TO:	BOARD OF SUPERVISORS	Contra Costa County
FROM:	John Cullen, County Administrator	
DATE:	June 26, 2007	
SUBJECT:	OPEB Update	

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

RECOMMENDATIONS:

1. ACKNOWLEDGE that the March 1, 2007 report to the Finance Committee defines and describes the Other Post Employment Benefit (OPEB) liability for Contra Costa County;
2. ACKNOWLEDGE that significant progress has been made on developing a strategic plan to address the County's OPEB liability;
3. RECEIVE report from the OPEB Task Force;
4. ADOPT OPEB funding target of 100% of the potential liability for the retiree population;
5. ADOPT the allocation of resources detailed in this report towards the OPEB liability; and
6. DIRECT the County Administrator to begin pre-negotiation meetings with County labor representatives regarding the development of possible plans and models for benefit reform.

FISCAL IMPACT:

The result of the recommendations herein, if implemented, will have significant future impact on the County's overall fiscal stability and service delivery viability.

BACKGROUND:

As was noted during the FY 2007/08 Recommended Budget Hearings, the County continues to face significant fiscal challenges such as addressing the public's growing service delivery demands; addressing the County's Other Post Employment Benefit liability; maintaining competitive salaries/ benefit programs; addressing facility maintenance/life cycles; pre-funding vehicle replacement costs; as well as implementing several significant Federal and State program changes including Health Care and Corrections. The County continues to develop/refine plans to responsibly address each of these issues.

CONTINUED ON ATTACHMENT: X YES SIGNATURE: Lisa Driscoll

____RECOMMENDATION OF COUNTY ADMINISTRATOR ____RECOMMENDATION OF BOARD COMMITTEE

____APPROVE ____OTHER

SIGNATURE(S):

ACTION OF BOARD ON____________ APPROVE AS RECOMMENDED ________ OTHER ________

VOTE OF SUPERVISORS

____ UNANIMOUS (ABSENT__________)
AYES:________ NOES:________
ABSENT:________ ABSTAIN:________

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF AN ACTION TAKEN AND ENTERED ON THE MINUTES OF THE BOARD OF SUPERVISORS ON THE DATE SHOWN.

ATTESTED ____________________
JOHN CULLEN, CLERK OF THE BOARD OF SUPERVISORS AND COUNTY ADMINISTRATOR

CONTACT: Lisa Driscoll (335-1023)

CC: All County Departments

BY ____________________, DEPUTY

The Board of Supervisors, County Administrator's Office, and Departments take very seriously our responsibility to resolve the County's OPEB liability. To this end, the Board has either accomplished or set a timeline for accomplishing the following:

- ordered the GASB 45 required comprehensive calculation of liability (Spring 2006);
- established an OPEB Task Force with County representation and contracted specialists (Fall 2006);
- received OPEB Task Force presentation on OPEB challenge, focusing on the order of magnitude and possible changes in the liability (March 2007);
- directed OPEB Task Force to report on funding targets including evaluating/calculating different targeted funding scenarios/examples and the fiscal, budgetary, and programmatic impact scenarios under those funding levels, and the Comprehensive Annual Financial Report (CAFR) impacts of these different scenarios (June 2007);
- develop benefit plan designs including: researching detailed demographics of the current active employee population as well as retirees; researching best practices; making comparisons to other municipalities/public sector and corporations in the area; determining what plan-change options might be available to Contra Costa; and, considering changes to benefit plan design, administration, cost sharing, and funding mechanisms (May 2007-August 2007);
- develop and deliver 'brown bag' education campaign for County employees, Labor organizations, and the public, which not only describes the liability but how it can be addressed within the County's service level and fiscal framework (Beginning July 2007); and
- order the next GASB 45 required comprehensive calculation of liability (Winter 2008).

The Board has established the following goals to guide our OPEB work:

1. Fully comply with Governmental Accounting Standards Board (GASB) Statement 45; and
2. Adopt an OPEB financing plan, which balances our requirement to provide public services with competitive health care benefits for our employees (now and when they retire).

To achieve the Board's goals, the OPEB Task Force has brought together the breadth of expertise available within the County and through professional contracts in each of the following areas: financial, audit, budgetary, personnel, labor relations, benefits, and legal. The importance of incorporating into the ongoing process the perspective of all stakeholders is also being addressed.

