



Retiree Health

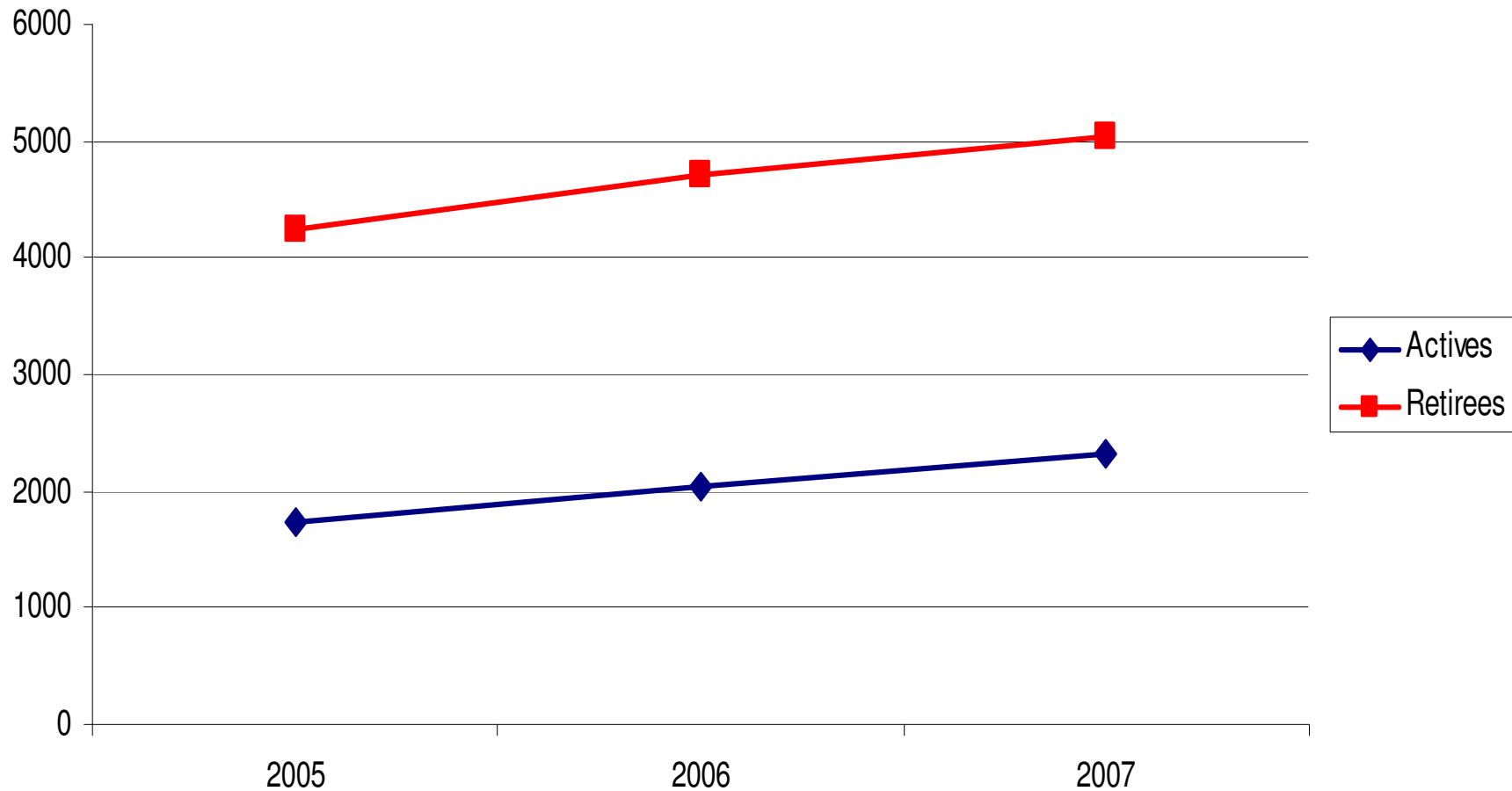
June 9, 2008

Rise in Cost of Health Insurance

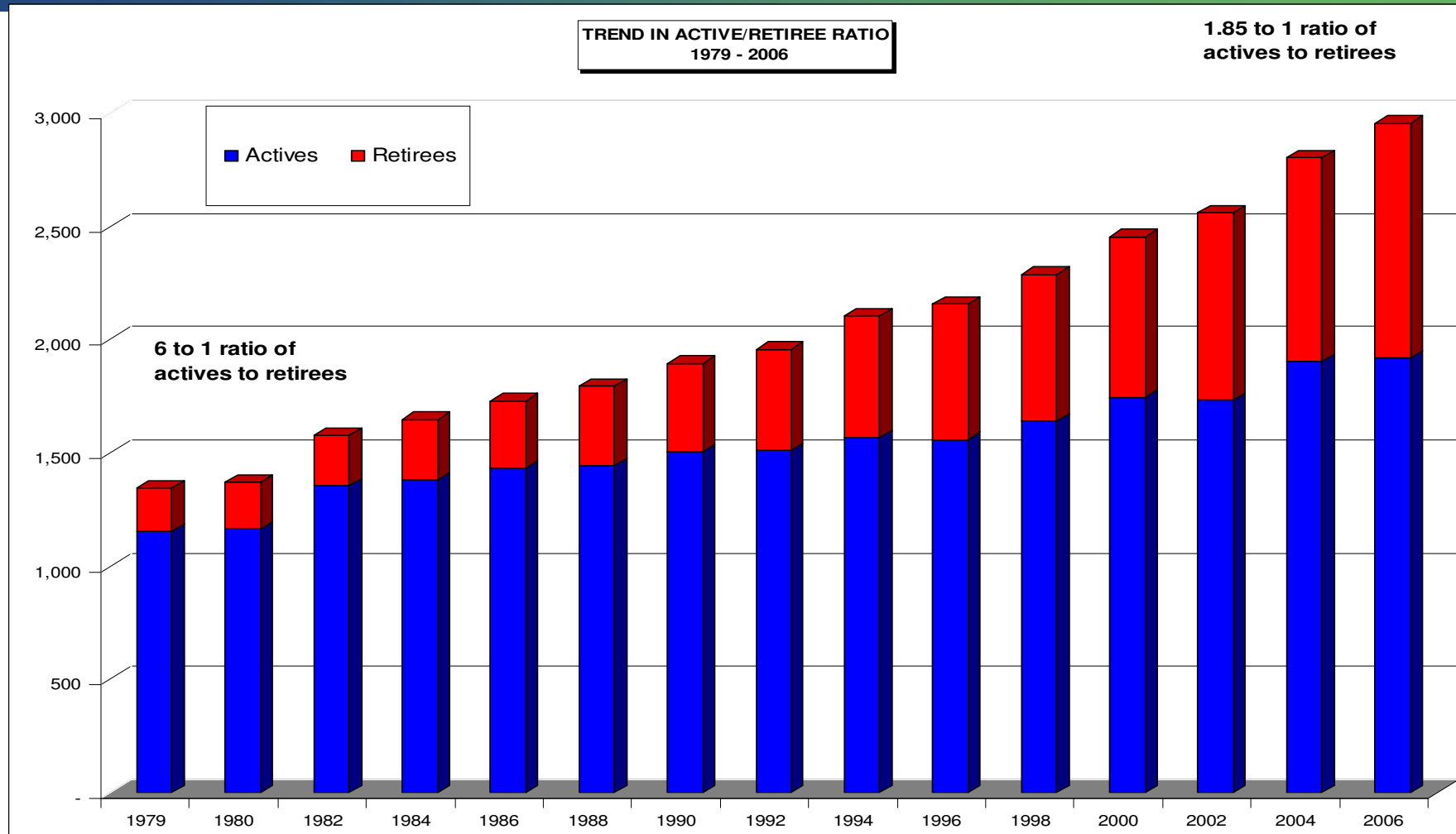
- Two components drive the cost of health insurance
 - Cost of Health Care
 - External force - hospitals, physicians, prescription drugs, etc
 - Utilization
 - the number of claims
 - Population (members)
 - Demographics of the members

