

**County Response to SEIU's October 2, 2008 Proposal Distributed at Bargaining  
Table on October 8, 2008**

<b>Item</b>	<b>Union Proposal</b>	<b>County Proposal</b>	<b>SEIU Cost Difference</b>
Wages Year 1	3% COLA and redirect 1% of Cola to retiree medical Trust	Pension pick up of 2.25% (equal to 3%)	+\$2,540,000.
Wages Year 2	2% Cola and  2% pension pick up	1.5% Cola and  1.25% Pension Pick up	+\$1,705,000.
Cash Allowance	\$00.00	Effective May 19, 2009 \$600.00 a month per employee	-\$17,000,000.
County ARC Payment	A. For the term of agreement County contribution towards the ARC will be 7.5%.  B. SEIU proposes that County be required to pay off all OPEB unfunded liability in 8 yrs verses 30.	A. BOS adopted a policy that the County's contribution would be 7.5% per year over 30 yrs.	A. Union proposal does not address the County's ongoing goal of maintaining its contribution towards medical to 7.5% of payroll. Union proposal does not address where the shortfall in monies between maintaining a one year contribution of 7.5% and the Union's medical proposal is addressed. B. Requiring the OPEB liability to be paid over shorter time from 30 years to 8 years has dramatic impact on budget. Union hasn't identified how they will come up with the excess needed to fund the ARC in next 8 yrs.
Year 1	A. Maintain Status Quo	A. Implement 85y of the	A. Union

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Medical for Actives and Retires (2008 – 2009)	<p>Contribution by the County equal to 85% of any plan with no benefit changes. (Maintain \$0 Kaiser co-pay and County Health Plan Original).</p> <p>B. Reject Flat \$500.00 maximum County contribution effective on June 2, 2009</p>	<p>lowest cost plan that upon adoption until May 31, 2009.</p> <p>B. Flat \$500.00 maximum County contribution effective on June 2, 2009</p>	<p>proposal to maintain status quo for 7 months is an additional +\$466,095 in cost. B. Maintaining status quo vs. Flat 500.00 rate for one month is an additional +\$1,530,451.</p>
Year 2 Medical for Actives	<p>Effective July 1, 2009 Fixed monthly contribution rates: Of Employee \$700, Emp. +1 \$1050 and Emp. + 2 \$1450. (Proposal is 80%/20% until cap reached.)</p>	<p>Effective June 2, 2009 \$500.00 Flat contribution</p>	<p>Additional cost between the County's flat \$500.00 contribution versus the Union's proposal \$700.00 for E, \$1050 for E +1 and \$1450 for E+2 is \$6,288,000.</p>
Year 2 Medical for Retirees	<p>A. At or under \$875 a month, County share is 80% (\$700) -Over \$875, County share is 70% of whatever premium. In no case will the retiree's contribution be more than 30% of the premium.</p> <p>Union proposal is unclear how this proposal and the one above would impact current retirees who the union has maintained are tied to active SEIU employees. (= \$38 million ARC)</p> <p>No phase in included in this proposal.</p>	<p>A. \$500.00/mo Flat contribution towards medical, phase in over 5 yrs (= \$20 million ARC)</p>	<p>A. The difference in the OPEB liability is \$226 million and ARC increase of \$20 million in the first year on the County's proposal versus the Union's proposal which increases the County's liability to \$412 million and the ARC \$38 million(1<sup>st</sup> year). Bottom line: Union proposal is an additional +\$18 million dollar increase the first year and increases every year.</p>

