


CITY OF GAINESVILLE
every path starts with passion
FLORIDA




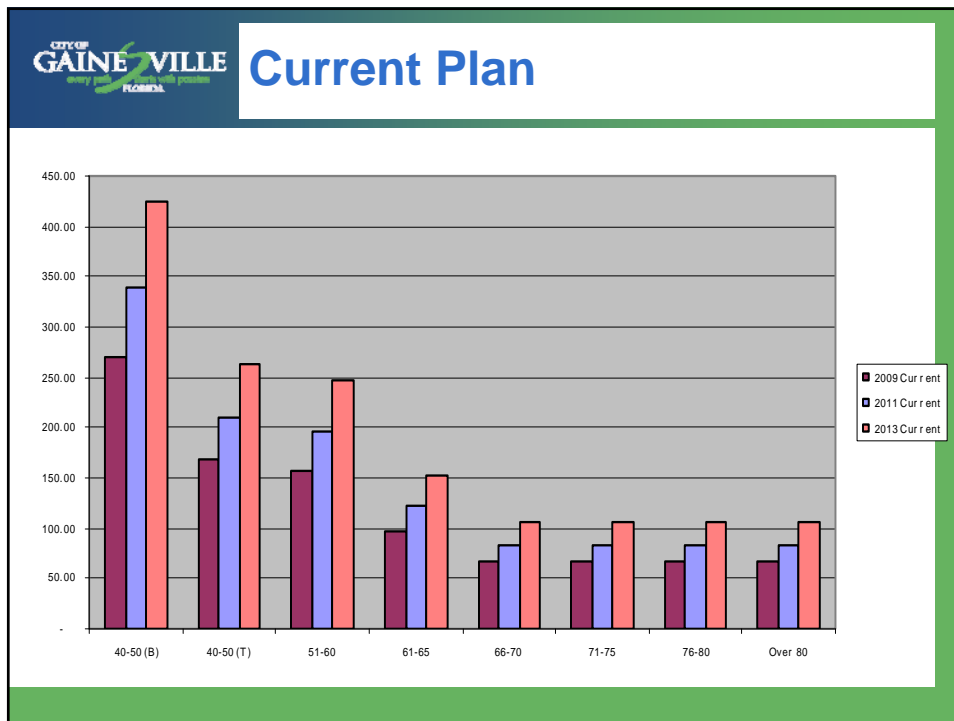
Retiree Health Insurance July 14, 2008

CITY OF GAINESVILLE
every path starts with passion
FLORIDA

Current Plan

- Based on Years of Service and Age on Access Date
- Two Components
 - Transition Plan (put into place to give people time to prepare)
 - Retired on 4/1/95 or 10 years of service on 4/1/95
 - Benefit = 50% to 155% of individual coverage
 - Minimum guarantee = 50% of individual coverage
 - Actuarial Age adjustment of 2% per year under age 65, 8% per year over age 65
 - Base Plan
 - Hired after 4/1/85
 - Maximum benefit = 50% of individual coverage
 - No Minimum guarantee
 - Actuarial Age adjustment of 2% per year

		<h2 style="text-align: center;">Current Plan</h2>				
INDIVIDUAL COVERAGE						
Average Age	# Retirees	Average Years of Service	Retiree Monthly Premium 2009	Retiree Monthly Premium 2011	Retiree Monthly Premium 2013	% increase 2009 – 2013 (projected)
40-50 Base Plan	49	22	270.36	339.14	425.42	57%
40-50 Transition Plan	49	22	167.47	210.07	263.52	57%
51-60	262	24	156.40	196.19	246.10	57%
61-65	172	24	96.73	121.34	152.21	57%
66-70	178	25	66.99	84.03	105.41	57%
71-75	108	25	66.99	84.03	105.41	57%
76-80	113	23	66.99	84.03	105.41	57%
Over 80	78	22	66.99	84.03	105.41	57%





