

# **OPEN SESSION AGENDA ITEM**

## **705 FEBRUARY 2018**

**DATE:** February 16, 2018

**TO:** Members, Board of Trustees

**FROM:** Leah T. Wilson, Executive Director  
Sean T. Strauss, Assistant General Counsel

**SUBJECT:** Resolution Approving State Bar's Transition to the California Public Employees' Retirement System for Employee Health and Welfare Benefits and for State Bar to Provide Public Employees' Medical and Hospital Care Act's Statutory Minimum Contribution for Retiree Health and Welfare Benefits

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### **EXECUTIVE SUMMARY**

This agenda item requests that the Board of Trustees formally authorize the transition of the State Bar's health plans to the California Public Employees' Retirement System ("CalPERS"). As previously authorized by the Board of Trustees, in the new two-year Memorandum of Understanding covering the State Bar's represented employees, the State Bar and the State Bar Employees Union agreed to a transition to CalPERS medical plans for provision of health & welfare benefits to current employees, which will result in expanded access to medical plans and reduced costs. The transition to CalPERS for health & welfare benefits also includes the State Bar's extension of a retiree health benefit to non-executive employees for the first time in State Bar history. In order to begin the transition, which is presently contemplated to be effective May 1, 2018, CalPERS requires that the Board of Trustees formally approve the enclosed resolution.

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### **BACKGROUND**

The Board of Trustees previously authorized staff to introduce a proposal to the State Bar Employees Union to transition the State Bar's health plans to CalPERS. In the new two-year Memorandum of Understanding with the State Bar Employees Union, the parties agreed to that proposal and the transition to CalPERS for the State Bar's health and welfare benefit. In order to begin the transition, CalPERS requires that the State Bar's governing body approve the resolution enclosed herewith.

### **DISCUSSION**

The transition to CalPERS would result in some significant benefits to the State Bar and its employees. Specifically:

- Significant overall reduction in premiums to State Bar, employees and retirees.<sup>1</sup>
- Ability to extend retiree health & welfare benefits to non-Executive employees in a fiscally responsible manner.
- More plan options provided to employees and retirees

## **FISCAL/PERSONNEL IMPACT**

According to previous actuarial analysis, switching health care plans to CalPERS could save the State Bar approximately \$1 million per year in health care premium payments. It would also save employees approximately \$300,000 per year in premiums, partially offset by increases in co-pays and deductibles. In addition, the Bar's annual required contribution or ARC payment would remain the same at approximately \$849,000, even with the extension of retiree health benefits to non-Executive employees, due to the savings that will be realized with respect to the calculation of the Bar's unfunded liability upon the transition to CalPERS.

## **RULE AMENDMENTS**

None

## **BOARD BOOK IMPACT**

None

## **STRATEGIC PLAN GOALS & OBJECTIVES 2017-2022**

Goal 3: Improve the fiscal and operational management of the State Bar.

Objective (c): Improve staff morale and career satisfaction.

## **RECOMMENDATION**

The Staff recommends that the Board of Trustees approve the resolution attached hereto as Exhibit A.

## **ATTACHMENT(S) LIST**

- A. Resolution No. 1: Electing to be Subject to the Public Employees' Medical and Hospital Care Act at an Equal Amount for Employees and Annuitants.

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<sup>1</sup> Some individual employees may experience increases in premiums/co-pays/annual deductibles.

