

**COUNTY OF SACRAMENTO
CALIFORNIA**

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For the Agenda of:
June 15, 2009

To: Board of Supervisors

From: Terry Schutten, County Executive

Subject: Report Back on Retiree Medical and Dental Insurance Program for
Calendar Year 2010

Contact: Mark Norris, Administrator, Internal Services Agency (874-7097)
David Devine, Director of Department of Personnel Services (874-6398)

Overview

During the Fiscal Year 2009-10 Proposed Budget Hearing held on June 12, 2009, the Board of Supervisors requested a report back on the financial impact of the proposed reduction in retiree offset/subsidy.

Recommendations

Amend the financial analysis portions of the report to reflect the impact provided herein.

BACKGROUND

During the June 12, 2009 Proposed Budget Hearing the Board of Supervisors requested a verification of the financial impact of the proposed reduction in the retiree offset/subsidy to the general fund.

The prior report stated that “The net cost to the General Fund for 2009-10 is approximately \$1.14 million...” This number is reflective of the cost to the General Fund for the calendar year 2010. In fact, the cost of the program to the General Fund is expected to be \$1.7 million in the fiscal year.

DISCUSSION

During the hearing, a representative from the Sacramento County Retired Employees Association suggested that the net savings to the County’s General Fund was \$570,000. The Board of Supervisors asked staff to confirm this estimate. The following table confirms that the estimate of \$570,000 is based upon a comparison of the proposed 50% reduction in subsidies to the continuation of the current plan (with no reduction) into fiscal year 2009-10.

Coverage Period	No Change (as reported in the Allocated Cost Package) (A)	Proposed 50% reduction in subsidy (B)	Net savings (A-B)
7/09-12/09	\$6,282,018	\$6,139,987	\$ 142,031
1/10-6/10	\$6,029,538	\$3,069,993	\$2,959,545
Total FY Cost	\$12,311,556	\$9,209,980	\$3,101,576
75% to Gen'l Fund	\$9,027,876	\$6,750,915	\$2,276,961
25% = true cost	\$2,256,876	\$1,687,636	\$569,240

RESTATED FINANCIAL ANALYSIS

There is no fiscal impact associated with this action for the remainder of the fiscal year. The cost of the Retiree Medical and Dental Insurance Program for medical and dental payments is estimated by staff to be \$12.2 million in calendar year 2009; \$6.1 million for the 2010 calendar year; and an estimated cost for Fiscal Year 2009-10 of \$9.2 million). The gross General Fund portion of the \$9.2 million for Fiscal Year 2009-10 is approximately 75% (\$6.8 million) and 25% non-General Fund (\$2.5 million). The net cost to the General Fund for Fiscal Year 2009-10 is approximately \$1.7 million due to the County receiving partial reimbursements from a number of sources for these costs.

Retirees are not guaranteed medical or dental insurance cost subsidization at a particular level or at all. The Board may elect not to provide future subsidies at any time.

Respectfully submitted,

TERRY SCHUTTEN
County Executive

Cc: County Counsel, Retirement Administrator, Internal Services Agency Administrator, Director of Finance; County Benefits Manager; Recognized Employee Organizations; Sacramento County Retired Employees Association