Average Annual Claims Cost

Average Claim Cost

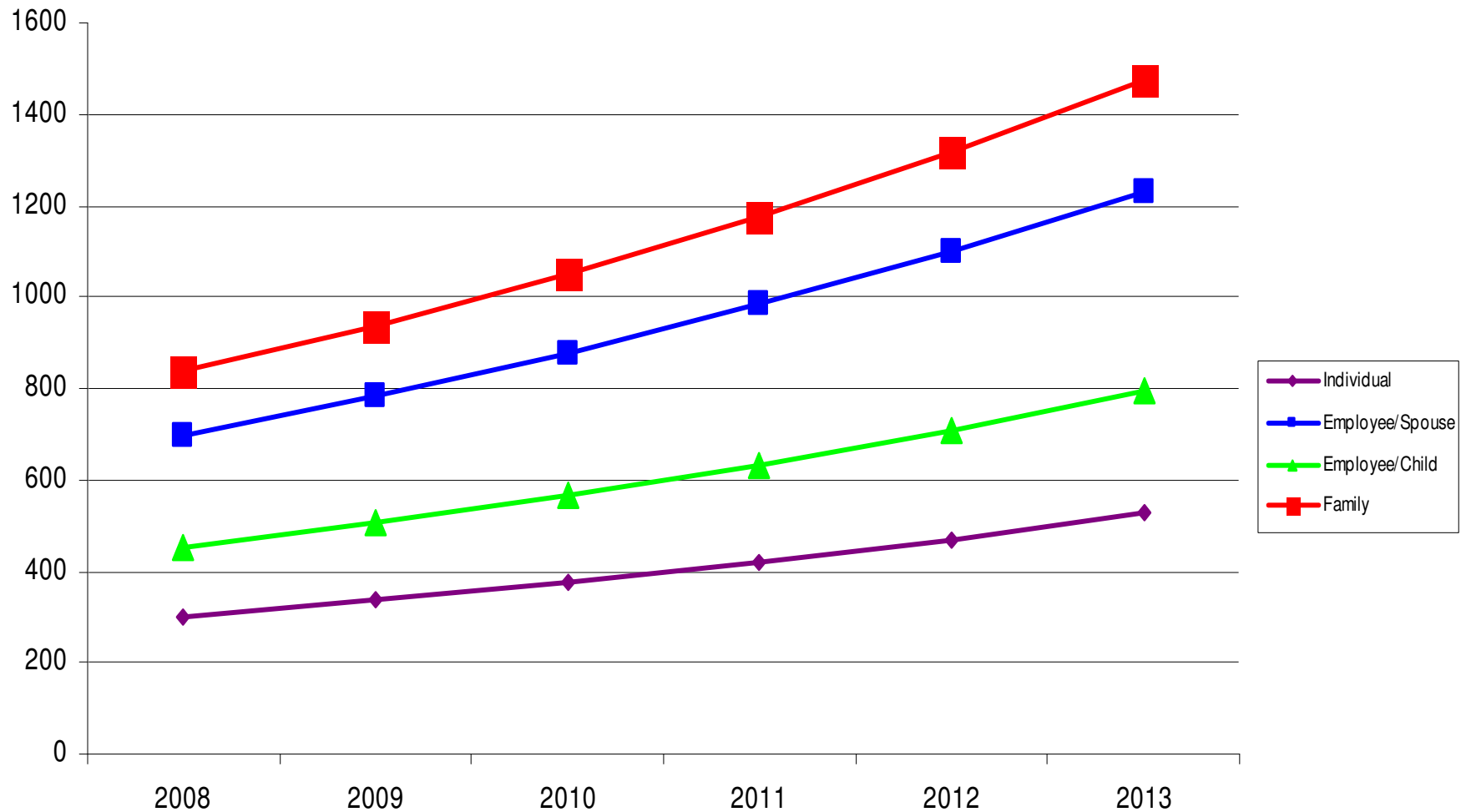


Ratio of Active Employees to Retirees



- Drives Utilization
- More expensive contracts becoming a bigger share of the pool