Option 4 – Proposed indexed at 150% of CPI, with a minimum contribution for retiree

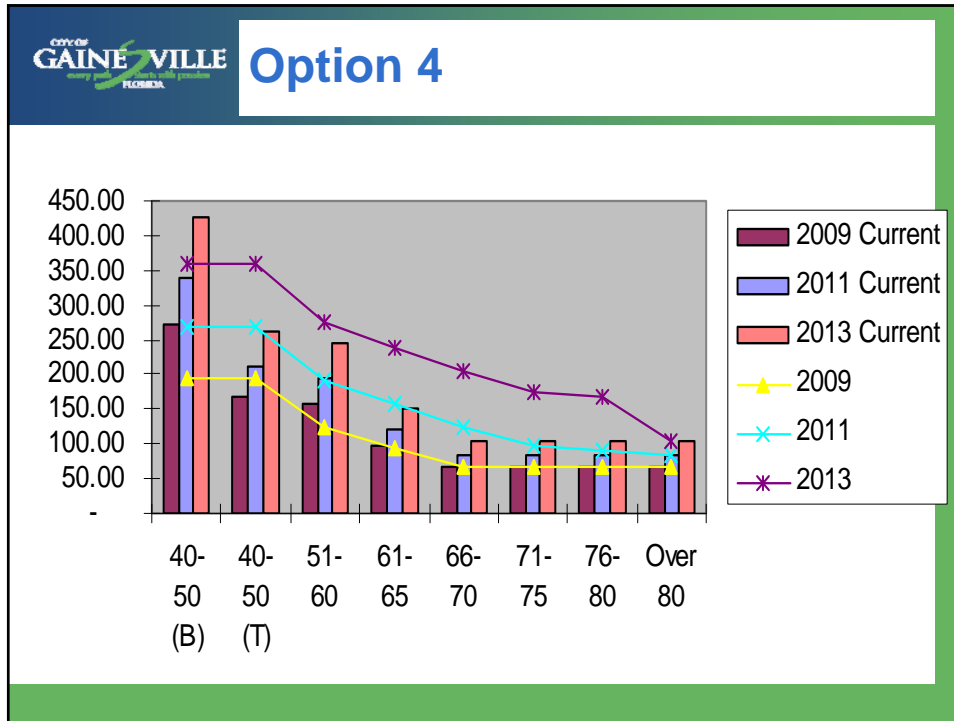
- \$10 contribution for each year of service
- Age Adjustment
 - Additional \$5 for every year over age 65
 - Reduction of \$5 for every year under age 65
- \$10 contribution increased annually at 150% of CPI (accepted proxy for medical CPI)
- Minimum retiree contribution = to active contribution within same tier
- FY2009 Budgetary Savings = \$1.5 million



Impact of Option 4 to Retiree

INDIVIDUAL COVERAGE

Average Age	# Retirees	Average Years of Service	Retiree Monthly Premium 2009	Retiree Monthly Premium 2011	Retiree Monthly Premium 2013	% change over current plan 2013
40-50	49	22	195.53	267.92	360.80	-15% (B) 37% (T)
51-60	262	24	125.20	191.12	276.93	13%
61-65	172	24	93.96	157.00	239.67	57%
66-70	178	25	66.98	125.39	205.15	95%
71-75	108	25	66.98	96.23	173.32	64%
76-80	113	23	66.98	90.35	166.90	58%
Over 80	78	22	66.98	84.03	105.41	0%



- City Commission Recommendation**
- Direct the City Attorney to draft an ordinance to allow a change in the Retiree Health Insurance Plan (along the lines of the structure in Option 4) with different levels of savings \$500,000, \$1M and \$1.5M...

