

# LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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**DATE:** JUNE 6, 2011  
**FROM:** MICHAEL TUERPE, LAFCO Analyst  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #8D: EMPLOYEE POLICY DOCUMENTS (See full description below)

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## **FULL TITLE:**

**Review and Consideration of Changes to Internal Operations Guidelines, Human Resources Policies and Guidelines, and LAFCO Benefits Plan as follows:**

1. **Repeal Internal Operations Guidelines**
2. **Adopt Amended LAFCO Benefits Plan**
3. **Repeal Current LAFCO Human Resources Policies and Guidelines and Adopt Revised and Amended LAFCO Human Resources Policies and Guidelines**

## **RECOMMENDATION:**

Staff recommends that the Commission take the following actions:

1. Review and approve the revised and amended *Human Resources Policies and Guidelines and Benefits Plan* to include restructuring the existing documents, changes to benefits, and minor amendments to update the policies with current legislation.
2. Adopt Resolution No. 3137, reflecting the following determinations:
  - a. Repeal the *Internal Operations Guidelines* and repeal the *Human Resources Policies and Guidelines*.
  - b. Adopt revised and amended *Human Resources Policies and Guidelines* to reflect the approved amendments.
3. Adopt Resolution No. 3138 amending the *Benefits Plan* to reflect the approved amendments.

## **BACKGROUND:**

In 2004, the Commission approved changes to its employee guidelines to provide for three documents: 1) *Benefits Plan*, 2) *Internal Operations Guidelines*, and 3) *Human Resources Policies and Guidelines*. Since their adoption, these three documents have provided for the benefits, policies, and guidelines for LAFCO employees with amendments from time-to-time. This staff report proposes a major restructuring of the existing documents through consolidation, changes to benefits as reflected by changes to the County Exempt Compensation Plan, and minor amendments to update the policies with current legislation.

## **RESTRUCTURING OF THE EXISTING DOCUMENTS:**

### Consolidation of *Internal Operations Guidelines* into *Human Resources Policies and Guidelines*

As currently configured leave policies, computer policies, employment classifications, supplemental compensation categories, and performance review policies and guidelines are located in part in two documents - *Internal Operations Guidelines* and *Human Resources Policies and Guidelines*. This has resulted in referencing two documents to understand a single concept such as sick leave or computer policies. Staff's position is that operational policies and guidelines should not be in two separate documents and can better serve the Commission and staff by placement into one document. Therefore, staff proposes that:

1. All contents from the *Internal Operations Guidelines* should be included in appropriate sections in the *Human Resources Policies and Guidelines*; and
2. The *Internal Operations Guidelines* should be repealed.

### Additional Restructuring

Upon review of the benefit and policy documents, LAFCO staff has determined that there is a leave policy in the *Benefits Plan* and one benefit policy in the *Human Resources Policies and Guidelines* that are better suited for placement in the other document. Therefore, staff proposes that:

1. "Perfect Attendance Leave" defined in the *Benefits Plan* should be moved to the *Human Resources Policies and Guidelines* to place all leave policies in one document.
2. "Tuition Reimbursement and Membership Dues" from *Human Resources Policies and Guidelines* should be moved to the *Benefits Plan* since reimbursement of tuition and dues is an employee benefit, not a policy.

Due to the major restructuring proposed by staff, both documents have renumbered sections as well as subsection identification, and standardized formatting. The proposed restructured documents are included as Attachment #1.

The staff's identified restructuring does not propose any changes to current provisions for policies or benefits; the effort is to provide for a more efficient reflection of policies and benefits in a simplified system of documents. .

### **CHANGES TO BENEFITS PLAN:**

San Bernardino LAFCO provides its employees with benefits equivalent to those provided to County "Exempt" employees. The following are the approved changes to the County Exempt Compensation plan since 2010 which require Commission action to bring the *Benefits Plan* and *Human Resources Policies and Guidelines* into compliance. The first proposed change is a cap on leave accruals that was adopted by the County in November 2010 with an effective date of pay period 1 of 2011. The next three proposed changes were approved by the County in April 2011 for implementation June 18, 2011, unless certain conditions are not met which are explained in more detail below.

#### **Cap on Leave Accruals**

Effective December 18, 2010 , there is a cap on the amount of vacation leave or holiday time that LAFCO employees may accrue Approval of the Benefit Plan amendment acknowledges this prior change which results in significant cost-savings by establishing caps on vacation leave (480 hours) and holiday accruals (112 hours)., In addition this amendment limits the ability of employees to cash out administrative leave to one time during the employee's employment with LAFCO. The establishments of caps on vacation leave and holiday accruals will limit future liabilities associated with employee leave balances and the elimination of the payment for administrative leave balances reduces the Commission's annual payroll expense.

#### **Pending Benefit Reductions for County Exempt Group**

During the past several months, the County has taken measures to reduce or eliminate some items of compensation and benefits. The County in April 2011 established reductions in compensation and benefits for its Exempt employees with the request that all other bargaining units follow suit. The three items below have been approved by the County for implementation June 18, 2011, unless certain conditions are not met which are explained below.

