



April 8, 2008

Dear Retiree,

The City's current retiree health insurance program allows retirees to participate in the City's health insurance plan and pays a portion of the monthly premium cost for eligible retirees. The formula used to calculate the amount the City was willing to contribute was lowered in the 1990's in an attempt to make the program more sustainable. However, rapidly escalating health care costs and an increasing number of retirees over the last decade have made it necessary for the City to re-visit this program. We believe that the proposed changes outlined below will increase the probability that some portion of your retiree health cost will be able to be funded by the City on a long-term basis, reducing the possibility that the employer contribution could be entirely eliminated in the future due to significant cost increases.

An additional benefit of making this change now is that it will help to minimize the effect of budget cuts and service reductions being considered due to the recent passage of the State Constitutional Amendment, which reduced property taxes and contributed to a \$2.2 million budget deficit currently being projected for the City next year. This change will also help GRU address concerns regarding another year of customer rate increases caused by growing costs. We believe that addressing this problem now will benefit the City and its employees and retirees in the long run and will prevent us from having to take more dramatic actions in the future.

The proposed changes would align the structure of our retiree health insurance program with the plans being provided by Alachua County and UF through the Florida Retirement System (FRS). The FRS plan provides a retiree health insurance contribution benefit of \$5 per month for each year of credited service up to a maximum of thirty years.

The proposed changes to the City's program will include the following benefits for current and future retirees:

- You would receive \$10 per month for each year of credited service with no limit on the number of years of service. For example, if you had 20 years of service you would receive \$200 per month to apply against your health insurance premium.
- For retirees currently accessing the program, **using your age as of January 1, 2009**, the City's contribution would be reduced by \$5 per month for every year of age under 65. So if you were 59 years old as of January 1, 2009, and you retired with 20 years of service, you would deduct 6 years or \$30 a month from your \$200 benefit, reducing it to \$170 per month. If you are over 65 years old as of January 1, 2009, the City's contribution would be increased by \$5 per month for every year over age 65.
- **Additionally, for all retirees currently accessing the program aged 65 and older as of January 1, 2009, your current benefit (the City's contribution towards your health insurance premium cost) will be "grandfathered" and remain at its current dollar amount if that is higher than the amount calculated under the proposed new plan. (OVER)**

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- The program will retain the ability to opt-out of the City's Health Insurance Program and re-enter one time in the future.
- Your benefit (the amount the City will pay towards your health insurance premium as a retiree) will be fixed, unless the program is changed in the future.

To help you determine the effect of these proposed changes, we have included, attached to this letter, the amount the City is presently contributing for you and what the City would contribute on your behalf under the program as proposed.

This letter is intended only to provide a notification and a general overview of the features of the proposed changes to the retiree health insurance program. You can learn more about these proposed changes in one of several informational sessions that will be conducted for active and retired employees. If you have questions about these changes, we encourage you to attend one of the information sessions. The dates, times and location of these meetings are:

April 21 - Thomas Center (Cultural Affairs Bldg.) 3:00pm

April 22 - GRU Multipurpose Room – 5:30pm

April 23 - GRU Multipurpose Room – 5:30pm

Sincerely,

Russ Blackburn & Bob Hunzinger
City Manager General Manager