The scope of the issue is—as has been noted many times by many individuals—huge, not only for Contra Costa County, but for the nation; however, it is not insurmountable. Contra Costa will address this issue successfully as it does with every challenge. A sound long-term strategy is of uppermost importance. The primary issue is that Contra Costa County has a very large potential OPEB liability that is the result of 46 years of retiree health benefit accumulation, combined with the positive demographic of longer life expectancy, and the less positive reality of rapidly increasing health care costs. Preparing to pre-fund this liability will take a multi-decade effort, but can and will be achieved through a combination of revenue redirection, benefit plan changes, and as a last resort, service delivery reductions. The next step in implementation of our OPEB funding plan requires setting a viable funding target.

<u>Guidelines for Funding Long-Term Obligations</u>

An important factor in the County's fiscal health is how it manages its financial long-term obligations. The national rating agencies—Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch)—treat financial long-term obligations as if they are debt obligations and factor their management into the overall credit assessment. In addition, other parties, such as the California State Association of Counties (CSAC) and the Legislative Analyst's Office (LAO), have weighed-in offering their guidance on certain financial long-term obligations. Our Fiscal Working Group of the OPEB Task Force researched the issue of whether the rating agencies, CSAC and the LAO have recommended any specific guidelines for funding long-term obligations.

Generally, the rating agencies, CSAC and the LAO agree that actuarial analysis is the appropriate methodology for **calculating** long-term liabilities. The fundamental principle underlying the actuarial analysis for these types of obligations (workers' compensation, pension, and retiree health care costs) is that the liability is incurred and accruing today; therefore, its cost should be accrued and set aside today.

However, this does not mean that 100% **funding** is a hard and fast requirement. In the case of pension systems, for example, a funding level between 60% and 88% is regarded as an indicative range, with 60% representing a threshold weakening point and 88% representing a substantially funded system[1]. The 1937 Act, which governs CCCERA, prescribes a 100% funding target. There can be instances where the investment performance of the pension system exceeds 100%; however, rather than over-fund the system, it may be prudent to modestly under-fund it so that, over time, it is fully funded on average.

It is important to note that guidelines reflect the financial principle that liabilities be recognized when they are incurred rather than when they mature in the future. If the County were to follow the same principle with respect to its retiree health care obligation as it does with its pension costs, the target funding percent would be similar to that of the average of California's 15 largest pension systems, i.e. 88%, although lower funded percentages are maintained by weaker pension systems.

OPEB Funding Target

In addition to researching recommendations for specific funding guidelines for financial long-term obligations, the Fiscal Working Group considered the Government-wide balance sheet impact of various funding levels, the liability impact of various funding levels, volatility of the assumptions/risk of funding, and ability to fund/affordability. The task was made especially difficult by the extremely high potential for change in the national benefit and cost environment (it would appear from recent State legislature proposals, for example, that mandatory provision of health benefits may soon be the norm for employers and/or extended government coverage may be more available to retirees).

One of the first considerations was over what period of time the funding period should extend. While it was tempting to spread the funding period over the same period of time it took to build the liability (46 years), the models developed for review assumed a 30 year funding period, consistent with the GASB 45 maximum amortization period.

The next consideration was what **guideline** for funding should be used. The volatility of the health benefit environment ruled out targeting 100% of the entire potential future liability. Additionally, the Board's goal to ensure our service delivery balance also makes 100% impossible. Conversely, long-term impact to the County and General Fund balance sheets ruled out continuing to pay only current costs (pay-go). After discussion, the working group developed three different scenarios for evaluation:

1. targeting for funding the entire amount associated with the retiree population, which currently equates to approximately 40% of the total liability;
2. targeting a funding level equal to the prevailing practice of funding for other similar liabilities (Because there is not yet, and may never be, an industry standard for this specific liability, the Task Force looked at pension and workers compensation fund recommendations and targeted 70% of the total liability); and
3. targeting a funding level representing the middle of these two targets – 55% for a model of order of magnitude.

