



## ADMINISTRATIVE SERVICES DEPARTMENT

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### CITY COUNCIL STAFF REPORT

Meeting: November 16, 2021

#### Subject

Consider adoption of resolutions stating the employer's contributions for medical and hospitalization insurance consistent with the Public Employees' Medical and Hospital Care Act for retired annuitants and all City labor groupings: Unrepresented Management and Confidential, Cupertino Employees' Association, Operating Engineers Local Union No. 3, Appointed City Attorney and City Manager, and Elected Officials.

#### Recommended Action

1. Adopt Resolution No. 21-XXX fixing the employer contribution under the Public Employees' Medical and Hospital Care Act at an equal amount for current employees and retired annuitants hired prior to August 1, 2004.
2. Adopt Resolution No. 21-XXX fixing the employer contribution for public agency vesting under section 22893 of the Public Employees' Medical and Hospital Care Act for retirees hired on/after August 1, 2004.

#### Discussion

Each year, CalPERS requires public agencies to notify CalPERS of any employer health contributions with an adopted resolution by City Council.

One of the requirements of the Public Employees' Medical and Hospital Care Act (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 as it does for its active employees. Adoption of the attached resolutions fulfills reporting requirements associated with PEMCHA that "a contracting agency shall perform the functions necessary to enroll its employees and submit reports as may be required by the board."

On July 16, 2019, City Council approved a three-year agreements with the Cupertino Employees' Association and the Operating Engineers Local Union No. 3 bargaining groups. The agreements included increases in the City's health contribution for employee medical insurance effective January 1, 2022, as shown below:

- Employee Only - \$935.88/month
- Employee plus one dependent - \$1,591.01/month
- Employee plus 2 or more dependents - \$2,068.31/month

This same benefit has been extended to the Unrepresented, Appointed, and Elected Official groups.

Retiree Annuitants – Retirees hired prior to August of 2004 are eligible for the above City monthly health contributions. Retirees hired after August of 2004 are under the 100/90 Vesting Requirement which was adopted by Cupertino City Council on July 6, 2004. Effective January 1, 2022 the 100/90 Vesting Requirement for City health contributions for retired annuitants hired after August 1, 2004 will increase as follows:

- Retiree Only - \$816.00/month
- Retiree plus one dependent - \$1,548.00/month
- Retiree plus 2 or dependents - \$1,983.00/month

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, reducing the City's health contribution premiums by approximately 65%. For example, 2022 Retiree Kaiser under the CalPERS Basic Plan is \$857.06 per month whereas the CalPERS Medicare Kaiser Senior Advantage premium is \$302.53 per month.

#### Sustainability Impact

No sustainability impacts.

#### Fiscal Impact

This will increase the City's retiree annuitant medical contribution by approximately \$21,300 in Fiscal Year 2021-22. The increase is driven by:

- A 9% increase in the number of retirees from the previous year
- An increase of up to 24% in PPO premium costs due to CalPERS merging the three PPO Plans into two (covers 45% of the retirees)
- A 5.4% increase in Kaiser premium rates (covers 37% of the retirees).

No budget adjustments are requested because the cost was factored in when calculating salary and benefit costs for the fiscal year.

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Prepared by: Vanessa Guerra, Human Resources Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Greg Larson, Interim City Manager

#### Attachments:

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

B – Draft Resolution for Retired Annuitants hired on or after August 1, 2004