



COUNTY of VENTURA
COUNTY EXECUTIVE OFFICE

Sevet Johnson, PsyD
County Executive Officer

Mike Pettit
Assistant County Executive Officer

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County Chief Financial Officer

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Assistant County Executive
Officer/
Human Resources Director
Labor Relations

September 26, 2023

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

SUBJECT: Approval of and Authorization for the Human Resources Director to Sign a Service Agreement with the P&A Group to Act as the Third-Party Administrator of the County of Ventura Retiree Medical Expense Reimbursement Plan for the Period of October 1, 2023, Through September 30, 2028, With Anticipated Administrative Costs Not-To-Exceed \$200,000 Per Fiscal Year with Fiscal Year 2023-2024 Prorated; and Authorization for the Auditor-Controller to Process the Accounting Transactions Necessary to Fund the County of Ventura Retiree Medical Expense Reimbursement Plan. (4/5ths Vote Required.)

Recommendations

It is recommended that your Board:

1. Approve, and authorize the Human Resources Director to sign the Service Agreement with the P&A to act as the Third-Party Administrator (TPA) for the County of Ventura Retiree Medical Expense Reimbursement Plan (Plan) for the period of October 1, 2023, through September 30, 2028, subject to the terms and conditions set forth within the agreement with anticipated administrative costs not-to-exceed \$200,000 per fiscal year with Fiscal Year 2023-2024 prorated.
2. Authorize the Auditor-Controller to process the accounting transactions necessary to establish appropriations and unanticipated revenues to fund the Health Reimbursement Arrangement (4/5ths vote required):

Fund: G001 General Fund		
INCREASE	1050 Other Financing Uses	\$6,800,000
DECREASE	General Fund – Fund Balance Assigned to Pension Mitigation	\$6,800,000

Fund: I420 Medical Benefit ISF			
INCREASE	1420	Other Charges	\$6,800,000
INCREASE	1420	Other Financing Sources	\$6,800,000
		Pension Mitigation	

FISCAL/MANDATES IMPACTS:
Fund G001 CEO, Division 1050 Special Accounts and Contributions

Mandatory: No
 Source of Funding: General Fund – Fund Balance Assigned to Pension Mitigation
 Funding Match Required: No
 Impact on Other Departments: Minimal

Summary of Revenues and Costs:	FY 2023-24	FY2024-25
Revenues:	\$0	\$0
Costs:		
Direct	\$6,800,000	\$0
Indirect-Dept	\$0	\$0
Indirect-County CAP	\$0	\$0
Total Cost	\$6,800,000	\$0
Net County Cost	\$6,800,000	\$0
Recovered Indirect Costs	\$0	\$0

FY 2023-24 Budget Projection for Special Accounts and Contributions Division 1050				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$80,528,329	\$80,528,329	\$80,528,329	\$0
Revenue	\$5,954,000	\$5,954,000	\$5,954,000	\$0
Net Cost	\$74,682,329	\$74,682,329	\$74,682,329	\$0

FISCAL/MANDATES IMPACTS:
Fund I420 CEO, Division 1420 Medical Benefits ISF

Mandatory: No
 Source of Funding: General Fund – Contribution
 Funding Match Required: No
 Impact on Other Departments: Minimal

Summary of Revenues and Costs:		FY 2023-24	FY2024-25
Revenues:		\$6,800,000	\$0
Costs:			
	Direct	\$6,800,000	\$0
	Indirect-Dept	\$0	\$0
	Indirect-County CAP	\$0	\$0
	Total Cost	\$6,800,000	\$0
	Net County Cost	\$0	\$0
	Recovered Indirect Costs	\$0	\$0

FY 2023-24 Budget Projection for Medical Benefits ISF Fund I420 Division 1420				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$17,354,280	\$17,354,280	\$17,354,280	\$0
Revenue	\$16,321,236	\$16,321,236	\$16,321,236	\$0
Net Cost	\$1,033,044	\$1,033,044	\$1,033,044	\$0

*Projected Operating Loss will be covered by unrestricted net position. The table above includes interest earnings and interest expense.

