

ORANGE COUNTY BOARD OF SUPERVISORS

MINUTE ORDER

December 20, 2022

The following is action taken by the Board of Supervisors:

APPROVED AS RECOMMENDED OTHER

Unanimous (1) DO: **Y** (2) FOLEY: **Y** (3) WAGNER: **Y** (4) CHAFFEE: **Y** (5) BARTLETT: **Y**

Vote Key: Y=Yes; N=No; A=Abstain; X=Excused; B.O.=Board Order

Plan and County's Health Reimbursement Arrangement Plan, enter into agreements, restructure County health insurance plans and as Plan Administrator to amend both Retiree Medical Plan Document and Health Reimbursement Arrangement Plan Document under certain conditions; and approve and adopt side letter agreement with Orange County Employees Association to allow additional vacation usage and cash outs for employees with Annual leave balances greater than 80 hours - All Districts

Item No. S33A



I certify that the foregoing is a true and correct copy of the Minute Order adopted by the Board of Supervisors, Orange County, State of California.
Robin Stieler, Clerk of the Board

By: 
Deputy

Agenda Item
Clerk's Use Only

S33A



SUPPLEMENTAL AGENDA ITEM AGENDA STAFF REPORT

2022 DEC 12 PM 3:26

MEETING DATE: 12/20/22

LEGAL ENTITY TAKING ACTION: Board of Supervisors

BOARD OF SUPERVISORS DISTRICT(S): All Districts

SUBMITTING AGENCY/DEPARTMENT: County Executive Office

DEPARTMENT HEAD REVIEW: *[Signature]*
Digitally signed by Frank Kim, DN: cn=Frank Kim, o=County of Orange, ou=CEO, email=frank.kim@oc.gov, c=US, Date: 2022.12.12 14:10:45 -0800

DEPARTMENT CONTACT PERSON(S): Colette Farnes
Kim Derrick

SUBJECT: Approve Health Reimbursement Arrangement Enrollment and Restructure Medical Plans

CEO CONCUR

[Signature]

Digitally signed by Frank Kim
DN: cn=Frank Kim, o=County of
Orange, ou=CEO,
email=frank.kim@oc.gov, c=US,
Date: 2022.12.12 14:10:45 -0800

CEO Signature

COUNTY COUNSEL REVIEW

Approved as to form

Delegated by: Action
12/12/2022

County Counsel Signature

CLERK OF THE BOARD
Discussion

3 Votes Board Majority

Budgeted: N/A

Current Year Cost: See Financial
Impact Section

Annual Cost: See Financial
Impact Section

Staffing Impact: No

of Positions: N/A

Sole Source: N/A

Current Fiscal Year Revenue: N/A

Funding Source: N/A

County Audit in last 3 years: No

Prior Board Action: N/A

RECOMMENDED ACTION(S):

1. Approve and adopt the attached side letter agreement between the County of Orange and the Orange County Employees Association to eliminate the Retiree Medical Grant for new County employees, freeze the Retiree Medical Grant for existing County employees, and transition new and existing employees to the County Health Reimbursement Arrangement Plan with the option for existing County employees to place the value of their Retiree Medical Grant in the County Health Reimbursement Arrangement Plan.
2. Authorize the elimination of the Retiree Medical Grant for new unrepresented County of Orange employees, freeze the Retiree Medical Grant for existing unrepresented County employees, and transition all unrepresented County employees to the County Health Reimbursement Arrangement with the option for existing unrepresented County of Orange employees to place the value of their

Retiree Medical Grant in the County Health Reimbursement Arrangement Plan under the same conditions as stated in the Orange County Employees Association side letter agreement.

3. Authorize the Chief Human Resources Officer or designee, to administer both the Retiree Medical Plan and the County's Health Reimbursement Arrangement Plan to freeze the Retiree Medical Grant for existing Orange County Employees Association represented and unrepresented employees and transition new and existing Orange County Employees Association represented and unrepresented employees to the County Health Reimbursement Arrangement Plan.
4. Authorize the Chief Human Resources Officer or designee, to enter into agreements, similar to the Orange County Employees Association side letter, with bargaining units who do not participate in the County Health Reimbursement Arrangement Plan and present those agreements to the Board of Supervisors for approval.
5. Authorize the Chief Human Resources Officer or designee, to restructure the County health insurance plans to include both active County of Orange employees and County of Orange retirees, with the requirement that the retiree health insurance premiums for non-Medicare retirees exceed the active employee health insurance premium by 20 percent, beginning January 2024.
6. Authorize the Chief Human Resources Officer or designee, as Plan Administrator, to amend both the Retiree Medical Plan Document and the County of Orange Health Reimbursement Arrangement Plan Document to incorporate the changes included in the Orange County Employees' Association side letter agreement, other similar agreements with other bargaining units and the restructuring of the County health insurance plans, and present the amended Plan Documents to the Board of Supervisors for approval before the County of Orange health insurance plans are restructured in January 2024; and to execute underlying agreements necessary for the proper function of the Plans as required by any regulatory agency, by law or as necessary to be consistent with the County of Orange's various Memorandum of Understanding, Personnel and Salary Resolution, and any other Board directives or resolutions as expressed by the Board.
7. Approve and adopt the attached side-letter agreement between the County of Orange and Orange County Employees Association to allow additional vacation usage and cash outs for employees with Annual leave balances greater than 80 hours.

