

Agenda Item 5.0: Revision of the Sacramento Public Library Authority Retiree Health Contribution Policy

TO: Sacramento Public Library Authority Board Members

FROM: Rivkah K. Sass Library Director

RE: Revision of the Sacramento Public Library Authority Retiree Health Contribution Policy

RECOMMENDED ACTION(S):

Adopt Resolution #13-07 approving the Revision of the Sacramento Public Library Authority Retiree Health Contribution Policy.

REASON FOR RECOMMENDATION

The Sacramento Public Library Authority Board adopted a resolution on April 25, 1996 approving the Library's Retiree Health Contribution Policy and the contribution rate to be paid to retirees with designated years of service with the Library Authority. On March 28, 2002, this policy was updated and the rates to retirees increased.

The current rates for contribution are:

\$225.00	20 years full service or more (100%)
\$168.75	15 years full service but less than 20 (75%)
\$112.50	10 years full service but less than 15 (50%)

In 2008 Library staff first brought the challenges of this unfunded liability to the Board and asked for direction in addressing the liability, and recommending that \$278,000 be set aside to begin funding the contribution. Due to the sharp economic downturn, this was not possible and the Library continued the pay-as-you-go model.

In 2012 another actuarial study was completed for retiree Other Post-Employment Benefits (OPEB) and Library staff reported the results to the Board at the March 6, 2012 Authority Board meeting that the Annual OPEB Cost (AOC) will grow from \$431,000 in 2012 (75 retirees receiving medical benefits) to \$635,000 (199 retirees projected to receive medical benefits) in 2025. The study shows an Unfunded Actuarial Accrued Liability (UAAL) of \$5,065,600 as of January 1, 2012.

The following table shows the number of staff receiving the benefit and the monthly amounts received.

Years of Service	No. of Employees	Library Contributions
20	53	\$225.00
15	10	\$168.75
10	20	\$112.50

In addition, there are 104 staff currently eligible to receive the benefit, and another 93 staff would be eligible if the requisite number of years of service with the Authority are completed, thus continuing the liability.

While the retiree health benefit is not intended to be a vested benefit, staff did negotiate the elimination of the retiree health contribution for Library Unit staff hired after July 1, 2012. It was also eliminated for unrepresented and management staff hired after July 1, 2011.

Local 39 officials have indicated that because this is not a negotiated benefit, they prefer not to include this in the Supervisory Unit MOU. Therefore, Library staff believes that the most prudent course of action is for the



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Authority Board to act within the scope of its authority and eliminate the benefit for new employees. This includes elimination of the benefit as follows:

Unrepresented Confidential and Management employees

IOUE Local 39, Library Unit Employees

July 1, 2011

January 1, 2012

July 1, 2012

July 1, 2012

Because of outstanding litigation in other jurisdictions, staff does not recommend eliminating or adjusting the contribution for current staff or retirees at this time.

The recommendation for eliminating the retiree health contribution for Supervisory Unit does not affect any staff due to the fact that no supervisory unit staff was hired between July 1, 2012 and the suggested revision of the policy.

FISCAL IMPACT

Authorization by the Board completes the work of eliminating the Retiree Health Contribution that was part of the negotiations process with the Library Unit in 2012 and with the Unrepresented Resolution of 2011. While the AOC liability is expected to increase from \$431,000 in 2012 to a potential of \$635,000 in 2025, the long-term OPEB liability for the Library is reduced by this action.

ATTACHMENTS

Attachment A: Resolution #13-07 approving the Revision of the Sacramento Public Library Authority

Retiree Health Contribution Policy.

Attachment B: Sacramento Public Library Authority Retiree Health Contribution Policy, 3/28/2002

Exhibit A

Sacramento Public Library Revised Retiree Health Contribution Policy approved 3/28/02

Intent

It is the intent of the Sacramento Public Library (SPL) to make available to its retired employees contributions toward the cost of retiree health coverage. The policy is defined here. The contribution amount will be set periodically by the Sacramento Public Library Authority Board as part of its budget.

Provisions Eligible SPL retirees or survivor dependents shall receive SPL-paid health insurance contributions and dental insurance benefits under the following provisions:

- a. Retiree Health Insurance Contribution Rates and Dental Insurance Benefits.
 - 1. Effective 4/01/02, the maximum monthly SPL-paid health and dental insurance contribution for eligible retirees shall be \$225. Any excess amount up to \$225 of the retirees contribution may be used for dependent health or dental coverage.
 - 2. Except as provided below, to be eligible for the SPL contribution to health insurance and for the SPL-paid dental benefit, the employee must retire from active service with a minimum of ten (10) full years of SPL service or combined SPL and City or County service for service retirement or ordinary disability retirement, and be minimum age 50.
 - 3. Employees retiring with thirty (30) or more years of SPL service or combined SPL and City or County service shall be eligible for the SPL's health insurance contribution and dental benefit effective with the date of retirement without regard to age.

4. Employees retiring with ten (10) or more full years of service

shall receive fifty percent (50%) of the SPL retiree insurance benefit; employees retiring with fifteen (15) or more years of full service shall receive seventy-five percent (75%) of the benefit; and employees retiring with twenty (20) or more years of full service shall receive one hundred percent (100%) of the benefit.