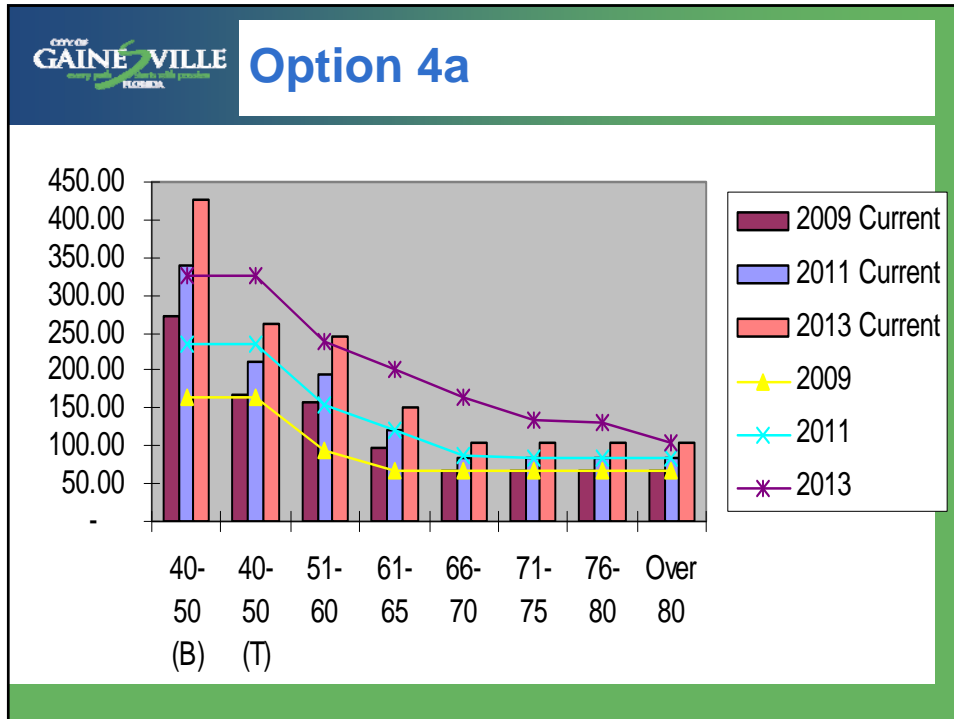
Option 4a

- **\$11.30 contribution for each year of service**
- **Age Adjustment**
 - Additional \$5 for every year over age 65
 - Reduction of \$5 for every year under age 65
- \$11.30 contribution increased annually at 150% of CPI (accepted proxy for medical CPI)
- Minimum retiree contribution = to active contribution within same tier
- FY2009 Budgetary Savings = \$1,000,000

Impact of Option 4a to Retiree

INDIVIDUAL COVERAGE

Average Age	# Retirees	Average Years of Service	Retiree Monthly Premium 2009	Retiree Monthly Premium 2011	Retiree Monthly Premium 2013	% change over current plan 2013
40-50	49	22	165.59	235.22	325.09	-24% (B) 23% (T)
51-60	262	24	92.71	155.63	238.18	-3%
61-65	172	24	66.98	121.30	200.70	32%
66-70	178	25	66.98	88.70	165.09	57%
71-75	108	25	66.98	84.03	133.29	26%
76-80	113	23	66.98	84.03	130.29	24%
Over 80	78	22	66.98	84.03	105.41	0%