1. **Step Increases** - Reduce the amount of step increments from 5% to 2.5% for all new hires and current employees.
2. **Employee Share of Retirement Contribution** – Eliminates for all new hires and current employees, the LAFCO pick-up of the employees' share of the required contribution to the San Bernardino County Employees' Retirement Association (SBCERA). The current benefit paid is seven percent (7%) of earnable compensation.

There is one exception, for LAFCO employees who have completed 25 years of service or more on or before the implementation of this action will be eligible and will have one opportunity to elect twelve consecutive months of the 7% retirement pick-up after they complete 30 years of service. One current LAFCO employee is eligible

for this benefit having completed 26 years of service and will have the opportunity to utilize the benefit in four years when reaching 30 years of service.

3. Medical Premium Subsidy - Eliminate Benefit Plan contributions that are considered earnable compensation and replace those amounts with a non-pensionable Medical Premium Subsidy for employees who participate in LAFCO sponsored health plans. Establish a new system of Medical Premium Subsidy payments as follows:

	Scheduled for 40 to 60 hours	Scheduled for 61 to 80 hours
Employee Only	\$115.00	\$230.00
Employee +1	\$176.12	\$352.23
Employee +2	\$241.32	\$482.64

The County ordinance approving these changes states that if any County bargaining unit does not agree to reduce or eliminate any items of compensation or benefits listed above, then the item or items of compensation or benefits shall be restored prospectively for members of the Exempt group. As of this writing, it is staff's understanding that two bargaining units have not agreed to the proposed changes.

Nonetheless, LAFCO mirrors those benefits provided to County Exempt employees and the County intends for the above changes to take place. Therefore, staff recommends that the Commission approve the changes as identified above and specified in the attached Benefit Plan, which includes language that the changes will not take effect unless implemented by the County. LAFCO staff continues to monitor this situation and will report back to the Commission at a later hearing date for possible further action.

**UPDATES TO ENSURE COMPLIANCE:**

This review also proposes amendments to update the policies and guidelines to ensure continued compliance with enacted federal or state legislation. The items below are examples of proposed amendments needed to update the LAFCO documents.

1. Deferred Compensation – Updates Benefit Plan language to reflect that the Commission's portion is to the 401(a) account.
2. Vision – The Benefit Plan language amendment clarifies that Vision Care Insurance is a separate benefit available to employees.
3. Updates to the Benefit Plan and Human Resources Policies and Guidelines to comply with the *Heroes Earning Assistance and Relief Tax (HEART) Act of 2008*, the *Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009*, and the Internal Revenue Code (IRC):
  - a) Increase the allowable period for initial benefit elections and qualified changes from 31 to 60 days.
  - b) Change election procedures to allow changes to benefit elections submitted after Open Enrollment but before the start of the next Plan Year.

- c) Remove "Legal Separation" from the list of qualifying events that require an employee to make a change to qualified benefit elections.
- d) Implement CHIPRA enrollment rights to allow changes to benefit elections for employees who either lose eligibility for California Healthy Families coverage or become eligible for a state premium assistance program.
- e) In compliance with the IRC, amend the number of days for reinstatement of a former plan participant in Section 125 Premium Conversion plan from 31 to 30 days.
- f) Reduce required number of scheduled hours per pay period to be eligible for Dependent Care Assistance Program and Expense Reimbursement from 41 to 40 hours.
- g) Allow Qualified Reservist Distributions for military reservists called to active duty for at least 180 days pursuant to the HEART Act.

### **CONCLUSION:**

Staff's position is that all related policies should be located in one document resulting in consolidation of the *Internal Operations Guidelines* into the *Human Resources Policies and Guidelines* and the repeal of the *Internal Operations Guidelines*. Additionally, changes have been approved by the County to reduce or eliminate some items of compensation and benefits due to current economic conditions for its Exempt personnel. It is the County's pursuit that all bargaining units accept the changes to address the effects of the recession on the County's revenues. However, at this time, it is staff's understanding that two of the bargaining units have not agreed to the proposed changes. LAFCO staff is monitoring this situation and will report back to the Commission for possible further action at a later hearing date if these efforts at the County level change. Finally, this report recommends amendments to the policy and benefits documents to continue compliance with applicable laws.

MT/

Attachments:

1. Proposed Restructured and Amended Documents
  - a. [Human Resources Policies and Guidelines with Changes Identified](#)
  - b. [Proposed Benefits Plan with Changes Identified](#)
2. Draft Resolutions
  - a. [Draft Resolution No. 3137 Repealing the Internal Operations Guidelines and Repealing the current Human Resources Policies and Guidelines, and Adopting the Revised and Amended Human Resources Policies and Guidelines](#), and
  - b. [Draft Resolution No. 3138 Amending the Benefits Plan](#)