Regional Water Authority
Modifying Retiree Health Benefits
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
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
Strawman Proposal for Retiree Health

- **Tier 1** - $400/month cap.  Retired on or before August 31, 2007
- **Tier 2** – 100/90 amount.  5 years at RWA to vest.  Hired on or before June 30, 2019 and retired after September 1, 2007.
- **Tier 3** – Hired on or after July 1, 2019

- All tiers
  - $136 CalPERS minimum payment paid to CalPERS
  - Remainder paid directly from RWA to retiree
Strawman Proposal for Retiree Health

- 10 years at RWA to vest
- Based on 100/90 Amounts
- 50% with 10 years increasing to 100% at 20 years
- Up to 5 years credit for other CalPERS Service
Strawman Proposal for Cafeteria Plan

- Active employees highest of four most subscribed CalPERS Plans
  - $2200 vs. current $3000
- Cash option – ½ of employee only allowance
  - Roughly $500
- Policy is defined. Amounts update annually.
Timeline

- *Direction to Proceed – November 2018*
- Draft Resolution, HRA, Cafeteria – February 27, 2019
- Board Action – March 14, 2019 or May 2, 2019
- CalPERS Approval – May 1, 2019 or July 1, 2019
- Effective Date – July 1, 2019
Questions and Discussion