

## **Board of Trustees Agenda Item**

**Board Meeting Date:** March 12, 2012

**Title of Item:** Health Benefits Plan Changes Effective July 1, 2012

**Background and Analysis:**

The District is experiencing increases in the cost of the Health Benefits Plan, and current projections indicate a shortfall of more than \$13 million over the next three years.

As a result, the Joint Labor Management Benefits Council has met over the last fourteen (14) months to study the current benefit plans and to review alternatives that will continue to provide a quality health benefits plan for eligible employees and retirees while containing costs. An analysis revealed the CalPERS Health Benefits Plan to be the most viable option.

The District shall contract with CalPERS as its health benefits provider and shall implement changes to its health benefits plan in accordance with the recommendation reached with and ratified by the participating unions of the JLMBC. A copy of the tentatively agreed upon changes is attached.

**Recommendation:** Vice Chancellor of Human Resources and Equal Opportunity and Chief Negotiator Dorene Novotny recommends approval

|                           |  |
|---------------------------|--|
| Submitted by:             | Dorene Novotny, Vice Chancellor of Human Resources & Equal Opportunity x6211 |
| Additional contact names: | Suzanne Pfeiffer, Director of Human Resources x6109                          |
| Is backup provided?       | Yes  |

MEMORANDUM OF UNDERSTANDING  
BETWEEN  
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT  
AND  
THE PARTICIPATING UNIONS OF THE JOINT LABOR MANAGEMENT  
COUNCIL ("JLMBC") COMPOSED AS FOLLOWS:  
ASSOCIATION OF CLASSIFIED EMPLOYEES,  
CALIFORNIA SCHOOL EMPLOYEES ASSOCIATION,  
FACULTY ASSOCIATION,  
OPERATING ENGINEERS LOCAL 3,  
AND TEAMSTERS

This Memorandum of Understanding is entered into by and between the Foothill-De Anza Community College District ("District") and the following Unions: the Faculty Association (FA), the Association of Classified Employees ("ACE"), the California School Employees Association (CSEA), the Operating Engineers Local 3 (OE3), and the Teamsters.

The parties agree that the following provisions, described in Sections I through IX, shall constitute the basis of an agreed upon recommendation to be made to each Union and the District on the topic of Paid Benefits. The provisions of this recommendation are subject to agreement between the District and each Union, and upon subsequent ratification by members of the bargaining units and approval by the Board itself.

SECTION I: PROVIDER CHANGE

Effective July 1, 2012, CalPERS shall become the provider for all District health insurance plans for all qualified employees and retirees and their eligible dependents. After extensive review and discussion of current District fiscal resources and the trended health insurance cost increases projected under the current providers, i.e., UnitedHealthcare and Kaiser Permanente, the Joint Labor Management Benefits Council unanimously recommends the change to CalPERS as the only viable option for affordable health benefit coverage for both the District and its employees/retirees.

Effective with this provider change, the health benefit Plan Year shall become January 1 through December 31.

SECTION II: HEALTH PLAN OPTIONS

Effective July 1, 2012, qualified employees shall have the option to enroll in any one of the plans offered by CalPERS. Currently, CalPERS offers PERS Select, PERS Choice, and PERS Care (three PPO plans) and Blue Shield Access+, BlueShield NetValue, and Kaiser CA (three HMO plans). Brief information, including benefits, coverage limitations, deductibles, copays, and coinsurance, is contained in the CalPERS 2012 Health Benefit Summary. Full information is provided in the plan documents provided by the respective provider: Anthem Blue Cross for PERS Select,

PERS Choice, and PERS Care; Blue Shield for Access+ and NetValue; Kaiser for Kaiser CA.

### SECTION III: EMPLOYEE CONTRIBUTION RATES

All plans shall require employees to contribute for each plan choice and tier placement as described below. In accordance with the principles developed by the Joint Labor Management Benefits Council (JLMBC), the parties agree to the employee monthly contribution rates specified below. The CalPERS Select Plan shall be the "basic" plan; the other five plans shall be a "buy-up." Contribution rates in each plan shall have three tiers: employee only; employee plus one; employee plus family. The rate for each tier shall be based on a proportional formula: employee only = employee rate x 1; employee plus 1 = employee rate x 2; employee plus family = employee rate x 3.