For example purposes, these three funding approaches are applied in the chart below to the liability for three different benefit plan models from the March 2007 Finance Report, showing liability and 30 year funding target (in millions). The three plans are a frozen plan (no growth), frozen plan plus three percent, and the current plan design. The No Growth Plan would freeze the County's annual contribution to health care at the current annual cost with no increase in County contribution; the Frozen Plus 3% Plan would increase the County's annual contribution by three percent each year; and the Current Plan would increase the County's annual contribution by the medical inflation rate (as it does currently).

[1] The LAO's 88% average funding level for the 15 largest California pension systems is consistent with Wilshire Associates 87% average for 107 City and County pension systems in 2006.

Plan Liability Basis	Total Liability	Targeted Funding %	Targeted Funding $
No Growth	$1,173	40%	$469
	$1,173	55%	$645
	$1,173	70%	$821
Frozen +3%	$1,601	40%	$640
	$1,601	55%	$880
	$1,601	70%	$1,120
Current Plan	$2,572	40%	$1,029
	$2,572	55%	$1,414
	$2,572	70%	$1,800

The table shows that the No Growth Plan would have a total liability of $1.2 billion; and the targeted funding percents of 40, 55, and 70% would translate into required funding of $469, $645, and $821 million respectively. The Frozen-Plus-3 percent Plan would have a total liability of $1.6 billion; and the targeted funding percents of 40, 55, and 70% would translate into required funding of $640, $880, and $1,120 million. Finally, the Current Plan would have a total liability of $2.6 billion; and the targeted funding percents of 40, 55, and 70% would translate into required funding of $1,029, $1,414, and $1,800 million.

Allocation of Resources

Addressing any of these funding scenarios will have a direct impact on the County's resources and ability to provide services. The challenge can be addressed through three basic mechanisms, or a combination thereof:

1. identify resources available for transfer without reducing benefits or service levels;
2. reduce and/or change benefits and/or change cost sharing; and
3. reduce service levels or program cuts.

The OPEB Task Force has and will continue to analyze future eligible resources to meet the requirements for OPEB funding. As was reported to the Board in the March 2007 OPEB Report, the majority of the County's reimbursement rates are capped; therefore, the County cannot expect to fund the potential OPEB liability through increased State and Federal revenues at this time. Consequently, the challenge has been to identify resources not already allocated that could be used to fund retiree health care costs. The Task Force has been relatively successful. The following table lists those annual resources identified thus far (in millions):

Resource	Beginning FY	Amount
Redirect Workers Compensation	2008/09	$10
Redirect UAAL Rate Adjustment	2009/10	$10
Redirect POB Bond payments	2014/15	$33
Redirect POB Bond payments	2022/23	$47
Total Annual Future Resource Redirection	2024 - onward	$100

If these resources were to be put aside beginning in fiscal year 2008/09, there would be $588 million (plus interest) reserved at the end of fiscal year 2022/23 and $100 million would be available to be added annually thereafter. Additionally, the allocation of an on-going revenue stream towards the liability allows the County to apply a discount rate higher than the pay-go level on the portion of the liability being funded; any unfunded portion would use the lower pay go discount rate (4.5%). In the aggregate, the total potential liability will be less because the reserved money will be earning a rate of return indicative of a diversified portfolio rather than the lower rate of return of the County's cash pool.

Although the Task Force is fairly confident that these resources will be available in the future, there are contingencies. The County's Workers' Compensation Internal Services Fund was seriously under-funded in the not so distant past. The next actuarial study (October 2007) will present a much improved picture with confidence levels back to a financially prudent funding level (70%). If the County continues to enjoy the experience of the last several years, allocations to the fund can be reduced without negatively impacting confidence levels. This is due to State reforms (reduced cost) and increased departmental rates (increased revenue) of the last several years. Recent changes to the Contra Costa County Employees' Retirement Association (CCCERA) rules have disallowed the practice of transferring 'excess earnings' to the County. Although this has the negative effect of reducing available resources directly to the County, it has the positive effect of allowing those 'excess earnings' to be used to pay down the County's unfunded liability in the pension fund and to provide a cushion for when investment performance is inevitably weak. Once the unfunded liability is paid off, the County's retirement rates will be slightly reduced; however, this reduction is contingent upon CCCERA continuing to meet its assumed rate of investment—among other things. All of these resources are contingent upon them not being targeted for other increased costs of doing business and/or increasing service levels/programs.

The Task Force specifically excluded routine annual revenue growth in General Fund, as we believe these funds will be needed to cover service delivery increases in the future; therefore, only the four resources specifically described in this report are included in the funding scenarios described below.

The chart below shows the total potential liability, targeted funding percent, annually required contribution (ARC), and targeted funding levels (in millions) for all three funding scenarios for a 30-year funding period beginning with FY 2007/08 (pay-go) and ending in FY 2036/37. Additionally, the Task Force determined the annual amount of program cuts and/or benefit changes that would be required to meet the target over and above the redirected resources described above, and any reduction to benefit costs achieved to meet either a No Growth or Frozen-Plus-3 percent liability. Although an exact actuarial projection of the year-by-year future liability or future ARC was not performed by the actuary, the comparisons are relative to each other and adequately show the magnitude and direction of funding and cost savings impact[2].

Plan Liability Basis	Total Liability	Targeted Funding %	Initial ARC	Targeted Funding $	Additional Cuts
No Growth	$1,173	40%	$86	$469	$0
	$1,173	55%	$86	$645	$0
	$1,173	70%	$86	$821	<$1
Frozen +3%	$1,601	40%	$125	$640	$38
	$1,601	55%	$125	$880	$43
	$1,601	70%	$125	$1,120	$47
Current Plan	$2,572	40%	$216	$1,029	$139
	$2,572	55%	$216	$1,414	$146
	$2,572	70%	$216	$1,800	$153

The table shows that funding the total potential liability for all retirees (40% level) over a period of 30 years, would require additional program cuts[3] and/or changes to benefits between zero and $139 million per year (the range from zero to $139 million is the range of liability between a No Growth Plan and the Current Plan); funding at a 55% level over a period of 30 years, would require program cuts and/or changes to benefits between zero and $146 million per year; and funding at a 70% level over a period of 30 years, would require program cuts and/or changes to benefits between $6 hundred thousand and $153 million per year depending on plan.

[2] These are modeled future cash flows and liabilities based on each possible action taken. Actual future results will vary, hopefully in proportion to this model.

[3] Looking only at active employees that have not yet met the current eligibility requirements to retire under the plan, each FTE carries approximately $151,000 in future liability. This includes the impact of the rate subsidy of retirees by actives. Eliminating 100 positions, not all at the youngest ages but evenly distributed up to age 50, removes approximately $15.1 million of the $2.57 billion total liability.

It should be noted that consistently funding below the ARC will have a detrimental impact on the County's technical solvency, as was explained in the March 2007 Finance Report. Funding less than the ARC will result in a "net OPEB obligation" on the Government-wide balance sheet and an ever-growing OPEB liability. However, selection of any of the models listed above will result in the County's CAFR balance remaining positive (all other things remaining equal). Additionally, because the funding scenarios presented begin the 30-year funding period at less than the ARC and end the period exceeding the ARC, each of the models presented will also (eventually) pay off the entire potential liability.

The OPEB Working Group believes that funding 100% of the entire potential liability for the retiree population[4] (40% of total potential liability), will achieve the Board's goals of meeting the GASB 45 requirement, and, funding a No Growth Plan would best balance our goal to provide public services and meet our employees' needs for post employment benefits. Any target and funding level that is adopted will have to be re-evaluated on an ongoing basis to assess the County's own liability and overall OPEB environment.

<u>Pre-Negotiation Meeting with Labor</u>

In addition to the intensive employee education campaign to be conducted by the County Administrator in brown bag meetings with employees regarding County benefits, it would be beneficial to all parties and to the process to allow for a similar exchange of ideas regarding potential plans and models for benefit changes. With the Board's direction, the County Administrator's Office would schedule and begin meetings with Labor representatives to discuss the development of potential plans and models for benefit changes. These meetings would be before official MOU negotiations begin, with an emphasis on the exchange of ideas, information, and goals.

<u>Benefit Survey Information</u>

As part of the educational process, the County has begun gathering information from comparable counties, cities, and private sector employers on their benefits. The information summarized so far (and attached for reference) shows the diversity of plans and coverage available from comparable California Counties. The data may vary by bargaining unit and is not an exhaustive list. In general, the differences in benefits county-to-county are primarily due to county versus employee share of premium (tiered plans); fixed versus unlimited benefit growth; whether or not retiree and active premiums are blended; provision of dependent and spousal coverages; eligibility for health benefits in terms of years worked; and, total benefit package compensation during the employees work and retirement years. These differences account for the differences in annual costs and total liability. This information will also be shared with our employees and Labor organizations to initiate ideas for potential plan revisions.

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[4] This model is not meant to imply that only retirees will get funding; but rather meant to establish the level of funding by the County without regard to how such funding is allocated between retirees and active employees.

Benefit Survey Information

As part of the educational process, the County has begun gathering information from comparable counties, cities, and private sector employers. The following general information shows the diversity of plans and coverage available from some of our comparable California counties (data may vary by bargaining unit/not exhaustive list):

Alameda County
What is offered?
Alameda County provides active employees with a choice of three health plans, dental coverage, vision reimbursement, and life insurance. Health benefits are offered for partners, dependents, and surviving spouses of active employees. Mandatory Medicare Part B is required for retirees at age 65.

How is the health benefit offered?
Health benefits are offered through a Health Maintenance Organization (HMO) or the active employee may opt for the 'Share the Savings' health plan waiver. Rates for active and retirees are blended[1].

How much does the employer contribute?
Actives
Alameda County pays 100% of the lowest plan cost of its three HMOs for active employees. The employee pays the difference, if he chooses one of the two more expensive plans. There are three different co-pay amounts that have been negotiated by labor over the years ($5, $10, and $15). For a single employee, Alameda pays between $419 ($5 co-pay) and $382 ($15 co-pay).
Retirees
Alameda County has no obligation for retired employees; however, the retirees are covered under the County's pension plan. The pension system has, for many years, split 'excess' earnings 50/50 between the County and the Supplemental Retirement Benefit Reserve. This reserve, which currently has over $500 million deposited, is used for retiree COLAs, health, and death benefits. The reserve pays for retiree health coverage for the retiree only (no benefit for spouse or dependents) depending upon the following vesting requirements: 10 years – 50% of lowest cost of three HMOs offered by County; 15 years – 75%; and 20 years – 100%. Because Alameda uses a blended rate for active and retirees, the reserve also reimburses the County for the implied subsidy created by the blending.

Is the employer contribution fixed?
No, the amount of employer contribution is adjusted each year when Health Care rates are negotiated with providers. The co-pays are negotiated.

[1] Because health care coverage cost more for retirees than active employees, an implied subsidy is created by blending the rates between the two groups. This is the increased amount of money charged for active employees who *would have* been charged for retirees had the rates not been blended.

What pension benefits are offered?
Alameda County has three pension tiers: Tier I is 2% at age 57; Tier II is 2% at age 62; and Safety is 3% at age 50.

Contra Costa County
What is offered?
Contra Costa County provides active employees and retirees with a choice of five health plans, dental coverage, vision reimbursement (active employees only), and life insurance. The County also offers PERS to safety employees in the County. Health benefits are offered for partners, dependents, and surviving spouses of both active and retirees (although the County only contributes to the cost of PERS survivors). Mandatory Medicare Part B is not required at age 65.

How is the health benefit offered?
Health benefits are offered through Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO) plans. There is currently no health plan waiver option offered. Rates for active and retirees are blended.

How much does the employer contribute?
<u>Actives/Retirees</u>
Contra Costa pays a set percentage for health plans for both actives and retirees ranging from 59% to 100% of the total premium. For a single active employee, the County pays between $375 and $464. For a single retiree, the County pays between $247 and $519. The County's vesting requirement for retiree health benefits is 15 years for new hires for general members (PERS varies by bargaining unit and date of hire). Because of the current contribution structure for benefits, the implied subsidy created by blending has no net impact on the Contra Costa County.

Is the employer contribution fixed?
No, the amount of employer contribution is adjusted each year when Health Care rates are negotiated with providers. The percentage of employer contribution is negotiated.

What pension benefits are offered?
Contra Costa County has six pension tiers: Tier I is 2% at age 55; Tier II is 1.13 at age 55; Tier III is 2 at age 55; Safety Tier A is 3% at age 50; Safety Tier B is 3% at age 55; and Safety Tier C is 3% at age 50.

Orange County
What is offered?
Orange County provides health coverage to both actives and retirees. Dental and life insurance is provided to management employees only. Limited vision insurance is available to all employees through either the CIGNA or Kaiser HMO plans only. Spouse and dependent coverage is offered to both actives and retirees. Orange County also offers health coverage to survivors of both actives and retirees. The survivor grant is equal to 50% of the grant the deceased would have been eligible to receive.

How is the health benefit offered?
Orange County offers a choice of two Health Maintenance Organizations (HMOs) and two Preferred Provider Organizations (PPOs) to both actives and retirees. Both also have the option of a health care savings reimbursement account. Mandatory Medicare Part B at age 65 is required and the vesting requirement is 10 years of County service to be eligible for retiree health.

How much does the employer contribute?
Orange County pays 95% toward medical premiums for employees only and 75% for employees enrolled with covered dependents. The employee co-pays range from a $15 co-pay per visit & $100 per admission for Kaiser up to a $5,000 deductible per family for Premier Sharewell PPO, which is designed for employees who have other health insurance but want to supplement their family's coverage (in the case of the $5,000 deductible, the employee receives some money to elect it). Orange County has blended rates for both actives and retirees, but is currently working towards breaking out the pool in order to negotiate separate rates from health care providers.

What pension benefits are offered?
Orange County currently offers 2.7% at age 55 to the majority of employees, with the exception of Eligibility Workers and Safety employees. Safety employees are offered 3% at age 50.

Sacramento County
What is offered?
Sacramento County provides health, dental, and vision coverage to both actives and retirees. Life insurance is offered to active employees and they have the option to convert upon retirement. Spouse and dependent coverage is offered to both actives and retirees. Sacramento also offers health coverage to survivors of retirees.

How is the health benefit offered?
Sacramento County offers a cafeteria plan to active employees and the same medical plan options to retirees. The eligibility requirement for the County retiree medical subsidy is 10 years of County service. Access to coverage is provided to all retirees. The County stipulates Mandatory Medicare Part B at age 65.

How much does the employer contribute?
Sacramento pays 80% of the Kaiser family rate for employees hired before January, 2007. For new employees, the County will reimburse for 80% of the chosen plan not to exceed 80% of the Kaiser family rate. The County contribution is capped at this rate for all employees. Sacramento pays between approximately $323 and $827 per employee. Most employees pay a $15 co-pay for office visits. Rates for both actives and retirees under the age 65 are blended.

What pension benefits are offered?
Sacramento County offers 2% at age 55.5 for general employees and 3% at age 50 for safety employees.

San Mateo County
What is offered?
San Mateo County provides health coverage to both actives and retirees. Dental and vision are provided to management employees and a few bargaining units which represent about 25% of the total workforce. Life insurance is not offered to retirees. Spouse and dependent coverage is offered to both actives and retirees. San Mateo also offers health coverage to survivors of both actives (via COBRA) and retirees.

How is the health benefit offered?
San Mateo County offers a choice of two Health Maintenance Organizations (HMOs) and one Point of Service Plan (POS) to both actives and retirees. The vesting requirement ranges from 5 to 10 years of County service (and the employee must be at least age 50) to be eligible for retiree health and the County assumes enrollment in Medicare at age 65 in their premium pricing.

How much does the employer contribute?
San Mateo County pays 90% of medical premiums for its two HMOs and 80% for its POS cover employee only, employee plus one, and family. For a single employee, San Mateo pays approximately between $370 and $512 monthly. The co-pays, depending on the health plan, range from $10 - $20 for office visits. San Mateo has blended rates for both actives and retirees under age 65. For most employees, the amount the County contributes toward retiree health care depends on the amount of unused sick leave on the books per employee.

What pension benefits are offered?
San Mateo has two basic pension plans: general employees receive 2% at age 55.5 and safety employees receive 3% at age 50.

