

## REPORT TO CITY COUNCIL

**DATE:** SEPTEMBER 10, 2008

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** GREG RAMIREZ, CITY MANAGER

**BY:** NATHAN HAMBURGER, ASSISTANT CITY MANAGER  
CELESTE BIRD, ADMINISTRATIVE ANALYST

**SUBJECT:** RESOLUTION NO. 08-1501; AMENDING THE COMPENSATION PLAN BY ESTABLISHING A NEW RETIREE MEDICAL REIMBURSEMENT AMOUNT TO RETIREES

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On June 25, 2008, the City Council approved Resolution 08-1483 amending the compensation plan by fixing the maximum retiree medical reimbursement amount to a total of \$900.00 per month, which included the Public Employees' Medical and Hospital Care Act (PEMHCA) statutory minimum of \$97.00 and an additional employer contribution of up to \$803.00. Since that time, staff has worked with our consultant to finalize the draft of the required General Accounting Standards Board (GASB) 45 report which has determined the potential to have a long-term financial impact of approximately \$3.7 million as a liability that must be reported on the City's annual financial audits if the level of retiree medical reimbursements remained as they were.

In an effort to better manage these escalating costs, and still provide a benefit to the City's retirees who have served the community, staff recommends, effective January 1, 2009, that several changes be implemented. The first, being an adjustment in the retiree medical reimbursement amount provided to a maximum of \$500 a month. This amount would include the 2009 PEMHCA minimum employer contribution amount of \$101.00 and an additional medical reimbursement of up to \$399.00 per month. This amount provides retirees the opportunity to have various medical plan options to choose from and allows them the ability to best utilize this benefit to fit their specific needs. The reimbursement amount is recommended to be reviewed every three years by City staff to determine if a proposed adjustment (which could be in relation to the Consumer Price Index (CPI)) is warranted or required.

The second recommendation is to establish an eligibility requirement of 10 (ten) years of service with the City of Agoura Hills to be implemented for all future retirees effective January 1, 2009. Employees who retire after January 1, 2009 with less than 10 years of service with the City of Agoura Hills will be eligible for the 2009 PEMHCA minimum contribution of \$101.00 per month or the existing PEMHCA minimum at the time of their retirement.

The final recommendation would be to revise the Retiree Medical Reimbursement Plan to include the provision that an eligible surviving spouse of a deceased retiree would have the

ability to receive a maximum monthly medical reimbursement of up to \$300.00 for a maximum of 12 (twelve) months. Their eligibility is dependent on how the retiree structures their PERS retirement benefit.

As before, the City reserves the right to change or discontinue its employer contribution to retirees at any time.

### **RECOMMENDATION**

It is respectfully recommended the City Council adopt Resolution No. 08-1501; amending the compensation plan by establishing a new retiree medical reimbursement amount to retirees and enacting the new provisions of the plan.

Attachment: Resolution No. 08-1501

**RESOLUTION NO. 08-1501**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, AMENDING THE COMPENSATION PLAN BY ESTABLISHING A NEW RETIREE MEDICAL REIMBURSEMENT AMOUNT TO RETIREES**

**THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, HEREBY FINDS, RESOLVES AND ORDERS AS FOLLOWS:**

**SECTION 1.** In an effort to better manage escalating employer contributions to retirees effective January 1, 2009, the following changes are hereby authorized.

**SECTION 2.** Reduce the maximum monthly retiree medical reimbursement amount to \$500.00. This amount shall include the 2009 PEMHCA minimum employer contribution amount of \$101.00 and an additional retiree medical reimbursement amount of up to \$399.00 per month.

**SECTION 3.** Implement an eligibility requirement of 10 (ten) years of service with the City of Agoura Hills. Employees who retire after January 1, 2009 with less than 10 (ten) years of service will be eligible for the 2009 PEMHCA minimum employer contribution of \$101.00 a month or the current PEMHCA minimum employer contribution at the time of their retirement.

**SECTION 4.** Revise the Retiree Medical Reimbursement Plan to include the provision that would allow a PEMHCA eligible surviving spouse of a deceased retiree to receive a medical reimbursement of up \$300.00 a month for a maximum of 12 (twelve) months.

**SECTION 5.** Amounts will be reviewed by the City Manager or his/her designee every three years, starting with the date of inception of this Resolution, to determine if any adjustment is necessary and appropriate. Adjustments can be made in relation to the current Consumer Price Index (CPI) or other relevant index as determined by the City Manager.

**SECTION 6.** The City reserves the right to change or discontinue its medical plan and employer contribution to retirees at any time. Employees, special district members and retirees are not vested in the retiree medical benefit.

**PASSED, APPROVED, AND ADOPTED** this 10th day of September, 2008 by the following vote to wit:

AYES: (0)  
NOES: (0)  
ABSENT: (0)  
ABSTAIN: (0)

Resolution No. 08-1501  
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John M. Edelston, Mayor

ATTEST:

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Kimberly M. Rodrigues, City Clerk