



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA



Regional Water Authority

Modifying Retiree Health Benefits



Overview

- PEMHCA Requirements
- History of RWA Retiree Health Benefits
- Current Status
- Alternative under PEMHCA
- Discussion and Direction



PEMHCA Requirements

- Retirees must be allowed to continue coverage if agency has contract with CalPERS for active employees
- Contributions for retirees must be equal to contributions for active employees
- No minimum service requirement except under 100/90 Vesting Resolution
- Minimum contribution of \$136/month



RWA Retiree Health Benefits

- Resolution 1991-06
- Resolution 1993-06
- Resolution 2007-03



Resolution 2007-03

- 5 Years at RWA
- 10 – 20 years total CalPERS service
 - 50 – 100% benefit
- Retire from RWA*
- 100/90 Benefit (2018)
 - \$734 retiree
 - \$1398 retiree +1
 - \$1788 retiree +family
 - Medicare supplement



Current Status

- Two retirees under Resolution 1993-06
- One retiree under Resolution 2007-03
- Six active employees under 2007-03
 - 4 vested and CalPERS retirement age
- Combined Monthly premium for retirees - \$2,100
- CERBT Trust established



Goals

- Maintain commitment to current retirees
- Maintain retirement commitment to current active employees
- Reduce long term retiree cost for future employees
- Maintain competitive benefits that allow us to recruit and retain employees



Alternative

- Adopt CalPERS minimum resolution
- Establish a “Cafeteria” flexible benefit plan under IRS Code Section 125
- Establish a Health Reimbursement Arrangement (HRA)
- Determine retiree health benefits for new employees



Providing Benefits Under the HRA

- Current Retirees (and future retirements of current active employees)
 - \$133 paid by RWA monthly
 - Remainder of premium deducted from pension check
 - Reimbursement from RWA directly to retiree up to 100/90 amount (non-taxable)
- Future retirees (hired after 3/1/2019)
 - \$133 paid by RWA monthly
 - Remainder of premium deducted from pension check
 - Reimbursement to be determined

Pros and Cons

Pros

- Maintains commitment to existing staff and retirees
- Reinforces ability to meet financial commitments
- Reduces long term liability for OPEB
- Improves flexibility to modify benefit over time
- Most feasible approach

Cons

- Provides a benefit to short-term employees
- May limit recruitment and retention

Setting Retiree Health Benefits for Future Hires





Considerations

- Vesting period
- Amount
- Who is covered?
- Pre-Medicare vs. Post-Medicare
- Provide for employee savings
- Foregoing coverage

- Industry practice
- RWA members



Next Steps

- Direction to Proceed
 - CalPERS Resolutions
- Determining benefit for future employees
 - Ad hoc committee?



Questions and Discussion