SUMMARY:

Approval of the transition of County of Orange employees from the Retiree Medical Grant to the Health Reimbursement Arrangement and restructuring the County health insurance plans to include retirees will help to attract and retain County of Orange employees; reduce the County of Orange's unfunded liability associated with the current Retiree Medical Grant; provides a more flexible retirement plan that addresses the needs for Public Employees' Pension Reform Act employees; and gives non-Medicare eligible retirees access to affordable benefits.

BACKGROUND INFORMATION:

County Retiree Medical Grant

Employees represented by the Orange County Employees' Association (OCEA), Orange County Managers Association (OCMA), International Union of Operating Engineers (IUOE), Teamsters and unrepresented employees participate in the Retiree Medical Plan. These employees are eligible, if they meet the criteria in the Retiree Medical Plan Document, to receive the Retiree Medical Grant which is a fixed monthly benefit that may only be used to pay for Medicare and County retiree health insurance premiums. Members of other bargaining units, such as the Association of Orange County Deputy Sheriffs (AOCDS) and the Orange County Attorneys' Association (OCAA), have elected to transition from the Retiree Medical Grant to the County Health Reimbursement Arrangement (HRA) Plan which is a defined contribution plan in which employer contributions are placed in an employee's account and may only be used for qualified medical expenses after the employee separates from the County of Orange (County).

In 2019, OCEA and the County finalized negotiations for a successor Memorandum of Understanding (MOU). Under the terms of the MOU, the parties agreed to an immediate reopening to discuss the possible transition of OCEA-represented County employees from the County's Retiree Medical Grant into an OCEA-administered Retiree Medical Trust (OCEA RMT).

The County and OCEA began discussions soon after adoption of the 2019 MOU. While the discussions did not result in the OCEA Retiree Medical Trust contemplated in the MOU, the parties agreed to an alternative in which OCEA-represented employees transition to the County HRA Plan.

The parties have agreed to the following:

Freeze Retiree Medical Grant for Existing Employees

At the date of the transition, existing employees shall select one of the following two options:

- i. Receive the frozen Retiree Medical Grant, or
- ii. Opt-out of the Retiree Medical Grant and receive a credit for the value of their Retiree Medical Grant (\$855 for each full year of Qualified Credited Service) in their HRA account.

At date of transition, the Retiree Medical Grant shall be frozen for existing OCEA-represented employees and unrepresented employees. Existing employees shall not accrue additional service hours towards eligibility for the Retiree Medical Grant. All employees with one or more years of credited service, as of the effective transition date, shall be eligible for the frozen Retiree Medical Grant. The annual Cost of Living Adjustments (COLA) and age adjustment (+/- 7.5%) will be eliminated. The 50 percent Grant reduction at age 65 for retirees eligible for Medicare will remain. Any employee who elects to receive the frozen Grant shall be credited \$855 per each full year of eligible service beyond the 25-year cap (e.g., a 30-year employee at the time of transition would have 25 years of Grant value and 5 years of HRA value of \$855 per year) in their HRA account.

Before the transition, existing OCEA represented and unrepresented employees, who have accrued at least one full year of Qualified Credited Service under the Retiree Medical Plan Document, may choose not to receive the frozen Retiree Medical Grant and instead have \$855.00 for each full year of Credited Qualified Service credited to the employee's HRA account. The opt-out value will not be limited to the 25-year cap.

Transition to Health Reimbursement Arrangement (HRA)

Human Resource Services (HRS) will administer the County's existing HRA Plan to include OCEA represented employees. For each OCEA represented employee enrolled in the County sponsored HRA, the County will contribute \$60.00 per pay period effective June 16, 2023. The County contribution will be increased by 2.5 percent annually each first full pay period beginning July 2024. The County contributions will replace the Retiree Medical Grant for new employees and supplement the frozen Retiree Medical Grant, or HRA credit for the value of that Grant, for existing employees.

Unrepresented Employees

HRS requests that your Board authorize the elimination of the Retiree Medical Grant for new unrepresented County employees, that the Retiree Medical Grant be frozen for existing unrepresented County employees, and that all unrepresented County employees be transitioned to the County Health Reimbursement Arrangement with the option for existing unrepresented County employees to place the value of their Retiree Medical Grant in the County Health Reimbursement Arrangement Plan. HRS will facilitate this transition when administratively appropriate and under the same conditions provided in the OCEA side letter agreement.

