



Office of the City Manager

CONSENT CALENDAR

February 25, 2025

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Monica Walker, Interim Director of Human Resources

Subject: Berkeley Police Association – Amendments to Retiree Medical Benefits

RECOMMENDATION

Adopt a Resolution approving a side letter between the City of Berkeley and the Berkeley Police Association amending Sections 32.3, 32.5, and 32.6 of the City's Memorandum of Understanding (MOU) with the union to expand and clarify existing provisions that pertain to retiree health benefits.

FISCAL IMPACTS OF RECOMMENDATION

There are no new fiscal impacts associated with the recommendation, which expands and clarifies existing MOU language.

CURRENT SITUATION AND ITS EFFECTS

The proposed amendments are a rewrite of the retiree health sections of the MOU within the Retiree Medical Trust structure that already exists. They merely add clarifying language and specify the manner in which payments will be processed. (The agreement defers to negotiations of a successor agreement [in 2026] a dispute as to whether the cap extends to Medicare-eligible retirees.)

The only new provision in the side letter is a specification that BPA members with original hire dates prior to June 30, 2024 will retain their original hire date for purposes of retiree health benefits if they separate from service but are subsequently reinstated. This provision was added as a (re)hiring incentive in response to an actual situation that recently materialized.

BACKGROUND

In labor negotiations with BPA in 2023, the City negotiated a cap on future retiree medical benefits in order to mitigate its long-term unfunded liabilities. Long-term savings from reductions in the City's unfunded liabilities for retiree health were estimated to be as high as \$13.66 million by an actuarial study.

Key principles of the agreement were incorporated into the City’s contract with BPA and approved in September of that year. The parties expressly specified in the MOU, however, that they would meet and confer to amend the retiree medical benefits section “to reflect the terms of the agreement in principle” in greater detail.

The current recommendations, which emanate from the aforementioned “meet and confer” process, were considered by Council in closed session on February 3, 2025.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

The amendments provide needed clarity to the structure and implementation of retiree health benefits negotiated by the City and BPA in 2023; in this regard, they comply with MOU language which required the parties to meet and confer to amend the retiree medical benefits section of the contract “to reflect the terms of the agreement in principle” in greater detail.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Monica Walker, Interim Director of Human Resources, (510) 981-6807.

Attachments:

- 1: Resolution and Exhibit A – Side Letter with Berkeley Police Association – Amendments to Retiree Medical Benefits

RESOLUTION NO. ##,###-N.S.

BERKELEY POLICE ASSOCIATION – AMENDMENTS TO RETIREE MEDICAL BENEFITS

WHEREAS, in labor negotiations with Berkeley Police Association (BPA) in 2023, the City negotiated a cap on future retiree medical benefits in order to mitigate its long-term unfunded liabilities; and

WHEREAS, key principles of the agreement were incorporated into the City's contract with BPA and approved in September of that year; and

WHEREAS, the parties expressly specified in the Memorandum of Understanding (MOU) that they would meet and confer to amend the retiree medical benefits section "to reflect the terms of the agreement in principle" in greater detail; and

WHEREAS, the parties have met and conferred, and have drafted amendments that constitute a rewrite of the retiree health sections of the MOU within the Retiree Medical Trust structure that already exists; and

WHEREAS, the amendments add clarifying language and specify the manner in which payments will be processed; and

WHEREAS, the agreement defers to negotiations of a successor agreement (in 2026) a dispute as to whether the cap extends to Medicare-eligible retirees; and

WHEREAS, the only new provision in the side letter is a specification that BPA members with original hire dates prior to June 30, 2024 will retain their original hire date for purposes of retiree health benefits if they separate from service but are subsequently reinstated (which provision was added as a (re)hiring incentive);

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby authorized to execute a side letter with Berkeley Police Association, which is attached hereto, made a part hereof and marked Exhibit A, to amend Sections 32.3, 32.5, and 32.6 of the City's contract with the union and to detail and clarify the structure and implementation of retiree health benefits;

BE IT FURTHER RESOLVED that a fully executed original of said side letter is filed in the Office of the City Clerk.

Exhibit

A: Side Letter with Berkeley Police Association – Amendments to Retiree Health Benefits

Exhibit A

This Amendment No. [] is entered into between City of Berkeley (the “City”) and the Berkeley Police Association (“BPA”) (collectively, the “Parties”), and is effective as of the date approved by the Berkeley City Council.

Whereas, the current Memorandum of Understanding (“MOU”) between the Parties effective July 1, 2023 to June 30, 2026 provides in Section 32.6 that: “The parties shall meet and confer promptly following adoption of this Agreement by the City Council to amend Section 32 to reflect the terms of the agreement in principle stated in this Section 32.6.”, and

Whereas, the Parties entered into a “Side Letter Agreement” (“Side Letter”) attached hereto as Exhibit [] for purposes of clarifying the rights of certain members to the retiree medical benefits enumerated therein, and

Whereas, the Parties have met and conferred and reached an agreement on the matters set forth in MOU Sections 32.3, 32.5 and 32.6 and the Side Letter.

