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