Projected Monthly Premiums



- Obligation of the trust is to fund the City's share of the premium

Average Pension Benefit

	Average Age @ Retirement	Average Years of Service	Average Monthly Benefit	Average Annual Benefit
Pre-Drop Plan				
General Employees	52	25	\$1,562	\$18,754
Fire	47	24	\$1,843	\$22,117
Police	48	23	\$2,043	\$24,517
Post Drop*				
General Employees	53	25	\$2,213	\$26,560
Police	47	23	\$3,177	\$38,125
Fire	50	26	\$3,305	\$39,661

* Post Drop does not include distributions from the retirees' drop account

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
- Actuarial Liability \$49 million

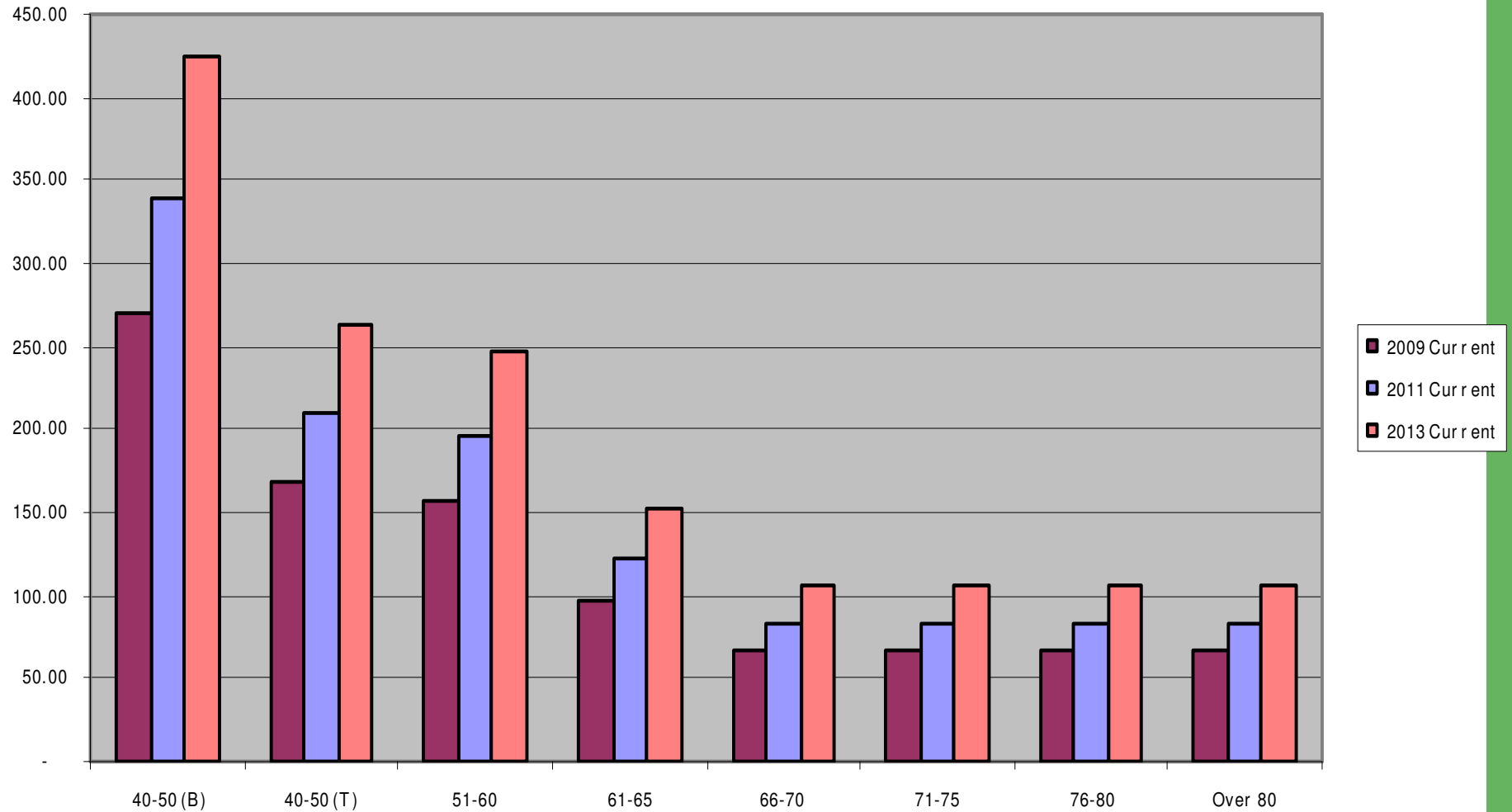
Current Plan

Average Monthly Contribution paid by the retiree - projected

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%

Current Plan



Original Proposal

- \$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
- City Contribution fixed (will not increase)
- Actuarial Liability \$23.9 million
- FY2009 Budgetary Savings = \$1.9 million
- Plan was presented on April 28
- City Commission asked staff to bring back more options