Discussion

On June 27, 2023, your Board approved the creation of a Retiree Medical Expense Reimbursement Plan ("Plan"), that includes an individual Healthcare Reimbursement Arrangement (HRA) designed for retirees and surviving beneficiaries who receive pension benefits from VCERA. On June 13, 2023, your Board also approved an Amendment to the Memorandum of Agreement between the Ventura County Fire Protection District and the Ventura County Professional Firefighters' Association (VCPFA) that provides for a Legacy Retiree Healthcare Contribution to be funded monthly on behalf of eligible retirees directly into the VCPFA administered medical trust to pay health related expenses. The primary goal of this Plan is to address the impact of reduced pension benefits resulting from the Alameda Resolution ("Resolution") passed by the Ventura County Employees' Retirement Association ("VCERA") Board of Retirement.

To fulfill the County's responsibilities under the Plan, your Board also authorized the establishment of a Trust, in compliance with Section 115 of the Internal Revenue Code, during the June 27, 2023, meeting. To fully implement the HRA and initiate the allocation of negotiated monthly HRA contributions for eligible retirees, and the processing of medical expense reimbursements, it is essential to complete the initial funding of the Section 115 Trust.

During the Plan's development, it was determined that Plan funding would, in part, come from employer contributions that would have otherwise been allocated to the pension plan, if not for the benefit reductions resulting from the Alameda decision.

An actuarial study conducted by Segal, at the County's request, estimated that excluding non-cashable flexible benefit credits would result in a decrease of approximately \$122.4 million in the County's total employer-paid contributions between July 1, 2022, and June 30, 2037. Additionally, an estimated \$6.8 million in savings compared to the initial contribution requirements from June 30, 2022, is projected.

Given the intention to utilize employer contribution savings to fund the HRA, this estimated savings can serve as the initial funding for the Section 115 Trust and negotiated health care contribution to the VCPFA administered existing trust.

The HRA Committee, consisting of the County Executive Officer, Director of Human Resources, Auditor-Controller, County Counsel, and Treasurer-Tax Collector (or their appointed representatives), will work in partnership with our Plan Actuary, Cavanaugh MacDonald, LLC, to assess different aspects of the funding strategy for the Plan. This encompasses the identification of the most appropriate funding approach, determination of the funding frequency (monthly or quarterly), development of a system to allocate ongoing funding to departments, among other considerations. These actions are intended to fulfill funding obligations and guarantee the effective administration of the Plan.

It is recommended that your Board authorize the accounting transactions to fund the HRA with an initial allocation of \$6.8 million resulting from employer retirement contribution savings. The HRA Committee concurs with this recommendation.

To effectively manage participant accounts and the processing of claim payments, it was determined that the County should engage a Third-Party Administrator (TPA) to oversee the administration of the HRA Plan. After a thorough selection process, a recommendation for the TPA has been provided for your consideration.

To identify a suitable TPA, the County collaborated with AON, our broker of record, to conduct a Request for Proposal (RFP) for an HRA TPA. In response to the RFP, eight carriers submitted their proposals and an RFP evaluation committee carefully reviewed and scored each proposal. After thorough evaluation, the P&A Group was selected as the preferred TPA as they demonstrated a thorough understanding of the County's proposed plan, especially in relation to the County's utilization of a Section 115 Trust.

The proposed contract with the P&A Group sets forth the monthly administration fees for each calendar month commencing while this agreement remains in effect. P&A shall invoice the sum of \$2.20 for everyone who was eligible for the reimbursement of expenses under the plan as of the first day of the preceding month. An additional \$2.20 will be invoiced for each participant in possession of an activated electronic debit card for use in securing payment of eligible expenses under the plan. The proposed contract also includes performance guarantees that place a total of 10 percent of the contracted fees at risk. We anticipate administrative costs not-to-exceed \$200,000 per fiscal year with Fiscal Year 2023-2024 prorated.

It is recommended that your Board approve and authorize the Human Resources Director to sign the attached proposed service agreement with the P&A Group to act as the Third-Party Administrator for the County of Ventura Retiree Medical Expense Reimbursement Plan with anticipated administrative costs not-to-exceed \$200,000 per fiscal year with Fiscal Year 2023-2024 prorated. The HRA Committee concurs with this recommendation.

This letter has been reviewed by the County Executive Office, County Counsel, and the Auditor-Controller's Office. If you have any questions regarding this item, please contact me at (805) 654-2561, or Patti Dowdy, Employee Benefits Manager, at (805) 648-9218.

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

Attachment:

- Exhibit 1 – P&A Contract