THEREFORE, the Parties agree that the MOU is amended to replace the current Sections 32.3, 32.5 and 32.6 in ~~its~~ **their** entirety with the following provisions as a new Exhibit [], which is incorporated by reference and given full effect as if originally included in the MOU:

32.3 Retiree Health Premium Assistance Coverage

The City will cease making contributions to an Internal Revenue Code Section 401(a) plan for the purpose of paying the retiree health care benefit provided under this Section for any employees hired on or after that date who would otherwise have qualified for benefits under the terms described in this Section 32. Any employees hired on or after September 19, 2012, as well as any current employees who retire on or after such date, shall receive the benefits described in this Section 32.3 as a benefit provided by the City under a newly established retiree health premium assistance plan and related trust agreement. Any benefits payable to employees who have retired prior to such date or to their surviving spouses may continue to be made under the Internal Revenue Code Section 401(a) plan that was established for such purpose to the extent benefits are not provided for such retirees under the new retiree health premium assistance plan. Under the newly established retiree health premium assistance plan, benefits will be the same as previously provided under the 401(a) plan, except for different eligibility criteria and that payment under the 401(a) plan was made directly to the retiree or their surviving spouse, and under the new plan the City will pay the retiree health premium assistance amount to the ~~provider~~ **retiree’s individual PORAC Retiree Medical Trust account** who is providing retiree health coverage to the retiree or their surviving spouse (if spouse is eligible per Section 32.5.2.

Upon the death of the retiree, the amount provided to an eligible surviving spouse will be an amount equivalent to the appropriate percentage of the single party active Kaiser monthly medical insurance premium amount, which will continue until the death of the eligible surviving spouse. The maximum amount the City shall pay towards coverage for the retiree or their surviving spouse, either directly or to ~~a health care provider~~ **the retiree's individual PORAC Retiree Medical Trust account** on their behalf, is based on the following schedule set forth in Section 32.5 et seq.

32.5 Retiree Medical Coverage

For those employees who retire on or after September 19, 2012 and effective immediately upon the date of retirement, the City will assist in the payment of medical insurance premium payments for the retiree and/or surviving spouse/domestic partner by making payments directly to the ~~medical insurance provider~~ **retiree's individual PORAC Retiree Medical Trust account**. Retirees shall be permitted at their discretion to enroll in non-City sponsored health plans. ~~In that event, the City shall make medical insurance premium payments directly to the health insurance provider equal in value to the City sponsored health plan. The City shall not be responsible for any excess cost differentials associated with the direct payment of premiums to non-City sponsored plans. The City will only make payments through its third-party administrator to provide medical insurance premium payments for an individual plan and will not make payments for a group plan.~~ The retiree and/or surviving spouse or domestic partner will pay the administrative set up fee and the monthly administrative fee established by **the PORAC Retiree Medical Trust**. ~~the third-party administrator~~. No cash payments will be paid directly to the retiree and/or the retiree's spouse/domestic partner. There shall be no cash in lieu payments made under this benefit.

32.5.1 For employees that retire on or after September 19, 2012 the City will discontinue the current practice of paying directly to the retiree the cash equivalent of the active two-party Kaiser rate. However, for those employees who retired before September 19, 2012, the City shall continue to make cash payments to these retirees under the Agreement provisions in effect at the time of their retirement.

32.5.2 Qualifying Spouse or Domestic Partner. A retiree will receive the appropriate percentage of two-party coverage for a spouse or domestic partner that meets any of the following criteria ("Qualifying Spouse"): (1) the spouse or domestic partner of the retiree at the time of retirement; (2) for a retiree that did not have a spouse or domestic partner at the time of retirement, the initial spouse or domestic partner a retiree adds to their health plan after retirement; or, (3) for any retiree, a subsequent spouse or domestic partner if the previous spouse or domestic partner died. For all times that a retiree does not have a Qualifying Spouse, the City will only pay the appropriate percentage of single party premium for that retiree. If a retiree predeceases a Qualifying Spouse, the City will continue to pay the appropriate percentage of single party premium for that individual.

32.5.3 In the event that an employee retires and initially elects not to utilize the Berkeley retiree medical plan as described above, the employee may opt back into the Berkeley retiree medical plan during any open enrollment period with either single only coverage or two-party coverage, if applicable. **Once the employee opts into the Retiree Health Premium Assistance Coverage medical plan, the payments will be paid directly to the retiree’s individual RMT account.**

32.5.4 The City will comply with any lawfully executed Qualified Domestic Relations Order (QDRO) but under no circumstances will it provide retiree medical benefits to more than two persons.

