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Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
April 7, 2021

Present: Eddie Chan, Pharm D, Reece Fawley, Steven Fugaro, MD, Greg Wagner, Emily Webb, Skip Bishop, John F. Grgurina, Jr., Brian Gentner, and Nina Maruyama (note taker)

Absent: None

Guests: Mary Beth Redding, Bartel Associates, LLC

Reece Fawley, Chair, Finance Committee, chaired the meeting and identified the public guest. Mr. Fawley asked for public comments and there were none.

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Finance Committee Members attended this meeting via teleconference. The meeting was closed to in-person public attendance, but the public was provided with the conference line to attend if interested. This precaution was taken to protect members of the Finance Committee, staff and the public. The Finance Committee members and staff of the San Francisco Health Plan (SFHP) attended the meeting via video conference.

Call to Order and Public Comment on any matters within the SFHA/SFCHA purview

1. **CalPERS Replacement Benefit Plan and Impact on SFHP and Its Employees**

   The following agenda item was the only matter discussed at this Finance Committee meeting. The item was presented for information only.

   John F. Grgurina, Jr., CEO, briefed the Finance Committee on the agenda topic. He stated that the Finance Committee was meeting on this topic to hear more specifics about the CalPERS Replacement Benefit Plan from Mary Beth Redding, of Bartel Associates. Mr. Grgurina introduced the topic at the January meeting.

   SFHP is a government employer in the California Public Employees' Retirement System (CalPERS) Miscellaneous Pooled Plans for the defined benefit pension plan known as 2% @ 55 for employees with hire dates prior to January 1, 2013 and 2% @ 62 for employees with hire dates after December 31, 2012.

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Internal Revenue Code (IRC) section 415(b) is a federal provision that limits the amount of the annual retirement benefit an individual can be paid from a tax-qualified defined benefit pension plan such as CalPERS.

CalPERS, in accordance with Government Code section 21750 and Title 2 of the Code of Regulations section 589, established a Replacement Benefit Plan (RBP) to ensure that members are provided with retirement and other related benefits that are commensurate with the benefits that would have been received had the benefits not been limited due to IRC 415(b).

A CalPERS employer becomes a participating RBP employer whenever any eligible former employee is paid a retirement allowance that exceeds the annual dollar limit set under IRC 415(b). For example, the annual dollar limit for calendar year 2020 is $230,000 at age 62.

The RBP requires an eligible employee's former employer(s) to pay the pension benefit in excess of the IRC limit. This liability would be calculated on an annual basis and shared by the eligible employee's former employer(s) based on service time. The RBP would remain in effect for the lifetime of the eligible employee and/or their spouse if designated by the employee.

SFHP engaged Bartel Associates to determine if any SFHP employees would be subject to the RBP. Ms. Redding reviewed the presentation and report with the Finance Committee in detail. (A presentation and report were included in the Finance Committee packet.)

Ms. Redding explained that the RBP impacts those with high annual CalPERS benefits, hired before 7/1/1996 and with very long period of service. As such, the number of individuals impacted is low. For SFHP, there will likely be only one or two individuals impacted by the RBP. The employers are responsible for the RBP benefit that exceeds the IRS limit, currently at $230,000. Employers are billed annually for their share of the year's benefit payments and it cannot be prefunded. The estimated impact to SFHP for these future obligations will be roughly over $50,000 per year upon the individual #1's retirement. Individual #2's impact to SFHP may be zero, or at most under $2,000 for the first two years of the individual's retirement.

The Finance Committee thanked M. Redding for her thorough preparation and presentation on the topic. They felt the material was presented in a clear manner and understood the future impact to SFHP.

No Finance Committee action is needed at this time.

Adjourn

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Reece Fawley
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Reece Fawley, Secretary/Treasurer