**RESOLUTION NO. 1**  
**ELECTING TO BE SUBJECT TO THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT**  
**AT AN EQUAL AMOUNT FOR EMPLOYEES AND ANNUITANTS**

- WHEREAS, (1) A contracting agency meeting the eligibility requirements set forth in Government Code Section 22920, may obtain health benefit plan(s), as defined under Government Code Section 22777, by submitting a resolution to the Board of Administration of the California Public Employees' Retirement System (the "Board"), and upon approval of such resolution by the Board, become subject to the Public Employees' Medical and Hospital Care Act (the "Act"); and
- WHEREAS, (2) **State Bar of California** is a contracting agency eligible to be subject to the Act under Government Code Section 22920; and
- WHEREAS, (3) Government Code Section 22892(a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and
- WHEREAS, (4) Government Code Section 22892(b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892(b) of the Act; and
- WHEREAS, (5) **State Bar of California** desires to obtain for its employees and annuitants the benefit of the Act and to accept the liabilities and obligations of an employer under the Act; now, therefore, be it
- RESOLVED, (a) **State Bar of California** elects to be subject to the provisions of the Act; and be it further
- RESOLVED, (b) That the employer contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan up to a maximum of **the PEMHCA Minimum** per month, plus administrative fees and Contingency Reserve Fund assessments; and be it further
- RESOLVED, (c) **State Bar of California** has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and be it further
- RESOLVED, (d) That the participation of the employees and annuitants of **State Bar of California** shall be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is determined that **State Bar of California** would not qualify as an agency or instrumentality of the state or political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves the right to terminate the health coverage of all participants of the employer.

- RESOLVED, (e) That the executive body appoint and direct, and it does hereby appoint and direct, **Sarah Cohen** to file with the Board a verified copy of this resolution, and to perform on behalf of **State Bar of California** all functions required of it under the Act; and be it further
- RESOLVED, (f) That coverage under the Act be effective on **May 1, 2018**.

Adopted at a regular meeting of the Board of Trustees of the State Bar of California at 180 Howard Street, San Francisco, CA 94105-1617, this 16th day of February, 2018.

Signed: \_\_\_\_\_  
Leah Wilson, Executive Director

Attest: \_\_\_\_\_  
Vanessa Holton, General Counsel

## **INSTRUCTIONS**

This resolution form is the approved form designated by the California Public Employees' Retirement System (CalPERS). It should be used by a contracting agency for the purpose of electing to be subject to Public Employees' Medical and Hospital Care Act (PEMHCA) and to fix the monthly employer health contribution for employees and annuitants in accordance with Government Code Section 22892.

If the resolution is filed **on or before the tenth day of any month, it will be effective on the first of the following month** (date stamped as received by CalPERS; See address below).

WHEREAS, (2) should be completed with full name of the contracting agency.

WHEREAS, (5) should be completed with full name of the contracting agency.

RESOLVED, (a) should be completed with full name of the contracting agency.

RESOLVED, (b) should be completed to specify the amount of the employer contribution toward the cost of enrollment for active employees and annuitants. The amount specified must be an amount equal to or greater than that prescribed by Section 22892(b).

Commencing January 1, 2009, the employer contribution shall be adjusted annually by the Board to reflect any change in the medical component of the Consumer Price Index, and shall be rounded to the nearest dollar.

RESOLVED, (c) should be completed with full name of the contracting agency.

RESOLVED, (d) should be completed with full name of the contracting agency.

RESOLVED, (e) requests the position title of the individual who handles the PEMHCA resolution for the contracting agency.

RESOLVED, (e) should be completed with full name of the contracting agency.

RESOLVED, (f) should be completed with the date the coverage is to become effective.

**Because resolutions serve as a legally binding document, we require the original resolution, certified copy with original signatures, or a copy of the resolution with the agency's raised seal.**

**For resolution processing, deliver to the following:**

### **Overnight Mail Service**

California Public Employees' Retirement System  
Health Resolution & Compliance Services, HAMD  
400 Q Street  
Sacramento, CA 95811

### **Regular Mail**

California Public Employees' Retirement System  
Health Resolution & Compliance Services, HAMD  
PO BOX 942714  
Sacramento, CA 94229-2714

The certification shown following the resolution is to be completed by those individuals authorized to sign for the contracting agency in legal actions and is to include the name of the executive body; i.e. Board of Directors, Board of Trustees, etc., the location and the date of signing.