32.5.5 In order to be eligible for the Retiree Health Premium Assistance Coverage a "Retiree" must meet all of the following criteria (note, this is different criteria than used for previous plans):

32.5.5.1 A person who is vested in CalPERS, and

32.5.5.2 Has reached the age of 50, and,

32.5.5.3 Has retired from the City at age 50 or thereafter, and

32.5.5.4 Has applied for and is receiving a pension from CalPERS at the time of retirement.

However, a “retiree” is also anyone, regardless of age, who receives a disability retirement benefit, either industrial disability or non-industrial disability, from CalPERS.

32.5.6 The maximum amount the City will contribute toward the payment of medical insurance premiums is based on the employee’s years of service as a sworn member of the Berkeley Police Department at time of retirement. The retiree must have at least 10 years of service as a sworn member of the Berkeley Police Department to qualify for this benefit.

32.5.7 The maximum amount the City will contribute toward payment of the medical premium is based on the following schedule:

Years of Service	Percentage to be Paid by the City
10 Years of Service	City to provide medical premium assistance equal to 25% of either the single party or two-party amount as determined below

15 Years of Service	City to provide medical premium assistance equal to 50% of either the single party or two-party amount as determined below
20 Years of Service	City to provide medical premium assistance equal to 100% of either the single party or two-party amount as determined below

There will be no pro-rating of years of service.

32.5.8 The City will assist the retiree and/or surviving spouse/domestic partner in the payment of the medical insurance premium as follows:

32.5.9 Early Retirees who are not Medicare Eligible: Beginning September 19, 2012, each month after the employee retires, the City will pay the health care service provider directly into the retiree’s individual PORAC Retiree Medical Trust account an appropriate percentage based on the chart in Section 32.5.7 of an amount equal to \$1,200.00 per month for two party coverage for the retiree and a qualifying spouse/domestic partner or \$600.00 per month for single party coverage. Upon the death of either the retiree or the retiree’s spouse, the City will only pay the appropriate percentage based on the chart in Section 32.5.7 of the single party rate to the provider retiree’s individual PORAC Retiree Medical Trust account on behalf of the surviving retiree or spouse/domestic partner. If there is no spouse/domestic partner at the time of retirement, the City shall only pay the single party rate. The retiree and/or surviving spouse/domestic partner will be responsible for payment of the difference between the amount the City contributes toward payment of the premium and the actual premium cost. The funds for this difference will come from the retirees CalPERS retirement account and the retiree must authorize such withdrawal of funds.

Beginning July 1, 2013 and effective each July 1 thereafter, the base rates the City contributes toward payment of the premium amount described in the preceding paragraph shall be increased by either the amount Kaiser increases the early retiree plan medical premium for that year, or 6%, whichever is less. The retiree and/or surviving spouse/domestic partner shall pay the difference between the amount the City contributes toward payment of the premium and the actual premium cost.

32.5.10 Retirees who reach Medicare eligibility age: Beginning September 19, 2012, for retirees who reach Medicare eligibility age, the City will pay the health care service provider the appropriate percentage based on the chart in Section 32.5.7 of an amount equal to \$765.80 per month for two-party coverage for the retiree and spouse/domestic partner or \$382.90 month for single party coverage. Upon the death of either the retiree or spouse/domestic partner, the City will only pay the appropriate percentage based on the chart in Section 32.5.7 of the single party rate to the health care service provider on behalf of the surviving retiree or spouse/domestic partner. If there is no spouse at the time of retirement, the City shall only pay the single party

rate. The retiree and/or surviving spouse/domestic partner will be responsible for payment of the difference between the amount the City contributes toward payment of the premium and the actual premium cost. The funds for this difference will come from the retirees CalPERS retirement account and the retiree must authorize such withdrawal of funds.

Beginning July 1, 2013 and each July 1 thereafter, the base rates the City contributes toward payment of the premium amount described in the preceding paragraph shall be increased by either the amount Kaiser increases the retiree medical premium for that year, or 6% whichever is less. The retiree and/or surviving spouse/domestic partner shall pay the difference between the amount the City contributes toward payment of the premium and the actual premium cost.

Former employees who leave employment prior to age 50 and do not qualify as a “Retiree” under the definition above (“non-qualifying retiree”) will not receive any funds from the City, either directly or indirectly, for payment of medical insurance premiums. However, a non-qualifying retiree shall be permitted to purchase health insurance from the retiree medical pool if **all** of the following criteria are met:

32.5.10.1 The former employees is vested in CalPERS, and

32.5.10.2 Has reached the age of 50, and,

32.5.10.3 Has applied for and is receiving a pension from CalPERS, and

32.5.10.4 The City sponsored group health plan permits the retiree to enroll in the retiree medical pool, and

32.5.10.5 The retiree pays all cost associated with enrolling and maintaining eligibility in the group health plan, including, but not limited to, the administrative set up fee and the monthly administrative fee established by the third-party administrator.