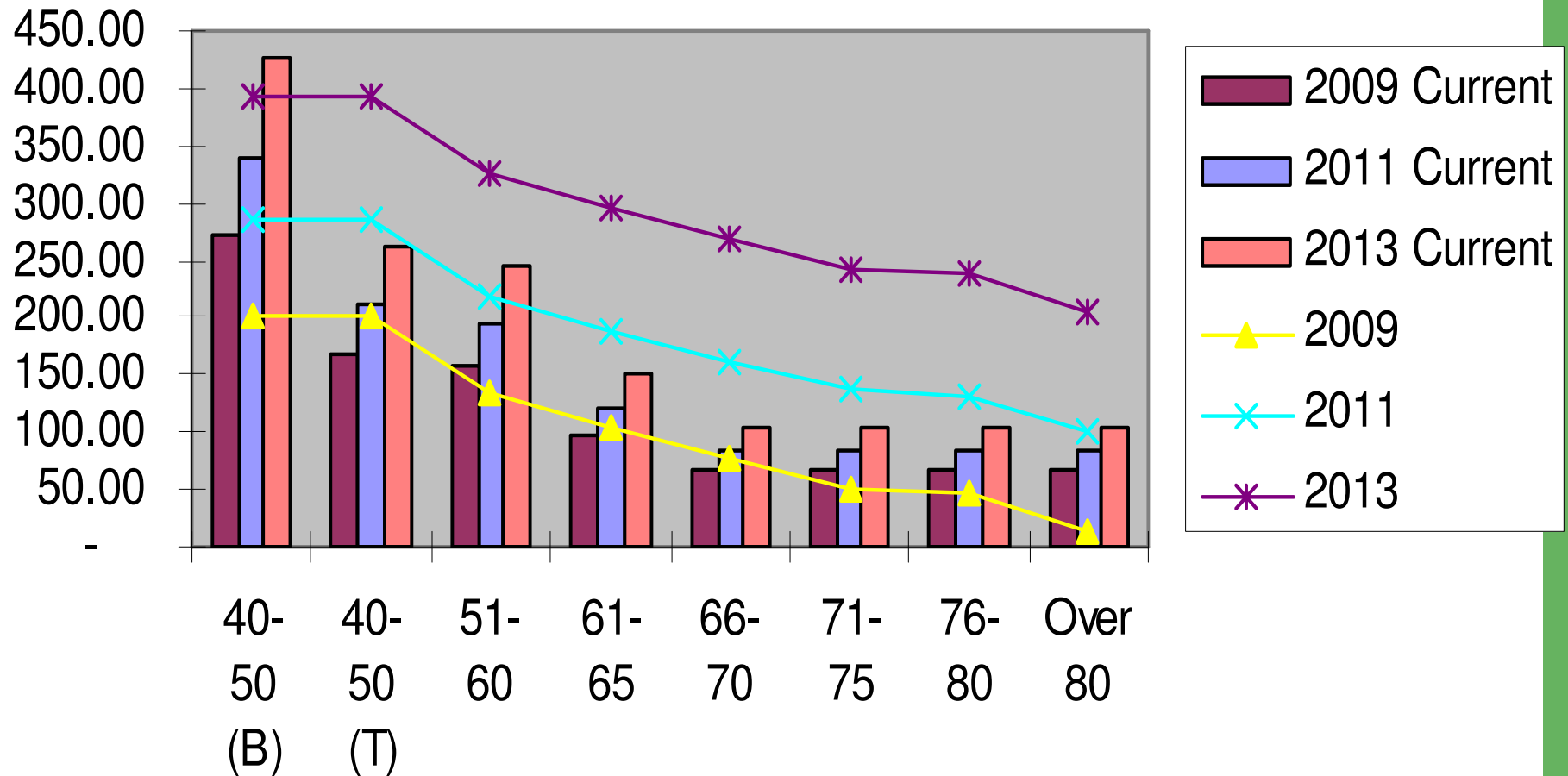
Impact of Original Proposal to Retiree

Average Monthly Contribution paid by the retiree - projected

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	201.54	286.74	393.63	-7% (B) 49% (T)
51-60	262	24	134.24	219.44	326.33	33%
61-65	172	24	104.34	189.54	296.43	95%
66-70	178	25	76.64	161.84	268.73	155%
71-75	108	25	51.09	136.29	243.18	131%
76-80	113	23	45.94	131.14	238.03	126%
Over 80	78	22	14.34	99.54	206.43	96%

Original Proposal



Guiding Principles

- Provide contribution toward dependent coverage?
- Should we include age adjustments?
- Should retirees pay more or less than an active employee?
- Should retirees always pay something?
- Do we provide a transition and where?

Options Explored

	Years of Service (YOS) Credit	Age Adjustment under 65	Age Adjustment over 65	Minimum	Maximum	Inflation Protection	Actuarial Liability
Current Plan	2-3%/YOS (B) Up to 2x YOS (T)	2%/yr	2%/yr (B) 8%/yr (T)	none (B) 50% indiv. (T)	50% indiv. (B) 155% indiv. (T)	yes	\$49M
