proper application;

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, Sacramento Regional Transit District desires to obtain for members of the ATU, IBEW, AFSCME, AEA and MCEG employee Groups the benefit of Section 22819 and accepts the liabilities and obligations of a contracting agency under the Section;

And be it further resolved,

THAT, Sacramento Regional Transit District elects to be subject to the provisions of Section 22819 of the Government Code;

And be it further resolved,

THAT, the participation of the employees and annuitants of the Sacramento Regional Transit District will be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of the 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 the Sacramento Regional Transit District 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.

THAT, the Board of Directors of the Sacramento Regional Transit District, which is the executive body, does hereby appoint and directs the General Manager/CEO to file with the Board a verified copy of this Resolution, and to perform on behalf of the Sacramento Regional Transit District all functions required of it under the Act.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 17-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 11, 2017

ELECTING TO BE SUBJECT TO CALIFORNIA GOVERNMENT CODE SECTION 22819.1 FOR FAMILY MEMBERS OF A DECEASED ANNUITANT UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT WITH RESPECT TO SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES REPRESENTED BY THE AMALGAMATED TRANSIT UNION LOCAL 256 (ATU), THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS LOCAL 1245 (IBEW), THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES (AFSCME), ADMINISTRATIVE EMPLOYEES ASSOCIATION (AEA) AND ALL NON REPRESENTED EMPLOYEES (MCEG)

WHEREAS, 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, the Sacramento Regional Transit District is a contracting agency eligible to be subject to the Act under Government Code Section 22920; and

WHEREAS, Government Code Section 22819.1 permits a contracting agency subject to the Act to provide benefits to family members of a deceased annuitant who does not receive an allowance in place of the annuitant's allowance, upon proper application;

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, Sacramento Regional Transit District desires to obtain for members of the ATU, IBEW, AFSCME, AEA and MCEG employee Groups the benefit of Section 22819.1 and accepts the liabilities and obligations of a contracting agency under the Section;

And be it further resolved,

THAT, Sacramento Regional Transit District elects to be subject to the provisions of Section 22819.1 of the Government Code;

And be it further resolved,

THAT, the participation of the employees and annuitants of the Sacramento Regional Transit District will be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of the 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 the

Sacramento Regional Transit District 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.

THAT, the Board of Directors of the Sacramento Regional Transit District, which is the executive body, does hereby appoint and directs the General Manager/CEO to file with the Board a verified copy of this Resolution, and to perform on behalf of the Sacramento Regional Transit District all functions required of it under the Act.

ANDREW J. MORIN, Chair

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HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary