



# COUNTY of VENTURA

COUNTY EXECUTIVE OFFICE

**Sevet Johnson, PsyD**  
County Executive Officer

**Mike Pettit**  
Assistant County Executive Officer

**Kaye Mand**  
County Chief Financial Officer

**Shawn Atin**  
Assistant County Executive  
Officer/  
Human Resources Director  
Labor Relations

June 27, 2023

Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, California 93009

Board of Directors  
Ventura County Fire Protection District  
800 South Victoria Avenue  
Ventura, California 93009

**Subject: Adoption of an Amended Management, Confidential Clerical, and Other Unrepresented Employees Resolution, With No Material Impact on Funding Status of Retirement System.**

## Recommendation

1. It is recommended that your Boards adopt the attached proposed amended Management, Confidential Clerical, and Other Unrepresented Employees Resolution (Management Resolution), effective June 27, 2023, to add Article 23 - Legacy Retiree healthcare Premium Subsidy and Reimbursement Plan to provide a post-employment Health Reimbursement Arrangement.

## Fiscal/Mandates Impact

Mandatory:	No
Source of Funding:	Various
Funding Match Required:	No
Impact on Other Departments:	None

## Summary of Fiscal Impact:

	<u>FY 2023-24</u>
Total Cost	\$514,397

The fiscal impact figure is based on approximately 183 eligible legacy retirement plan members who have retired from County service as of July 30, 2020. Of the 183, approximately 154 were non-safety (miscellaneous) retirees with an average age of 62 and with 21 years of qualifying service. The corresponding monthly benefit for these plan participants is \$219.60. There were approximately 29 safety retirees with an average age of 57 and with 28 years of qualifying service and corresponding

monthly benefit is \$312. The fiscal impact assumes payment of the monthly benefit for all of FY 2023-24 and does not factor in the reduced retirement contributions (as explained below) to be paid by the County that are anticipated to offset the costs of the monthly benefit.

California Government Code sections 31515.5 and 23026 require that the County give written notice of any salary and benefit changes, including an explanation of the financial impact of the change on the funding of the County's retirement system. The benefits provided under the proposed Health Reimbursement Arrangement will be a post-employment benefit, which is excluded from pensionable income. Accordingly, we do not expect the recommended action to have a material impact on the funding status of the retirement system.

### **Discussion**

On April 17, 2023, the Ventura County Employees' Retirement Association (VCERA) Board of Retirement acted by resolution (Resolution) to exclude a portion of the Flexible Credit Allowance from pensionable income for legacy (non-PEPRA) retirement plan participants. VCERA's actions are expected to result in a loss to retirement income for legacy plan members with a retirement date of July 30, 2020, or later. The loss of retirement income will vary by retiree based on age and years of service at time of retirement.

The County requested from VCERA an actuarial study calculating the funding impact of excluding the non-cashable flexible benefit credits from pensionable income. Segal, VCERA's actuary, completed and submitted the actuarial study on April 19, 2023 (Exhibit 1). The Segal study determined that the exclusion of the non-cashable flexible benefit credits from pensionable income would result in a net reduction in the retirement plan's unfunded actuarial accrued liability (UAAL), net increase to the plan's funded ratio, and a reduction to County-paid retirement contributions. Segal provided a 15-year projection of the normal cost and UAAL contributions before and after VCERA's Resolution. Segal projects for the County's total employer-paid contributions to decrease by approximately \$122.4 million for the period July 1, 2022, through June 30, 2037.

The County proposes to implement and fund a Retiree Medical Expense Reimbursement Plan (i.e., Health Reimbursement Arrangement or "HRA") for eligible retirees. The HRA benefit is intended to be a partial replacement of lost pension benefits. The HRA will be funded exclusively by the County, in part, with the projected retirement contribution savings and any interest that those contributions will earn. The HRA plan proposed for Management is the same arrangement as proposed to be implemented for the union represented employees, both safety and non-safety. The proposed Management Resolution amendments are delineated in Exhibit 2 (red-lined version) and Exhibit 3 (clean copy).

To be eligible for benefits under the proposed Plan, employees must: (1) be eligible for a VCERA legacy (non-PEPRA) retirement plan; (2) have commenced employment with the County no later than April 16, 2023; and (3) must retire from County service on or after July 30, 2020, and be an annuitant.

The HRA will provide plan participants a monthly healthcare benefit upon the employee's retirement from the County, enrollment in the HRA plan, and the commencement of VCERA annuity payments. The monthly benefit for non-safety plan participants will range from a minimum of \$59 for individuals who retire at age 50 and 10 years of service to a maximum of \$500 for individuals retire who at age 65 and 42 years of service (refer to Exhibits 4 and 5). The monthly benefit for safety plan participants will range from a minimum of \$85 for individuals who retire at age 50 and 10 years of service to a maximum of \$426 for individuals who retire at age 55 and 39 years of service. The benefit amount will be based on the retiree's age and number of County years of service at time of retirement. The monthly benefit may increase annually by up to a maximum of three percent (3%) based on changes to the Consumer Price Index (CPI) for the Los Angeles area for the previous twelve (12) months immediately before the new plan year. For example, should the change in the CPI-Los Angeles area be 1.5%, the monthly benefit shall be increased by 1.5% for the new plan year, and should the change in the CPI-Los Angeles be 3.5%, the monthly benefit shall be increased by the 3% maximum for the new plan year.

The HRA benefit will be used by plan participants for eligible healthcare reimbursements as permitted by the Internal Revenue Service. Unused funds in plan participant's HRA account will be rolled over and made available to plan participants each plan year. HRA funds will be forfeited and reverted to the plan's general assets only after the plan member's death, the plan member's beneficiary's death, and the end of the twelve-month (12) claim run-out period.

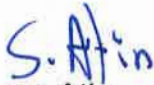
The County will administer the plan and shall have the authority to exercise the powers and discretion conferred by the plan and shall have such powers and authority necessary for the administration of the plan.

In the event the HRA plan is amended by eliminating or reducing the HRA subsidy; such an amendment will be for the calculation of prospective HRA subsidy accruals only. Active employees eligible for plan benefits upon retirement will receive the greater of an HRA subsidy in an amount which corresponds to the age and County service in Appendix A to the agreement at the time of the amendment indexed pursuant to the plan document, or an HRA subsidy in an amount which corresponds to the age and County service in Appendix A to the agreement at the time of retirement indexed pursuant to the plan document. Plan participants receiving the HRA subsidy at the time of the plan amendment shall continue to receive the HRA

subsidy. Future HRA subsidy amounts will be indexed in accordance with the terms of the amended plan document.

This letter has been reviewed by the County Executive Office, County Counsel, and the Auditor-Controller's Office. If you have any questions, please feel free to contact me at (805) 654-2561.

Respectfully submitted,



Shawn Atin

Assistant County Executive Officer/Human Resources Director



Sevet Johnson, PsyD

County Executive Officer

c: Jeffery S. Burgh, Auditor-Controller  
Tiffany N. North, County Counsel  
Mike Pettit, Assistant County Executive Officer  
Kaye Mand, Assistant County Executive Officer/Chief Financial Officer

Attachments:

- Exhibit 1 – Segal Actuarial Study, dated April 19, 2023, Ventura County Employees' Retirement Association Alameda Decision Implementation
- Exhibit 2 – Management Resolution Redlined
- Exhibit 3 – Management Resolution Clean Copy
- Exhibit 4 – Management Resolution Exhibit 3
- Exhibit 5 – Management Resolution Exhibit 4