Original Proposal	\$10/Yr	\$5/yr	\$5/yr	n/a	n/a	no	\$23.9M
Option 1	\$10/Yr	\$5/yr	\$5/yr	n/a	n/a	CPI (3%)	\$30.2M
Option 2	\$10/Yr	\$5/yr	\$5/yr	n/a	n/a	150% of CPI (4.5%)	\$34.5M
Option 3	\$10/Yr	\$8/yr	\$5/yr	n/a	n/a	150% of CP (4.5%)	\$32.4M
Option 4	\$10/Yr	\$5/yr	\$5/yr	n/a	n/a	Retiree pays at least same as active 150% of CPI (4.5%)	\$34.2M
Option 5	\$10/Yr	no	\$5/yr	n/a	n/a	150% of CPI (4.5%)	\$38M
Option 6	2-3%/YOS (B) Up to 2x YOS (T)	2%/yr	2%/yr (B) 8%/yr (T)	none (B) 50% indiv. (T)	50% indiv. (B) 80% indiv. (T)	yes	\$45M
Option 7	2-3%/YOS (B) Up to 2x YOS (T)	3%/yr	3%/yr	no	50% indiv. (B) 80% indiv. (T)	yes	Approx. \$30M
Option 8	2-3%/YOS (B) Up to 2x YOS (T)	2%/yr	2%/yr (B) 8%/yr (T)	none (B) 50% indiv. (T)	50% indiv. (B) 155% indiv. (T)	50/50 split	\$31.8M
Option 9	Access only for future employees						\$49M

Option 2 – Proposed Indexed at 150% of CPI

- \$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)
- Actuarial Liability \$34.5 million
- FY2009 Budgetary Savings = \$1.5 million