Santa Clara
What is offered?
Santa Clara County provides active employees with a choice of health plans, dental coverage, vision coverage, and life insurance. The County also offers a choice of health plans to retirees but no dental, vision or life insurance. Dependent coverage is offered to both actives and retirees but the County only contributes toward the dependents of active employees. Santa Clara does not offer survivor health coverage for active employees but does offer coverage to survivors of retirees with no County contribution.

How is the health benefit offered?
Health benefits are offered through two Health Maintenance Organizations (HMO) and one Provider Organization Service (POS) for active employees. Retirees can choose between two HMOs, one POS, and one Preferred Provider Organization (PPO). Active employees are also given an option to waive health plan coverage and receive $74 per pay period. Retirees who live permanently out of state can also waive health plan coverage and receive the amount that the County would contribute for a Kaiser – single rate. Santa Clara County has blended rates for active employees and retirees under age 65.

How much does the employer contribute?
Santa Clara County requires the employee to pay a flat biweekly amount of $38.38 for the POS but pays 100% for both HMOs. For a single employee, Santa Clara pays between $207.62 and $298.56.

Santa Clara pays a flat monthly amount of $495.31 for retiree medical, which is the equivalent of a Kaiser – single rate. Any amounts over the base level are paid by the retiree. The County contribution toward retiree health depends on the following vesting requirements: 5 years of continuous employment (if hired prior to 8/12/1996); 8 years (if hired between 8/12/1996 and 6/18/2006); and 10 years (if hired on or after 6/19/2006).

The pension tiers in Santa Clara are currently 2% at age 55 for general-miscellaneous employees and 3% at age 50 for safety employees. As of December 17, 2007, the County will offer 2.5% at age 55 for general-miscellaneous employees.

Santa Cruz County
What is offered?
Santa Cruz provides health coverage through PERS for both actives and retirees. Dental, vision, and life insurance is provided to active employees only. Spouse and dependent coverage is offered to both actives and retirees. Santa Cruz offers 5 months of coverage to survivors of active employees. Survivors of retirees are also eligible for health benefits and the County contributes a portion of this cost depending on the particular plan.

How is the health benefit offered?
Santa Cruz offers PERS coverage to both actives and retirees and there is no option to waive health plan coverage for cash. Mandatory Medicare Part B is required at age 65.

How much does the employer contribute?
Santa Cruz County currently pays 95% of health premiums for employees only and 75% for employees with dependents in the Blue Shield HMO. The current County contribution for a single employee is $460 per month. The retirees receive different amounts based upon the bargaining unit and the coverage (employee, employee plus one, or employee plus family).

What pension benefits are offered?
Santa Cruz currently offers 2% at age 55 for miscellaneous employees, 2% at age 50 for safety employees, and 3% at age 50 for law enforcement employees.

Sonoma County
What is offered?
Sonoma County provides active employees with a choice of health plans, dental coverage, vision coverage and life insurance. The County also offers health coverage, dental coverage and life insurance to retirees but only contributes toward health coverage. Spouse and dependent coverage is offered to both actives and retirees. Survivors of retirees are also eligible for health benefits and the County contributes a portion of this cost.

How is the health benefit offered?
Sonoma offers health benefits through two Health Maintenance Organizations (HMO) and one Preferred Provider Organization (PPO) for both actives and retirees. The County does not offer an option to waive health plan coverage for cash and does require Mandatory Medicare Part B at age 65. Sonoma negotiates blended rates for actives and retirees under the age of 65.

How much does the employer contribute?
Sonoma County currently pays 84% of health premiums for unrepresented employees and retirees. This calculation will change to 85% of the lowest cost plan in July, 2008 (the higher cost plans will be Y-rated or the County's contribution will be frozen at 06/07 amounts until 85% of the lowest cost plan catches up and eventually exceeds those dollar amounts). Represented employees receive a County contribution of 84-86% toward health premiums, depending on bargaining unit. Co-pays range from $0 to $10. The vesting requirement in Sonoma for retiree health is 10 years of service if hired after 1990 for single coverage and 20 years of service for single plus one family member (again, if hired after 1990). There was no retiree health vesting requirement for employees hired prior to 1990.

The pension tiers in Sonoma County are currently 3% at age 60 for general employees and 3% at age 50 for safety employees.