Rates for each plan and tier are expressed monthly, i.e., 1/12<sup>th</sup> of the employee annual contribution as specified below [based On Active-Retiree Option #2, JLMBC, 2/9/12]:

| <u>PERS Care</u> | <u>July 1, 2012</u> | <u>January 1, 2013</u> |
|------------------|---------------------|------------------------|
| E                | \$427               | \$457                  |
| E + 1            | \$853               | \$914                  |
| E + family       | \$1,280             | \$1,371                |

| <u>PERS Choice</u> | <u>July 1, 2012</u> | <u>January 1, 2013</u> |
|--------------------|---------------------|------------------------|
| E                  | \$117               | \$125                  |
| E + 1              | \$233               | \$250                  |
| E + family         | \$350               | \$376                  |

| <u>PERS Select</u> | <u>July 1, 2012</u> | <u>January 1, 2013</u> |
|--------------------|---------------------|------------------------|
| E                  | \$65                | \$70                   |
| E + 1              | \$130               | \$140                  |
| F + family         | \$195               | \$210                  |

| <u>BS Access+</u> | <u>July 1, 2012</u> | <u>January 1, 2013</u> |
|-------------------|---------------------|------------------------|
| E                 | \$240               | \$257                  |
| E + 1             | \$480               | \$514                  |
| E + family        | \$720               | \$771                  |

| <u>BS NetValue</u> | <u>July 1, 2012</u> | <u>January 1, 2013</u> |
|--------------------|---------------------|------------------------|
| E                  | \$162               | \$174                  |
| E + 1              | \$324               | \$348                  |
| E + family         | \$486               | \$522                  |

| <u>Kaiser CA</u> | <u>July 1, 2012</u> | <u>January 1, 2013</u> |
|------------------|---------------------|------------------------|
| E                | \$70                | \$78                   |
| E + 1            | \$140               | \$156                  |
| E + family       | \$210               | \$234                  |

In addition, employees shall have the option of enrolling in vision and dental coverage offered by the District. The respective monthly contribution rates all include the cost of vision and dental coverage. If a subscriber opts out of dental and vision coverage, the reduction in rates will be a flat \$5, regardless of tier (employee-only, employee-plus-one, employee-plus-family). The dental and vision coverages remain identical to that currently in place.

Employee contributions shall be recovered through twelve (12) equal monthly payroll deductions. For employees on less than 12-month contracts, i.e. 10- and 11-month contracts, the contributions required during the non-contract month(s) shall normally be deducted from the first paycheck following the non-contract month(s), typically, the following September. In the event the required monthly contribution exceeds compensation in any regular pay period, the employee shall have the responsibility for paying the District directly for the uncovered amount in accord with the Plan Compliance timelines and procedures.

#### SECTION IV: EFFECT OF HEALTH PLAN CHANGES ON RETIREE BENEFITS

Retirees are eligible to participate in the District's health insurance plans in the same manner as eligible employees and may select from the same plan choices offered to eligible employees.

The parties acknowledge that for Medicare-eligible retirees and their Medicare-eligible dependent(s), the CalPERS Choice and CalPERS Select plans offer identical benefits.

In accord with CalPERS regulations, the entire CalSTRS retiree monthly premium less the minimum District contribution to CalPERS (i.e., \$1 for 2012) is deducted from the retiree's monthly retirement warrant (e.g. STRS or PERS pension check), and the District shall reimburse the retiree the difference between the CalSTRS deduction and the subscriber's required retiree monthly contribution. In the event a required retiree monthly contribution exceeds the monthly retirement warrant, the retiree shall have the responsibility for paying the entire required retiree monthly contribution in accord with CalPERS procedures and timelines.

#### SECTION V: DISTRICT CONTRIBUTION

District health benefit funding for the period of July 1, 2012 through December 31, 2013 shall be based on a super-composite rate (an average of employee and retiree costs in the three tiers—employee-only; employee plus one; and, employee plus family) of \$976 per employee/retiree per month (PEPM).

#### SECTION VI: REOPENER

The employee/retiree monthly contribution rates specified in "SECTION III: Employee Contribution Rates" and the District contribution specified in "SECTION V: District Contribution" above shall be effective July 1, 2012 through December 31, 2013, and there shall be no re-openers on these rates unless (a) mutually agreed to by the parties; or, (b) the 2013 CalPERS premium rates exceed the seven percent (7%)

trended increase (based on an aggregate of all the CalPERS plans) used by Lockton to project the 2013 CalPERS premium rates and the appropriate employee/retiree contribution for each plan and tier.

#### SECTION VII: DISTRICT HEALTH PLAN WAIVER

Employees and retirees may elect to waive coverage. An opt-out election shall remain in effect during the entire Plan Year, and the employee/retiree may not re-enroll in a CalPERS plan except during Open Enrollment or as a consequence of an IRS Section 125 qualifying event. Waiver of coverage shall not result in a compensated allowance in lieu of coverage.