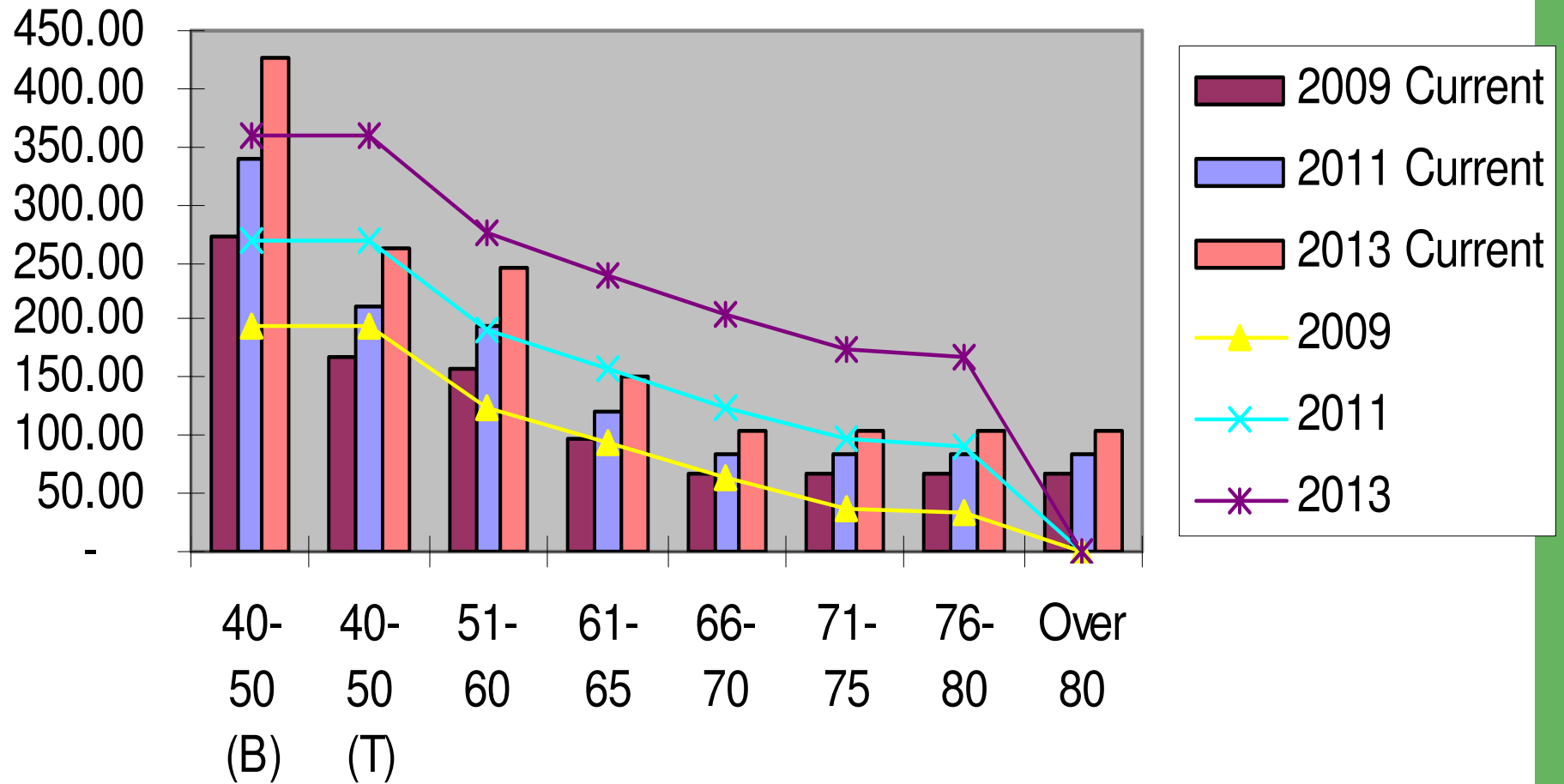
Impact of Option 2 to Retiree

Average Monthly Contribution paid by the retiree - projected

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	65.01	125.39	205.15	95%
71-75	108	25	38.31	96.23	173.32	64%
76-80	113	23	32.93	90.35	166.90	58%
Over 80	78	22	0	0	0	-100%

Option 2



Option 4 – Proposed indexed at 150% of CPI, with a minimum contribution from 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 = active contribution within same tier
- Actuarial Liability = \$34.2 million
- FY2009 Budgetary Savings = \$1.5 million