32.6 Retiree Medical Benefits.

32.6 Effective the first full pay period after July 1, 2024, the retiree medical benefit identified in the current Agreement **(except Paragraph 2 of Section 32.5.10)** will be frozen at rates in place as of July 1, 2024, and the benefit **paid and administered as set forth in this Section 32.6 and Section 32.5.** will be fully vested for all current members and members hired on or before June 30, 2024. The parties acknowledge that a current dispute exists whether the agreement reached in 2023 was intended to cap rates for Medicare-eligible retirees. The parties have agreed to defer resolution of this matter to the negotiations of a successor agreement in 2026.

Effective the first full pay period after July 1, 2024, the City shall contribute \$50.00 per pay period, into an individual PORAC Retiree Medical Trust account for all members hired on or before June 30, 2024.

Immediately upon retirement, the monthly retiree health benefit will be paid directly to the PORAC RMT as the third-party administrator for the retiree.

New hires, hired on or after July 1, 2024, shall be entitled to receive the minimum contribution for retirees specified by Government Code section 22892 (currently \$151.00/month). New hires will make an employee contribution of \$50.00 per pay period into their individual PORAC RMT account.

The parties shall meet and confer promptly following adoption of this Agreement by the City Council to amend Section 32 to reflect the terms of the agreement in principle stated in this Section 32.6.

32.6.1. Vesting of Benefit. Effective the first full pay period after July 1, 2024, in consideration of the freezing of the retiree medical benefit identified in Section 32.5 and this Section 32.6, active and retired Association members shall be entitled to retiree health benefits as follows:

32.6.1.1 Any retirees who are receiving retiree medical benefits set forth in Sections 32.3 and 32.5 of the Agreement (Retirement Health Premium Assistance Coverage) as of the date of City Council approval of this Addendum shall become fully and permanently vested in such benefits, and will continue to receive retiree medical benefits as adjusted in accordance with Sections 32.5.9 and 32.5.10.

32.6.1.2 All active members who are hired on or before June 30, 2024, shall continue to be eligible to receive the retiree medical benefits set forth in Sections 32.3 and 32.5 of the Agreement, but such benefit will be frozen at the dollar amount contributions rates in place on July 1, 2024, notwithstanding Paragraph 2 of Section 32.5.9. Such benefit shall be fully and permanently vested. This subsection and Sections 32.5 and 32.6 encompass members with original hire dates prior to June 30, 2024 and who have separated and subsequently been reinstated.

32.6.2. Participation in the PORAC Retiree Medical Trust.

32.6.2.1 Employer contribution. Effective the first full pay period after July 1, 2024, concurrent with the benefits set forth in Sections 32.3 and 32.5, the City shall contribute \$50.00 per pay period to the PORAC Retiree Medical Trust for each member hired on or before June 30, 2024. This subsection and Sections 32.5 and 32.6 encompass members with original hire dates prior to June 30, 2024 and who have separated and subsequently been reinstated.

32.6.2.2. Employee contribution. Effective the first full pay period after July 1, 2024, all members hired on or after July 1, 2024 (“new hires”) shall make a mandatory employee contribution of \$50.00 per pay period for deposit into the PORAC Retiree Medical Trust. The City shall not allow any election to opt out of this mandatory employee contribution.

32.6.2.3 Transfer of contributions. The City shall transfer the contribution of \$50.00 per pay period identified in this Section 32.6.2 into the PORAC Retiree Medical Trust on a monthly basis.

32.6.2.4. Execution of agreements. The Parties shall execute acknowledgements, applications and agreements required by the PORAC Retiree Medical Trust to effectuate participation in the Trust, including, but not limited to the PORAC RMT “Joinder and Application Agreement”.

32.6.3 New Hires - CalPERS Retiree Medical Benefit. All members hired after July 1, 2024, shall be entitled to receive the minimum contribution for retirees specified by the Public Employees' Medical & Hospital Care Act (PEMHCA) (Government Code section 22892) in lieu of the retiree medical benefits set forth in Section 32.3. The benefit is currently set at \$151.00/month.

32.6.4 Administration of Retiree Benefit under Section 32.5. Payment of Retiree Health Premium Assistance Coverage. The City shall disburse the Retiree Health Premium Assistance Coverage medical plan payments pursuant to the provisions of ~~The Parties will meet to discuss the administration and payment procedures associated with the retiree benefit set out in~~ Section 32.5 for purposes of achieving greater efficiencies for the City and retirees.

EXECUTION

By signing below, I affirm and certify that I am authorized to execute this Amendment No. [] on behalf of the represented organization as noted.

For the Berkeley Police Association:

Name (Printed)

Signature

Date

Title

For the City of Berkeley:

Name (Printed)

Signature

Date

Title