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Item	Union Proposal	County Proposal	SEIU Cost Difference
	<p>B. Maintain Status Quo Still Pay 100% of Medicare Part B reimbursement</p> <p>C. Continue to tie SEIU retirees to SEIU employees.</p>	<p>B. Freeze at \$96 a month</p> <p>C. Continue tie to Administrative Management Units</p>	<p>B. OPEB impact of Medicare Part B change estimated at .5% of ARC resulting in an additional \$1,400,000.</p> <p>C. Additional OPEB liability would occur if retirees are tied to current SEIU proposals.</p>
Dental and Vision	Union agrees to the increase in employee contribution for year 1 and 2 but not to elimination of dual coverage because savings are negligible.	Increase employee contribution each year by \$1.00 and eliminate dual coverage.	Dual coverage elimination.
Ad Hoc Cola	Union wants to meet and confer as part of negotiations Ad Hoc Cola increases	BOS policy retains discretion to determine Ad Hoc Cola and not subject to bargaining.	
Savings from moving from % formula to flat rate contribution towards medical	Union wants any savings realized by the County as a result of moving to a flat rate to be deposited in an irrevocable trust and segregated as SEIU funds only.	Not possible to separate OPEB liability by bargaining unit.	Union's proposal does not result in savings.
Ramp up to fully funding County's OPEB Obligation	Union proposes funding OPEB liability within the next 8 years. Propose 1% payroll payment for SEIU employees for 8 yrs.	County proposal allows for funding of OPEB liability over a 30 year period.	Having a shorter amortization period requires a higher ARC for a shorter period of time. (these are quick estimates, not final calculations)

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			<p>Going from 30 years to 8 years you need to multiply the amortization of the unfunded liability and then adjust for timing X 3.25 times and then add to the normal cost to get an 8 year ARC. For example: Current OPEB report of 85Y benefits total liability \$407 million and ARC of \$37,039,322 (30 years). New 8 year ARC is \$88.9 million (8 yrs) or 31% of payroll, plus increases 4.25% each year.</p>
Defined Contribution Plan	New hires still retain current benefits.	New hires on or after January 1, 2009 will be eligible for a Defined Contribution plan towards retiree medical up to a maximum of \$100.00 per month.	Union's proposal Guarantees that OPEB liability will increase by maintaining the same contribution for new hires as for current employees which will only exacerbate the current problem.
Total			+\$14,929,546 (approximate-not including OPEB impact of a) not removing new hires from OPEB liability pool, b)

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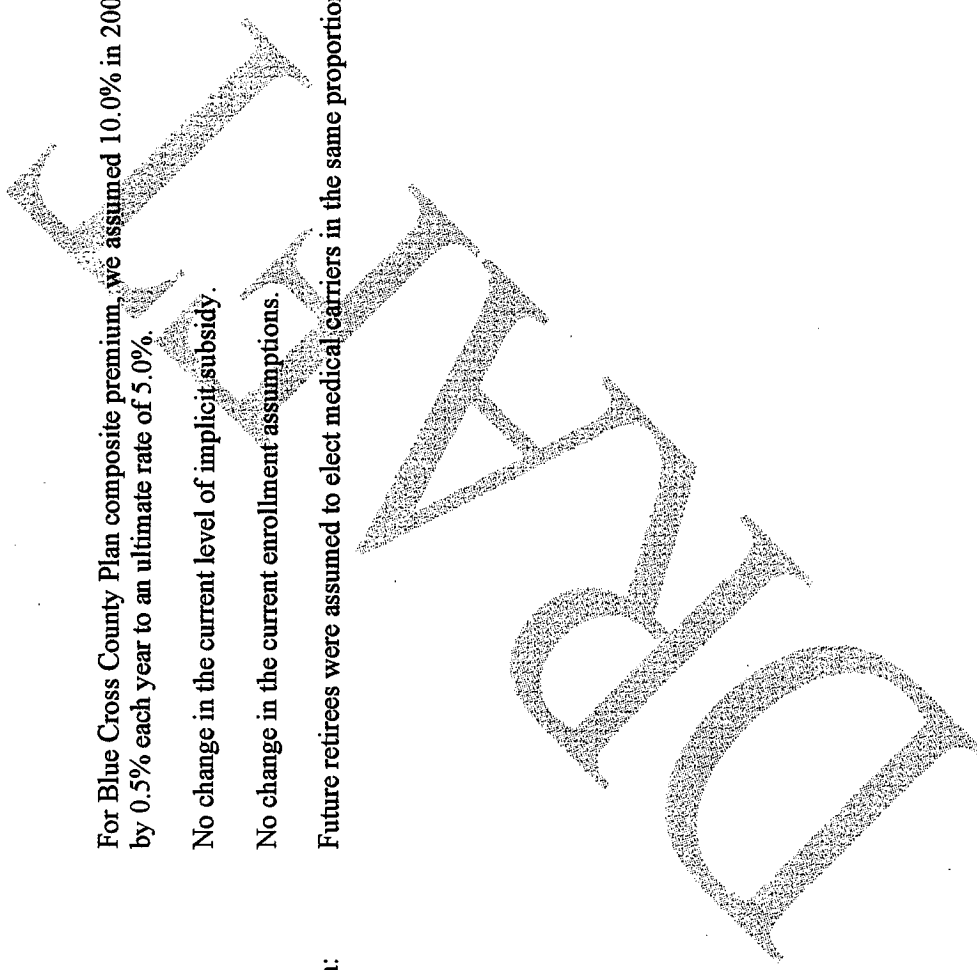
<b>Item</b>	<b>Union Proposal</b>	<b>County Proposal</b>	<b>SEIU Cost Difference</b>
			impact of paying off OPEB over shorter period of time has budget impact)

