



COUNTY of VENTURA
COUNTY EXECUTIVE OFFICE

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September 26, 2023

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

Subject: Second Public Hearing Regarding Adoption of an Amendment to the 2021-2024 Memorandum of Agreement between the County of Ventura and the Specialized Peace Officers' Association of Ventura County, to Establish a Legacy Retiree Medical Expense Reimbursement Plan, With No Material Impact on Funding Status of Retirement System.

Recommendations

It is recommended that your Board:

1. Commence a second public hearing on adoption of a proposed Amendment to the 2021–2024 Memorandum of Agreement (MOA) between the County of Ventura (County) and the Specialized Peace Officers' Association of Ventura County (SPOAVC); and
2. Adopt the proposed amendment to the MOA at the conclusion of the hearing.

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	\$4,260

The fiscal impact figure is based on one eligible legacy retirement plan member who has retired from County service as of July 30, 2020, at the age of 60 and with 30 years of qualifying service. The corresponding monthly benefit is \$355 (Refer to Appendix B of Exhibit 2). 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 Legacy Retiree Medical Expense Reimbursement Plan 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 September 12, 2023, your Board held a first hearing regarding adoption of the proposed MOA Amendment described above.

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 and SPOAVC, commenced meet and confer sessions over the effects of VCERA's action in the Fall of 2022. The County proposed 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 parties reached an agreement on July 27, 2023, to establish the HRA (Exhibit 2). A summary of the HRA is as follows:

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) and must retire from County service on or after July 30, 2020, and be an annuitant.

The HRA will provide plan participants with 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 will range from \$59 to \$500 (refer to Appendix A of Exhibit 2) and 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 the 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 participant's death, the plan participant'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.

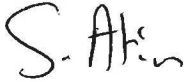
Should the County intend to terminate or amend the HRA plan, the County will provide 30 business days' notice to SPOAVC and will engage in good faith bargaining with respect to any amendments to the plan.

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 years of 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 years of 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.

A copy of the proposed Amendment to the MOA is attached as Exhibit 2. We recommend that your Board commence a public hearing on the adoption of the proposed Amendment between the County and SPOAVC, and adopt the proposed amendment at the end of the hearing.

This letter has been reviewed by the County Executive Office, the Auditor-Controller's Office, the Ventura County Civil Service Commission, and County Counsel. If you have any questions regarding this item, please 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
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Specialized Peace Officers' Association of Ventura County

Attachments:

- Exhibit 1 – Segal Actuarial Study dated April 19, 2023, Ventura County Employees' Retirement Association Alameda Decision Implementation
- Exhibit 2 – SPOAVC 2021 – 2024 MOA Amendment
- Exhibit 3 – Civil Service Commission Letter