- 5. There shall be no eligibility for the SPL's health insurance contribution or dental benefit if the employee elects to take a deferred retirement.
- 6. There shall be no SPL-paid health insurance contribution or dental benefit for retirees with less than ten (10) full years of SPL retirement service or combined SPL and City or County retirement service.

b. Industrial Disabled or Death in Line of Duty Survivors

Retirees who receive industrial disability pensions or death in-theline-of-duty survivors will be entitled to one hundred percent (100%) of the SPL-paid health insurance contribution and dental benefit for retirees regardless of years of service.

c. Survivor Dependent Benefits

Survivor dependents of eligible employees or retirees shall be entitled to the same benefit amount that the employee was eligible for at the time of death.

d. Medicare Supplement

In order to maintain eligibility for the SPL-paid retiree health insurance contribution, each eligible retiree shall enroll in the Medicare Parts A and B immediately after becoming eligible for such benefits.



RESOLUTION NO. 13-07

Adopted by the Governing Board of the Sacramento Public Library Authority on the date of:

<u>March 14, 2013</u>

A RESOLUTION REVISING THE SACRAMENTO PUBLIC LIBRARY AUTHORITY RETIREE HEALTH
CONTRIBUTION POLICY

BACKGROUND

- A. The Sacramento Public Library Authority Board adopted a resolution on April 25, 1996 approving the Library's Retiree Health Contribution Policy and the contribution rate to be paid to retirees with designated years of service with the Library Authority.
- B. On March 28, 2002, the Sacramento Public Library Authority Board revised the policy and increased the retiree health contribution for eligible retirees.
- C. Actuarial studies conducted in 2008 and 2012 outline the unfunded liabilities of the current retiree health contribution policy and recommended certain financial actions that are not feasible at this time due to budgetary constraints.
- D. Library Staff recommends that the current Retiree Health Contribution Policy be revised to eliminate the benefit for new employees, based on the following schedule:

Unrepresented Confidential and Management employees July 1, 2011
IOUE Local 39, Library Unit Employees January 1, 2012
IOUE Local 39, Supervisory Unit Employees July 1, 2012

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE SACRAMENTO PUBLIC LIBRARY AUTHORITY AS FOLLOWS:

1. The Sacramento Public Library Authority Board revises the Retiree Health Contribution Policy as

attached as Exhibit A, including the elimination of the retiree health contribution for new employees.

Phil Serna, Chair

ATTEST:
Rivkah K. Sass, Secretary

By:
Linda Beymer, Assistant Secretary

ATTACHMENT:

Exhibit A: Sacramento Public Library Authority Retiree Health Contribution Policy, 3/14/2013



Sacramento Public Library Policies and Procedures

Policy No:	312	312			
Title:	Retiree Health Cont	Retiree Health Contribution Policy			
Department:	Human Resources	Human Resources			
Issue Date:	April 25, 1996	Board Approval Date:	March 14, 2013		
	March 28, 2002				
Revision Date:	March 14, 2013				

I. PURPOSE

The Sacramento Public Library Authority (SPL) makes available to its retired employees contributions toward the cost of retiree health and dental coverages. The contribution amount is set periodically by the Sacramento Public Library Authority Board (Board).

II. POLICY

The retiree health contribution policy and rate are established by the Board and the contribution amount is set periodically by the Board as part of its budget process and is not intended to be a vested benefit. Eligible retirees or survivor dependents shall receive a monthly SPL contribution for health and dental insurance benefits as established by the Board.

III: GUIDELINES

1. Eligibility for the Retiree Health Contribution is determined by Board Policy.

To be eligible, the following criteria must be met:

- a) Minimum age of 50, or have 30 or more years of service; or
- b) No age requirement if the employee has 30 or more years of SPL, or combined City or County service; and
- c) Ten (10) full years of SPL service, or combined City or County service
- 2. Retirees with less than ten (10) years of full service or combined SPL and City or County service are not eligible.
- 3. The retiree health contribution is not available to employees in the following work units hired on or after these dates:

Unrepresented Confidential and Management employees

July 1, 2011

IOUE Local 39, Library Unit Employees

January 1, 2012

IOUE Local 39, Supervisory Unit Employees

July 1, 2012

4. The current maximum amount of SPL contribution is \$225.00 per month.

- a) Employees retiring with ten (10) or more years of full service shall receive fifty percent (50%) of the SPL paid health insurance contribution
- b) Employees retiring with fifteen (15) or more years of full service shall receive seventy-five (75) percent of the retiree health contribution;
- c) Employees retiring with twenty (20) or more years of full service shall receive one hundred percent (100%) of the retiree health contribution.
- 5. An employee who separates from service and defers retirement more than 120 days is not eligible for the SPL retiree health contribution.
- 6. An employee who retires and does not elect SPL-sponsored health insurance at the time of retirement is not eligible for the retiree health contribution.
- 7. Survivor dependents of eligible employees or retirees shall be entitled to the same benefit amount that the employee was eligible for at the time of death.
- 8. In order to maintain eligibility for the SPL retiree health contribution, each eligible retiree shall enroll in Medicare Parts A and B immediately after becoming eligible for such benefits.
- In order to maintain eligibility for the SPL retiree health contribution, an eligible retiree who moves out of the SPL's health plan service area must provide documentation of an alternate health plan.
- 10. Full Service is defined as a 40-hour workweek.

IV: PROCEDURES

Employees planning retirement must contact Human Resources Department for an appointment. Employees will receive a package of retirement materials, forms, and instructions.