



OJAI VALLEY SANITARY DISTRICT

A Public Agency

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MEETING OF THE BOARD OF DIRECTORS' PERSONNEL COMMITTEE

Date & Time:

August 16, 2016

Tuesday, 5:30 p.m.

Location:

OVSD Board Room

1072 Tico Road, Ojai

Members

Stan Greene

William M. Stone

Peter M. Kaiser, Chairman

AGENDA

1. **Public Comment - (Items not on the agenda - 3 minute limit)**

FOR DISCUSSION & RECOMMENDATION


2. **Employee Benefits – Health Insurance**

FOR DISCUSSION & REVIEW

3. **General Discussion**
 - a. Audience
 - b. Committee Members
 - c. General Manager

A staff report providing more detailed information is available for most agenda items, and may be reviewed in the District office during regular business hours. Copies of individual reports may be requested from Brenda Krout (646-5548).

ATTEST TO POSTING:



Brenda Krout, Clerk of The Board

August 10, 2016 @ 11:30 a.m.
Date & Time Posted At District Office

Memorandum

Ojai Valley Sanitary District

August 8, 2016

To: Bill Stone, Pete Kaiser & Stan Greene
From: Jeff Palmer, General Manager 
Subject: Employee Benefits – Health Insurance

The District contracts with CalPERS for employee/retiree health care benefits. CalPERS offers a wide range of health care plans for the employee/retiree to choose from; this includes 6 Health Maintenance Organization (HMO) Plans and 3 Preferred Provider Organization (PPO) Plans. The Board provides a monthly amount (Cafeteria Fund) to each employee/retiree to purchase health insurance coverage for themselves and their dependents. Since 2014 the monthly Cafeteria Fund has been \$1,558; a cap of \$650 per month that each employee can receive in cash-back of any unused portion of these funds remains in effect. Retirees are not eligible for any cash-back.

CalPERS recently announced the new rates for all plans beginning January 1, 2017. The new rates reflect an average of 3.24 percent increase in monthly premiums; monthly premiums for the Medicare Supplement Plans have decreased an average of 1.63 percent. These premium increases, minus the minimal decreases in Medicare Supplement Plans, results in an increase in the District's monthly overall health insurance costs for Fiscal Year 2016-17.

Also, based on the Cafeteria Fund at \$1,558, these premium increases will result in a few employees having to pay out-of-pocket to cover their monthly premium for family health insurance coverage.

Historically, the Board's basis for the monthly amount of the Cafeteria Fund has been aimed at providing an adequate amount for the employee to purchase family coverage; the PERS Choice premium (a PPO) for family coverage has been used as the benchmark for the Cafeteria Fund because this PPO has been a popular choice for employees, especially those with families.

PERS Choice monthly premium increases by 6.4 percent, or \$100.00, effective January 1, 2017. This increase will result in several employees with families having monthly out-of-pocket costs to cover the monthly premium beginning January 1, 2017.

In February/March 2015 when staff was preparing the two year budget, available forecasts estimated that health insurance premiums would be increasing an average of 2 percent in 2016 and 2017. Consequently, a 2 percent increase for health insurance cost was included in the budget. The total amount in the Adopted Fiscal Year 2016-2017 Budget for health insurance expense is \$445,979.

Staff proposes that the District maintain the historic practice of providing adequate funds for the employee to purchase family coverage, by increasing the employee/retiree Cafeteria Fund by \$100 per month; this would increase the monthly Cafeteria amount to \$1,658. This increase insures that employees with families will continue to have no out-of-pocket cost to maintain their current coverage. There are adequate funds in the 2016-2017 budget to cover this increase.

BUDGET IMPACT:

| <u>Approved Budget 2016-2017 Health Insurance Costs</u> | <u>2016/17 Health Insurance Costs With Proposed Cafeteria Fund Monthly Increase to \$1,658</u> | <u>Surplus/Deficit Created in Budget</u> |
|---|--|---|
| \$445,979 | \$441,175 | \$4,804 |

If you have any questions or need additional information please call me at 646-5548.