



# Butte County

## LAND OF NATURAL WEALTH AND BEAUTY DEPARTMENT OF HUMAN RESOURCES

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August 5, 2009

Honorable James Reilley, Presiding Judge  
Butte County Superior Court  
One Court Street  
Oroville, CA 95965

Re: Response to the FY 2007-2008 Grand Jury Final Report

Dear Judge Reilley:

In accordance with Penal Code Sections 933 and 933.5, the Director-Human Resources submits the following response to the findings and recommendations of the Grand Jury's Final Report for FY 2008-2009 pertaining to the Department of Human Resources:

### PAYMENT OF MEDICAL INSURANCE PREMIUMS FOR BUTTE COUNTY RETIREES

#### Grand Jury Findings

*F1 When negotiating the recently expired bargaining unit MOUs, the County reviewed the compensation packages of twelve other counties. Some of the counties did not have comparable cost of living socio-economic parameters.*

The respondent agrees with the finding.

*F2 As an incentive to save sick leave, the County offers three options for converting unused sick leave upon retirement. The rationale for offering incentives to save sick leave appears valid.*

The respondent agrees with the finding.

*F3 Under the nine recently expired bargaining unit MOUs, the County pays the full cost of medical insurance premiums for retirees who qualify for CalPERS retirement and have accumulated sick leave savings. During open enrollment, the retiree may elect to change to a higher benefit plan with the County paying the increased premium.*

The respondent agrees mostly with the finding.

The County offers three options for converting unused sick leave upon retirement as an incentive for saving sick leave. One option offered for six bargaining units is to convert one day of accrued sick leave (8 hours) for one month of health insurance premium. Retirees who belonged to these bargaining units may switch to a more costly or less costly benefit plan during open enrollment as long as they have sufficient number of accumulated sick leave hours.

As a clarification, retirees who belonged to three other bargaining units have a different option than the one mentioned above. For these retirees, the County is required to calculate the value of the employee's unused sick leave based on his/her accrued sick leave balance at the time of retirement and convert it to the value of one month of employee only health insurance premium per one day of accrued sick leave (8 hours). That amount is placed into the employee's health insurance "account." All health insurance premiums, including any premium increases, are deducted from the account until the account is depleted. Upon depletion, retirees are notified that they are responsible for assuming payment of the premiums.

*F4 In most cases, the medical insurance benefit exceeds the hourly rate paid to the employee prior to retirement. Medical insurance premiums for about 120 County retirees are currently costing the County nearly one million dollars per year. As medical premiums rise and more employees retire with accumulated sick leave, these costs will increase.*

The respondent agrees with the finding.

*F5 It is difficult for the County to predict or budget for retiree medical insurance premiums, due to the County's lack of control over insurance premium increases and employee decisions to retire.*

The respondent agrees with the finding.

*F6 The County is in the process of negotiating new agreements with the nine bargaining units, which provides an opportunity to renegotiate this benefit.*

The respondent agrees with the finding.

### **Grand Jury Recommendations**

*R1 When comparing employee compensation packages, negotiate to replace counties such as Sacramento, Santa Cruz, Sonoma, Napa, with counties having comparable cost of living and socio-economic parameters to those of Butte County.*

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This recommendation has not yet be implemented by may be implemented in the future. Pursuant to State law, Butte County must negotiate with its bargaining units with respect to all matters related to salaries and benefits. The County is currently in negotiations with all of its bargaining units.

*R1 Continue to offer cash payments and length of service extension for unused sick leave, but negotiate to change the medical insurance premium benefit to a shared cost, similar to that formula used to determine the portion of the medical insurance premium paid by the County for employees prior to retirement. For example, in the new Bargaining Unit MOUs being negotiated, fix the County's monthly contribution for retiree medical insurance premiums and require the retiree to pay the remainder.*

This recommendation has not yet be implemented by may be implemented in the future. Pursuant to State law, Butte County must negotiate with its bargaining units with respect to all matters related to salaries and benefits. The County is currently in negotiations with all of its bargaining units.

*R3 For current retirees with vested retirement rights, continue to have the County pay the total cost of health insurance premiums. For future retirees, negotiate to modify the current practice which permits retirees to move to a higher plan at the County's expense. Negotiate to have the retiree pay the difference in premiums.*

This recommendation has not yet be implemented by may be implemented in the future. Pursuant to State law, Butte County must negotiate with its bargaining units with respect to all matters related to salaries and benefits. The County is currently in negotiations with all of its bargaining units.

This concludes the response of the Director-Human Resources to the area in the Grand Jury Report for fiscal year 2008-2009 where they mentioned the Human Resources Department.

Sincerely,



Laura A. Brunson  
Director-Human Resources

cc: Gregory Iturria, Interim Chief Administrative Officer