#### SECTION VIII: TERMS AND CONDITIONS

- a) The health insurance plan provider, employee/retiree monthly contribution rates, terms and conditions specified herein are based on the recommendations of the Joint Labor Management Benefits Council;
- b) In acknowledgement that the change in health plan provider will result in increased deductibles and out-of-pocket maximums for employees/non-Medicare eligible retirees (and their dependents) who are currently covered by a UHC EPO or PPO plan and move to a CalPERS PPO plan (Care, Choice, or Select) on July 1, 2012, the parties agree that such plan members shall receive the following amount from Fund 600: \$325 for employee-only and \$650 for employee-plus-one or employee-plus-family. Payment shall be made by District check to the employee/retiree no later than September 1, 2012;
- c) The parties agree to create a Post-97 Fund dedicated to a post-age-65 retiree benefit for District employees hired after July 1, 1997. The Post-97 Fund shall be established with the FA Post-1997 Health Benefits Reserve (\$250,000), the ACE Post-1997 Health Benefits Reserve (\$250,000), and \$500,000 from Fund 600. In addition, for the 2013 Plan Year, the employee/retiree monthly contribution rates include a tiered donation toward this Fund: \$2 employee-only; \$4 employee-plus-one; and \$6 employee-plus-family. Future funding shall be subject to negotiation. The Post-97 Fund shall not increase the District's GASB unfunded liability. The parties shall work together and with the JLMBC to create the Post-97 Fund and determine its structure, governance, fiduciary obligations, and future funding, etc.;
- d) The parties agree that if CalPERS administrative regulations/procedures contradict any of the administrative provisions in this MOU, the CalPERS regulations/procedures shall prevail. This provision shall not be construed as a waiver of collective bargaining rights.
- d) The parties acknowledge that (a) the employee/retiree contribution rates specified herein are based on a gradual drawdown of Fund 600 – Medical Benefits Fund; (b) Fund 600 is expected to be depleted by the end of the 2015 calendar year; and, (c) the Kaiser monthly contribution rates are being subsidized through Fund 600 through December 31, 2013;

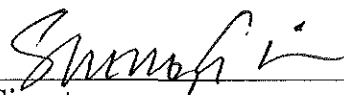
- e) The parties further acknowledge that the \$976 PEPD District contribution specified in Part V and used in the funding model shall not be deemed a "cap" for the purposes of negotiations upon expiration of this agreement; and,
- f) Finally, the parties acknowledge that the District is facing current and future fiscal instability. The parties agree that the JLMBC shall continue to review the health insurance benefit costs and make recommendations regarding health insurance benefits, including plan coverage, associated costs and contribution structures subsequent to the duration of this agreement.

**SECTION IX: ADDITIONAL PROVISIONS FOR SPECIFIC BARGAINING UNIT**

The parties acknowledge there may be specific provision(s) relevant to each union's collective bargaining agreement (CBA) and exclusively related to health benefits. Further, the parties agree to bring to the JLMBC any such benefit provision that may be relevant to, or have an impact on, the total cost of health insurance or the coverage provided to the other bargaining groups.

SHELLEY A. SCHREIBER  
Print Name

*Association of Classified Employees (ACE)*

 2/24/2012  
Signature Date

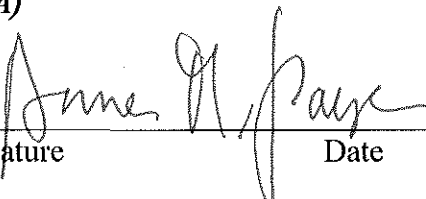
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*California School Employees Association (CSEA)*

  
Signature Date

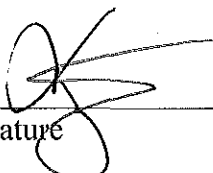
Anne M. Paye  
Print Name

*Faculty Association (FA)*

  
Signature Date

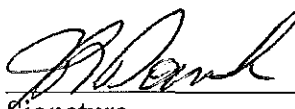
Doreen Brotny  
Print Name

*FHDA District*

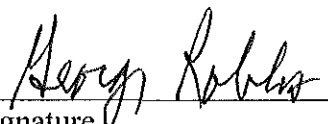
 2/24/2012  
Signature Date

JR DORCAK  
Print Name

*Operating Engineers Local 3 (OE3)*

 2-23-12  
Signature Date

George Robles  
Print Name

 2-24-12  
Signature Date

*Teamsters*