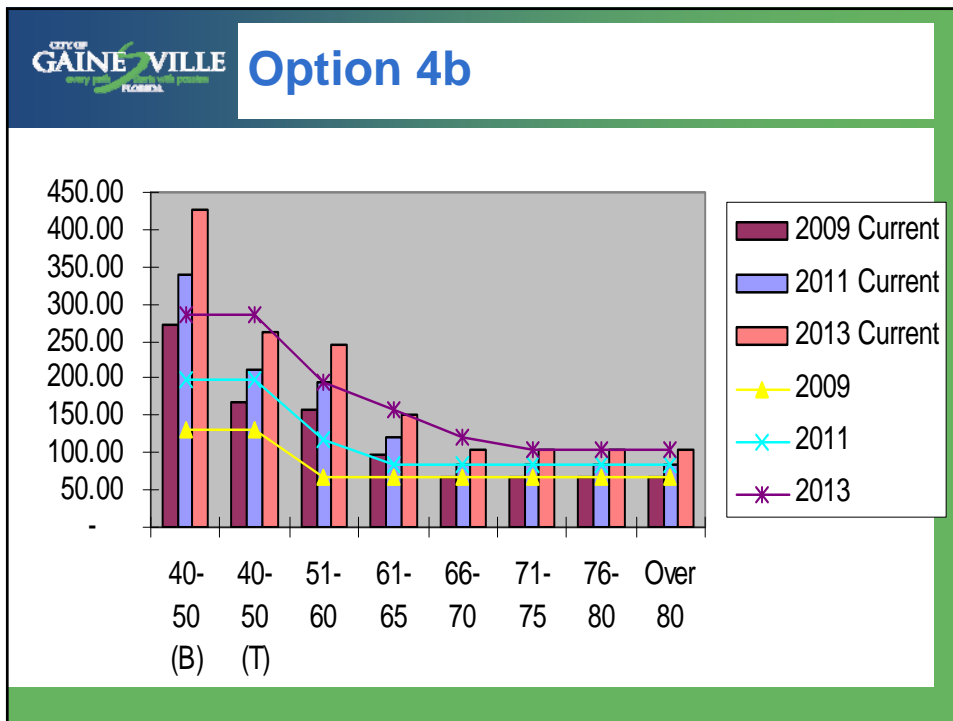
-
- Option 4b**
- **\$12.75 contribution for each year of service**
 - **Age Adjustment**
 - Additional \$5 for every year over age 65
 - Reduction of \$5 for every year under age 65
 - \$12.75 contribution increased annually at 150% of CPI (accepted proxy for medical CPI)
 - Minimum retiree contribution = to active contribution within same tier
 - FY2009 Budgetary Savings = \$500,000

City of GAINESVILLE
every problem has a solution
FLORIDA

Impact of Option 4b to Retiree

INDIVIDUAL COVERAGE

Average Age	# Retirees	Average Years of Service	Retiree Monthly Premium 2009	Retiree Monthly Premium 2011	Retiree Monthly Premium 2013	% change over current plan 2013
40-50	49	22	132.20	198.75	285.27	-33% (B) 8% (T)
51-60	262	24	66.98	116.05	194.96	-21%
61-65	172	24	66.98	84.03	157.22	3%
66-70	178	25	66.98	84.03	120.41	14%
71-75	108	25	66.98	84.03	105.41	0%
76-80	113	23	66.98	84.03	105.41	0%
Over 80	78	22	66.98	84.03	105.41	0%



