



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: Human Resources  
Department No.: 064  
For Agenda Of: May 19, 2020  
Placement: Administrative  
Estimated Time:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Maria Elena De Guevara, Human Resources Director  
Director(s) 568-2816  
Contact Info: Joseph Pisano, Employee Relations Division Chief, 568-2839  
**SUBJECT:** Amendment of 401(h) Plan and Change to Eligibility for Retiree Medical Subsidies

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence:

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute the Fifth Amendment to the Regulations Governing Payment of Retiree Health Benefits from a 401(h) Account (Attachment A); and
- b) Adopt a Resolution In the Matter of Amending the Personnel Benefits Policy for Management and Confidential-Unrepresented Employees to eliminate retiree medical subsidies prospectively for unrepresented safety managers (Attachment B); and
- c) Determine pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(4) that the above actions are government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and therefore are not a project subject to environmental review.

**Summary Text:**

In 2008, a 401(h) Account was established by the County, pursuant to the County Employees Retirement Law of 1937 Section 31694, to provide a tax compliant method for the County to contribute funds to pay for retiree medical subsidies (aka Other Post-Employment Benefits or OPEB). Eligible retirees may receive \$15 per month per year of service if they enroll in a County-sponsored medical plan or \$4 per month per year of service if they opt out of County-sponsored plans.

The recommended actions implement a retroactive amendment to the 401(h) Account to bring it into alignment with the intent and implementation of the retiree medical plan as to disability retirees, and prospectively close the retiree medical plan to unrepresented safety managers hired on or after May 18, 2020. There are no cost increases associated with the recommended actions.

**Background:**

On September 16, 2008, the Board of Supervisors approved a resolution regarding the Regulations Governing Payment of Retiree Health Benefits from a 401(h) Account (aka 401(h) Regulations or 401(h) Plan) to replace a previous funding mechanism. Eligible disability retirees may receive a flat \$187 per month, or \$15 per month per year of service, if they enroll in County-sponsored health plans. This benefit was in place when the 401 (h) Account was first established. The Fifth Amendment amends the 401(h) Regulations to document these existing benefits of disability retirees, with a retroactive effective date.

In addition, collective bargaining agreements provided for the elimination of retiree medical subsidies for represented non-safety employees hired on or after June 25, 2012. Retiree medical subsidies were also eliminated for the vast majority of unrepresented employees hired on or after June 25, 2012. Unrepresented safety managers were in the same bargaining units as non-safety managers when employees newly hired into those bargaining units first became ineligible for OPEB on June 25, 2012.

Five unrepresented safety managers have been hired since June 25, 2012, and their eligibility for OPEB has been unclear until it was recently determined that unrepresented safety managers have continued to be eligible for retiree medical subsidies. The reason for this is that the June 25, 2012 elimination of OPEB for new employees was accomplished by the implementation of a new retirement plan, Plan 7, which does not apply to safety employees. The recommended actions do not eliminate OPEB eligibility for any unrepresented safety managers hired between June 25, 2012 and May 18, 2020.

The recommended actions document the existing benefits of disability retirees, with a retroactive effective date, and eliminate retiree medical subsidies for unrepresented safety managers first hired on or after May 18, 2020. This is consistent with provisions for represented safety managers, whose eligibility for retiree medical subsidies ended for new employees hired on or after January 16, 2017.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

The recommended actions will not change the benefits or funding for retiree medical subsidies for eligible disability retirees, so there is no fiscal impact associated with the retroactive amendment to the 401(h) Account. Over time, there will be some modest cost savings associated with eliminating OPEB eligibility for unrepresented safety managers hired on or after May 18, 2020; however, given that only 5 such managers have been newly hired since June 25, 2012, any short term savings are not likely to be significant. Safety employees who are currently eligible for OPEB and who promote into unrepresented management positions remain eligible for retiree medical subsidies. Likewise, safety employees who are not currently eligible for OPEB and who promote into unrepresented management positions will remain ineligible for retiree medical subsidies, so there is no fiscal impact associated with the recommended actions beyond the modest savings identified above.

**Key Contract Risks:** N/A

**Staffing Impacts:**

**Legal Positions:**  
N/A

**FTEs:**  
N/A

**Special Instructions:**

Please return copies of the Fifth Amendment to the Regulations Governing Payment of Retiree Health Benefits from a 401(h) Account and the Resolution to Stephanie Langsdorf in Human Resources.

**Attachments:**

- A. Fifth Amendment to the Regulations Governing Payment of Retiree Health Benefits from a 401(h) Account
- B. Resolution in the Matter of Amending the Personnel Benefits Policy for Management and Confidential-Unrepresented Employees (changes tracked in Section 15)

**Authored by:** Joseph Pisano

**cc:** Mona Miyasato, County Executive Officer  
Michael C. Ghizzoni, County Counsel  
Betsy Schaffer, Auditor Controller  
Greg Levin, SBCERS Chief Executive Officer  
Mark Hartwig, Fire Chief  
Tanja Heitman, Chief Probation Officer  
Assistant CEOs