2/5/20

WHO ARE VCCCD RETIREES

APPROXIMATE AGES		LIFE EXPECTANCY
102 - 95	61	3 YRS
94 - 90		5
89 - 85	113	6
84 - 80	97	9
79 - 70	230	12-15

ESTIMATED YEARS OF SERVICE TO DISTRICT: 14,000 YR

AFT RETIREES: 294 (DEPENDENTS 164)

ASCC RETIREES: 295 (DEPENDENTS 158)

ELIGIBLE FOR MEDICARE		RETIREE	DEPENDENT
AFT:	WITH PART A & B	160	111
	WITH PART A	81	39
	NOT ELIGIBLE	53	14
ASCC:	WITH PART A & B	223	114
	WITH PART A	56	25
	NOT ELIGIBLE	16	19
TOTAL:	WITH PART A & B	608	
	WITH PART A	201	
	NOT ELIGIBLE	102	

9/25/19

CHANCELLOR GILLESPIE PROPOSAL AND RESPONSE TO RETIREE EXECUTIVE BOARD QUESTIONS.

CalPERS Information and Proposal Details - VCCCDRA Meeting

Rationale for District Proposal: Medical benefits premiums for active and retired employees represent a necessary and considerable expense for the VCCCD. The District expense for medical/vision/dental benefits for active and eligible retired employees is approximately $36M for this current year. This expense is growing rapidly and represents 20.5% of the unrestricted VCCCD general fund budget for FY 2019-20. Joint meetings of the AFT and SEIU benefits committees with management representatives evaluated numerous options to help address cost increases. CalPERS was identified as a only available pooled option provider with the potential to save millions of dollars each year in ($12.4M estimate) in medical benefits premium costs. Other pooled providers will not consider working with the VCCCD due to the Medicare status of our retirees. With CalPERS, the VCCCD would be part of large pool which also has shown historically lower premium increases than the current direct purchase from Kaiser and Anthem.

The VCCCD recognizes that salary increases are important in order to recruit and retain quality employees. The VCCCD is proposing a move to CalPERS {which includes Kaiser and Anthem plan options) in order shift a significant amount of total compensation dollars from medical premiums to salary. The additional salary dollars increase take home pay and also increase the salary for pension calculations resulting in greater pension amounts at retirement.

The lower costs associated with CalPERS plus the documented slower rate of premium increases compared to the current plan and a reduced long term liability for post-retirement benefits will provide needed budget relief and resources for maintaining and increasing classes, sections, and support services for students along with employee compensation in the immediate and long-term. This is a necessary change to help mitigate the impact of increasing medical benefits costs and other fixed compensation costs on the ability of our three colleges to meet student and community educational needs.

1. The district proposal is to enter into an agreement with CalPERS to purchase medical benefits beginning July 1, 2020. (Note: negotiating a beginning date no later than January 1, 2021 is possible depending upon when the settlement process is completed).

2. The district proposal states that effective July 1, 2020, the district will contribute an amount towards the health benefit premium equal to the CalPERS PERS Choice premium amount for the term of this agreement and at the appropriate tier per employee based on single, 2-party, or family sign up status .

Details Regarding CalPERS - VCCCDRA

- CalPERS offers various Medicare Plans including four (4) Medicare supplement plans and two (2) Medicare advantage plans.

- The District will cover the Medicare Part B premiums and penalties for eligible Tier I and Tier II retirees (estimated $2M per year ongoing) along with a CalPERS Medicare supplement plan.

- The availability of doctors does not change with a move to CalPERS except for some specialized instances where a doctor/therapist does not accept Medicare (97% of doctors accept Medicare).

- If Tier I retirees are not eligible for free Medicare Part A, they would be covered under the CalPERS B plans which are the same plans offered to active employees.

- The District will provide the use of one-time use funds to mitigate some of the coverage differences following a move to CalPERS.

  Under consideration: Provide up to $2,000 for medical/vision/dental expense for a three year transition period for Tier I employees on the active employee plan due to being ineligible for Medicare. Provide up to $1,000 for medical/vision/dental expense for a three year transition period for Tier I employees on Medicare plus Supplement Plan. (HRA)

- Dual coverage is not allowed under the CalPERS plan. The two retirees who were VCCCD employees would need to choose to have each be on their own plan or have a single plus dependent plan. There is no benefit to dual coverage with Medicare plus a Supplement since all eligible costs are covered at 100%. Dual coverage is defined as both the retirees having coverage and each retiree listing the other as a dependent on their plan.

- Burnham has confirmed that prescription coverages are nearly identical between CalPERS for retirees and the active plan. Under consideration: Establishment of medical benefits transition reserve to cover any prescription previously covered that would not be covered under CalPERS for a three year transition period.

- The coordination between Medicare and the CalPERS Medicare plans will be seamless to the retiree. This coordination will lessen the amount of paperwork required for retirees.

- The District will maintain a relationship with a health benefits broker such as Burnham Benefits in order to provide recourse to retirees and employees with benefit related issues.

Questions from the VCCCDRA

1. Why do you think that retirees are not entitled to the same health plans as active employees per our settlement agreement of 2010?
   - Retirees are entitled to the same health plans as active employees. A move to CalPERS does not allow for Medicare eligible retirees to be on the active employee plan. Medicare eligible retirees would need to be on Medicare plus the selected Supplement Plan (Anthem PPO or Kaiser HMO). Medicare plus the Supplement Plan provides 100% coverage of all eligible expenses with no co-pays or deductibles required. This level of coverage exceed the coverage for the active employees. The VCCCD will pay for the Medicare premium plus the cost of any penalties and the Supplement Plan premium.
   - Medicare ineligible retirees would be have the same plan options as available to active employees.
   - The VCCCD is meeting its commitment to provide retiree coverage within the parameters allowed by the Plan provider (CalPERS).

2. How do you plan to force Tier I retirees to enroll in Medicare when they are not required to do so per District/AFT/SEIU contractual language, the latest copies of which you know are on the District website?
   - The intent is to have conversations with all groups and work on aligning language in contracts to clarify that the option of Medicare plus a Supplement Plan is an agreed to option for Medicare eligible retirees.
   - Our goal is to continue conversations with the VCCCDRA to answer any questions relative to a move to CalPERS and discuss modifications to the settlement agreement language to allow the Medicare plus a Supplement Plan option for Medicare eligible Tier I retirees. This can provide better coverage, less out of pocket costs, and more seamless claims payments for this group of retirees.
   - After negotiations with both unions, should the VCCCD move to CalPERS as our medical benefits providers, Medicare eligible Tier I retirees would need to obtain Medicare and be covered by Medicare plus a supplement plan as described earlier in the details section of this document. There is no option for Medicare eligible Tier I retirees to remain on the active plan with CalPERS due to PEMCA requirements. These employees can remain on the active plan for one year while they transition. Any Medicare eligible Tier I retiree who decides to not obtain Medicare, would lose medical coverage from CalPERS until they meet the Medicare requirement.
   - The settlement agreement made in 2009 may have been acceptable for both parties at that time. The financial challenges the VCCCD faces with regards to increasing medical benefits costs, is impacting salaries and our ability to attract and retain employees along with limiting instructional and student support budgets used to provide classes and service to our students. The VCCCD would like to meet and discuss adjustment to the settlement agreement to better fit the current medical benefits environment and the finances of the district so that it can accommodate both parties.