Additional Bargaining Units

HRS also recommends that your Board authorize the Chief Human Resources Officer or designee, to enter into agreements, similar to those stated in the OCEA side letter, with bargaining units who do not participate in the County HRA. HRS will begin working with those bargaining units to enter into similar agreements as soon as practicable.

Freezing the Retiree Medical grant and transitioning to the HRA Plan will reduce the unfunded liability for the Retiree Medical Grant. Additional reductions to the unfunded liability are also realized due to the elimination of the grant COLA for those receiving the frozen Retiree Medical Grant. The Retiree Medical Grant has limited value for Public Employees' Pension Reform Act employees who often work until age 65 in order to receive full pension benefits and become eligible for Medicare. The Retiree Medical Grant is restrictive because it may only be used to pay for County health insurance and Medicare premiums. In contrast, HRA participants are allowed to retain the contributions placed in their accounts and may use the contributions for any qualified medical expense permitted by the Internal Revenue Service. The transition from the Retiree Medical Grant to the HRA Plan is expected to be a valuable tool to attract and retain County employees as a part of the total compensation package.

Plan Documents

HRS will amend the Retiree Medical Plan Document and the Health Reimbursement Arrangement Plan Document to incorporate the changes included in the OCEA side letter agreement and any further agreements with other bargaining units who agree to transition to the County HRA Plan. HRS will also amend the Plan documents to incorporate the changes to the restructuring of the County health insurance plans described below. HRS will present the amended Plan documents before the restructuring of the County health insurance plans takes place in the beginning of the year in 2024.

Restructuring of County Health Insurance Plans

We also recommend a restructuring of the County health insurance plans for pre-65 retirees. County-sponsored health insurance plans for retirees are unaffordable for many non-Medicare retirees. Allowing retirees to participate in an active employee health plan will significantly reduce the cost of retiree health.

The restructuring proposal is as follows:

1. County health insurance plans shall include active employees and retirees. Retirees will pay an additional 20 percent premium differential beginning January 2024.
2. The cost of monthly premiums shall be determined by combining the cost and utilization of Active employees and pre-65 retirees. Monthly premiums will be set to cover the estimated costs of the pool with premiums for all participating non-Medicare retirees, including dependents, will be set twenty (20) percent higher than the active employee premiums.
3. Active employee premiums (contributions/payroll deductions) shall not increase beyond the actuarially determined increases related to active employee claims experience.
4. The restructuring of the County health insurance plans will apply to all County active employees and non-Medicare retirees not represented by AOCDS. The County's health plan vendors will require that rates are set for these bargaining groups. The health plans will not provide health plans for small subsets of the population and are not considered credible for health plan coverage under the Affordable Care Act.

Modify Vacation and Annual Leave Provisions for OCEA-Represented Employees Who Have 80 or More Hours of Annual Leave

Employees may request a non-discretionary cash out of 100 hours total in each fiscal year (vacation or any combination of vacation and annual leave) if:

- Employee has Annual Leave balances of 80 or more hours;
- Employee is subject to the 80-hour vacation maximum cash out under the 2019-2023 MOU; and
- Employee's vacation balance will reach the vacation cap in the fiscal year.

Employees may request a non-discretionary cash out of 120 hours total in each fiscal year (vacation or any combination of vacation and annual leave) if:

- Employee has Annual Leave balances of 80 or more hours;
- Employee is subject to the 120-hour vacation maximum cash out under the 2019-2023 MOU; and
- Employee's vacation balance will reach the vacation cap in the fiscal year.

Employees with 80 or more hours of Annual Leave balances may elect to use a maximum of sixty (60) Vacation hours during the fiscal year for approved time off.

FINANCIAL IMPACT:

The County's plan to restructure the Retiree Medical Grant is expected to result in an approximate \$91.6 million reduction in the unfunded liability for the County Retiree Medical Plan.

Restructuring the County health insurance plans is expected to cost approximately \$7.4 million annually, including cost impact to Retiree Medical Plan annual required contribution from increased participation. The cost impact of restructuring the County health insurance plans is reduced by the restructuring of the Retiree Medical Plan including transitioning the Retiree Medical Grant to the HRA. The estimated annual increase in Net County Cost related to conversion of all eligible County employees is one to two million dollars.

STAFFING IMPACT:

N/A

ATTACHMENT(S):

Attachment A – Tentative Agreement between the County of Orange and Orange County Employees Association for Health Reimbursement Arrangement Transition

Attachment B – Side Letter Agreement between the County of Orange and Orange County Employees Association for Health Reimbursement Arrangement Transition

Attachment C – Side Letter Agreement between the County of Orange and Orange County Employees Association for Additional Vacation Usage and Cash Outs for Employees with Annual Leave