



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: November 21, 2023

Subject

Adopt a resolution increasing the employer's contribution for medical and hospitalization insurance consistent with the Public Employees' Medical and Hospital Care Act ("PEMHCA" or the "Act") for retired annuitants hired with the City of Cupertino prior to August 2004.

Recommended Action

Adopt Resolution No. 23-XXX increasing the employer's contribution for medical and hospitalization insurance for retired annuitants hired with the City of Cupertino prior to August 2004.

Reasons for Recommendation

Each year, CalPERS requires public agencies to notify them of any employer health contribution by an adopted resolution by City Council. One of the requirements of the PEMHCA is the equal contribution rule pursuant to Government Code section 22892(b)(1). This rule requires a PEMHCA employer to contribute the same amount toward health insurance premiums for its retirees hired with the City of Cupertino prior to August 2004 as it does for its active employees. Health Premium Adoption of the attached resolution fulfills reporting requirements associated with the Act that "a contracting agency shall perform the functions necessary to enroll its employees and submit reports as may be required by the board."

On November 7, 2023 City Council approved a tentative agreement revising the salary and benefits the Cupertino Employees' Association/IFPTE Local 21 and the Operating Engineers, Local Union No. 3 groups. The tentative agreement included an increase in the City's health contribution for employee medical insurance effective January 1, 2024, as shown below:

- Employee Only - \$1,021.41/month
- Employee plus one dependent - \$2,042.82/month
- Employee plus 2 or more dependents - \$2,655.67/month

The same benefit has been extended to the Unrepresented, Appointed, Elected Official,

and Retiree Annuitants hired with the City of Cupertino prior to August 2004.

Retiree Annuitants who reach age 65 and are Medicare eligible, are placed in the CalPERS Supplement/Managed Medicare health program. Under this program, Medicare becomes primary for health coverage, therefore, significantly reducing the City's health contribution premiums. For example, 2024 Retiree Kaiser under the CalPERS Basic Plan is \$1,021.41 per month whereas the CalPERS Medicare Kaiser Senior Advantage premium is \$324.79 per month.

Adoption of the attached resolution fulfills CalPERS reporting requirements associated with the Act.

Sustainability Impact

No sustainability impacts.

Fiscal Impact

The adjustment will increase the City's retiree annuitant medical contribution by approximately \$53,000 in Fiscal Year 2023-24. Through the Tentative Agreement approved by Council, City's contribution to employee health coverage offered by Kaiser will be 100%, including a 11.78% increase in Kaiser premium rates, 38% of the retirees are enrolled in Kaiser Permanente.

No additional budget adjustments from the General Fund are requested as the adjustment will be paid out of the retiree health 115 trust fund.

California Environmental Quality Act (CEQA)

Not applicable.

Prepared by: Anna Tang-Sam, Human Resources Analyst II
Reviewed by: Kristina Alfaro, Director of Administrative Services
Matt Morley, Assistant City Manager
Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – Draft Resolution Employees and Annuitants Hired Prior to August 1, 2004