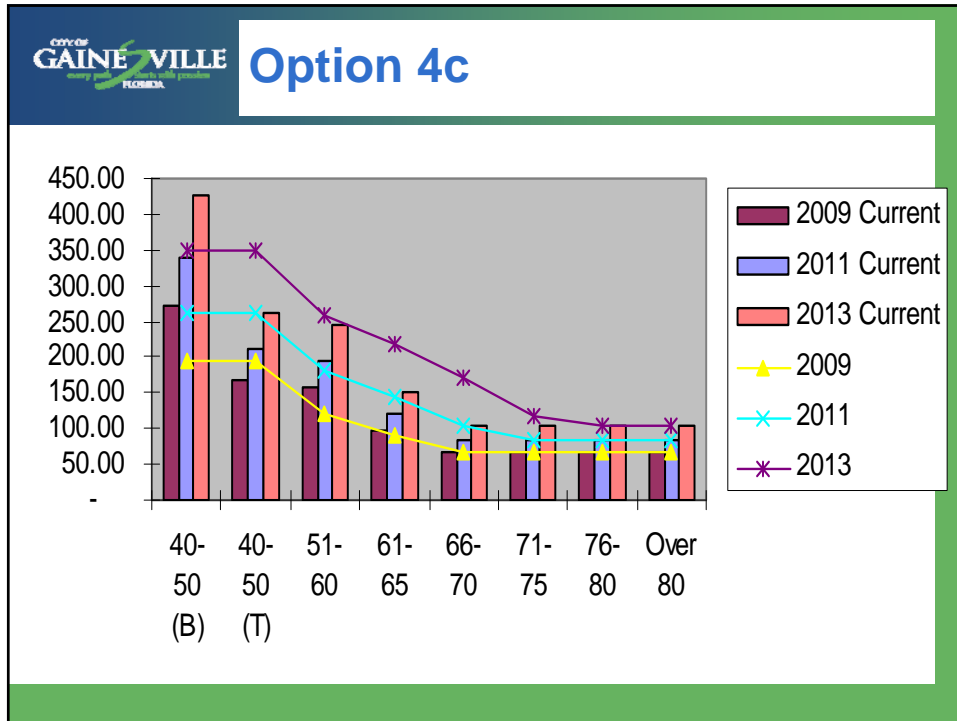
Option 4c

- \$10 contribution for each year of service
- Age Adjustment
 - Additional \$5 for every year over age 65
 - Reduction of \$5 for every year under age 65
- **\$10 contribution increased annually at 1/2 of the premium increase (currently 6%)**
- Minimum retiree contribution = to active contribution within same tier
- FY2009 Budgetary Savings = \$750,000

Impact of Option 4c to Retiree

INDIVIDUAL COVERAGE

Average Age	# Retirees	Average Years of Service	Retiree Monthly Premium 2009	Retiree Monthly Premium 2011	Retiree Monthly Premium 2013	% change over current plan 2013
40-50	49	22	193.53	261.26	348.51	-18% (B) 32% (T)
51-60	262	24	122.19	181.11	258.45	5%
61-65	172	24	90.50	145.50	218.43	44%
66-70	178	25	66.98	104.64	172.53	64%
71-75	108	25	66.98	84.03	117.67	12%
76-80	113	23	66.98	84.03	105.41	0%
Over 80	78	22	66.98	84.03	105.41	0%



CITY OF GAINESVILLE
every path starts with passion
FLORIDA

Additional Options Suggested by Retirees Participating in the Discussion Group Meetings

Option A

- Flat \$250 contribution for 20 years of service
- Additional \$15 for each year over 20
- Inflation at 150% of CPI
- No age adjustment
- Less than 20 years of service, access only (no contribution from the City)

Option B

- Roll Retiree Health Contribution into Pension
- Change Pension COLA
 - Option 1
 - Age 60 and over – 5% cola
 - Age 54-59 – 3% cola
 - Option 2
 - Age 54 and over – 4% cola
- Increase employee contribution to pension by 1% per year over a 3 year period

Option C

- Convert Trust assets and/or make City contributions to a Retiree Health Savings (RHS) Account for each individual
- Retirees can spend and manage their own account and buy the health insurance coverage that fits their individual needs
- Dissolve the Retiree Health Insurance Trust
- Actuarial Liability = \$0

Staff Recommendation

- Recommendation:
 - Adopt ordinance using Option 4, \$10 plan indexed at 150% of CPI, with \$5 age adjustments, retiree pays at least the same as an active in the same tier.
- Alternative Recommendation A
 - Adopt ordinance using Option 4c, \$10 plan indexed at 1/2 of the premium increase (currently 6%), with \$5 age adjustments, retiree pays at least the same as an active in the same tier.
- Alternative Recommendation B
 - Direct staff to work with a team of 5 retirees (selected by retiree group with at least 2 members over age 65) and 5 union presidents to develop a comprehensive, sustainable solution for City Commission review in Summer 2009.