**Appendix D: 70% of Any Premium Paid as Explicit Subsidy**

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**Actuarial Assumptions are the same as those used in the annual valuation with the exceptions noted below:**

- Trend:** For Blue Cross County Plan composite premium, we assumed 10.0% in 2008/2009, grading down by 0.5% each year to an ultimate rate of 5.0%.
- Implicit Subsidy:** No change in the current level of implicit subsidy.
- Enrollment:** No change in the current enrollment assumptions.
- Coverage Election:** Future retirees were assumed to elect medical carriers in the same proportion as current retirees.



**Appendix D: 70% of Any Premium Paid as Explicit Subsidy**

**SUMMARY OF VALUATION RESULTS**

	<b>June 30, 2007</b>
<b>Actuarial Accrued Liability by Participant Category</b>	
Current retirees, beneficiaries and dependents	\$259,374,763
Current active members	<u>159,944,173</u>
Total	\$419,318,936
<b>Value of Assets (Actuarial equal to Market)</b>	<b>\$7,000,000</b>
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$412,318,936</b>
<b>Annual Required Contribution</b>	
Normal cost	\$14,886,853
Amortization of the unfunded actuarial accrued liability*	21,904,037
Adjustment for timing	<u>1,471,636</u>
Total annual required contribution, payable throughout the year	\$38,262,526
	<b>Percent of Compensation**</b>
	5.19%
	7.64%
	<u>0.51%</u>
	13.34%

*The key results and significant assumptions for the current year are shown.*

\* Assumes a level percent of payroll 30-year amortization period is applied by the County.  
 \*\* Based on projected payroll of \$286,742,000.

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**Appendix E: \$700 Single, \$1,040 Single+1, \$1,450 Single+2 Flat Premium Reimbursement**

**Actuarial Assumptions are the same as those used in the annual valuation with the exceptions noted below:**

- Trend:** For Blue Cross County Plan composite premium, we assumed 10.0% in 2008/2009, grading down by 0.5% each year to an ultimate rate of 5.0%.  
Assumed no trend for the medical premium reimbursement.
- Implicit Subsidy:** No change in the current level of implicit subsidy.
- Enrollment:** No change in the current enrollment assumptions.
- Coverage Election:** Future retirees were assumed to elect medical carriers in the same proportion as current retirees.

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**Appendix E: \$700 Single, \$1,040 Single+1, \$1,450 Single+2 Flat Premium Reimbursement**

**SUMMARY OF VALUATION RESULTS**

	<b>June 30, 2007</b>
<b>Actuarial Accrued Liability by Participant Category</b>	
Current retirees, beneficiaries and dependents	\$278,130,473
Current active members	<u>129,287,289</u>
Total	\$407,417,762
<b>Value of Assets (Actuarial equal to Market)</b>	<b>\$7,000,000</b>
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$400,417,762</b>
<b>Annual Required Contribution</b>	
Normal cost	\$11,439,803
Amortization of the unfunded actuarial accrued liability*	21,271,799
Adjustment for timing	<u>1,308,464</u>
Total annual required contribution, payable throughout the year	\$34,020,066
	<b>Percent of Compensation**</b>
	3.99%
	7.42%
	<u>0.45%</u>
	11.86%

*The key results and significant assumptions for the current year are shown.*

\* Assumes a level percent of payroll 30-year amortization period is applied by the County.  
 \*\* Based on projected payroll of \$286,742,000.

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