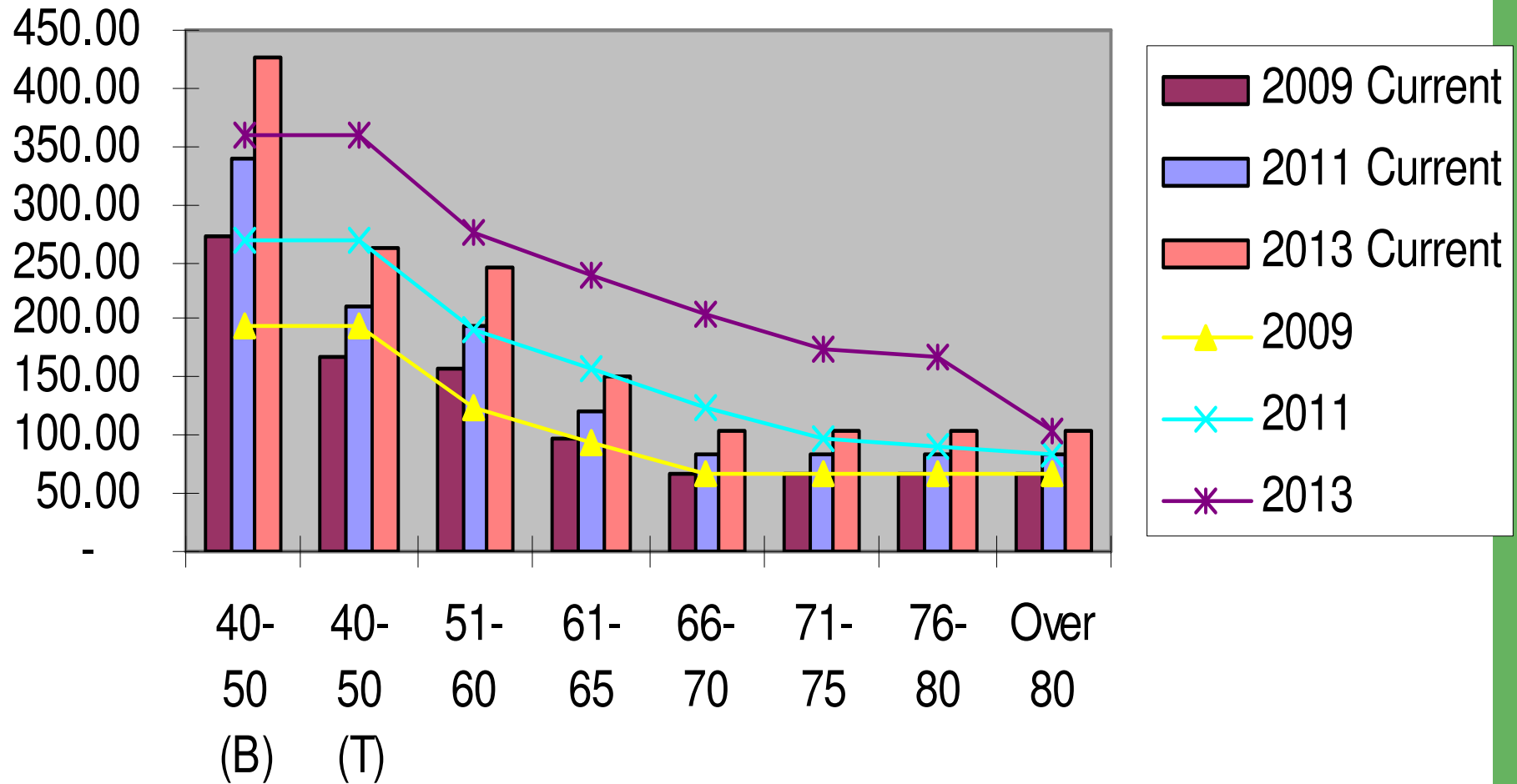
Impact of Option 4 to Retiree

Average Monthly Contribution paid by the retiree - projected

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%

Option 4



Option 9 – Access Only

- Offer Access only for all new employees after 1/1/2009
- Actuarial Liability = \$49m
- FY2009 Budgetary Savings = \$0
- This option will result in savings in future years, but it will take approximately 10 years to begin to see a significant reduction in the liability

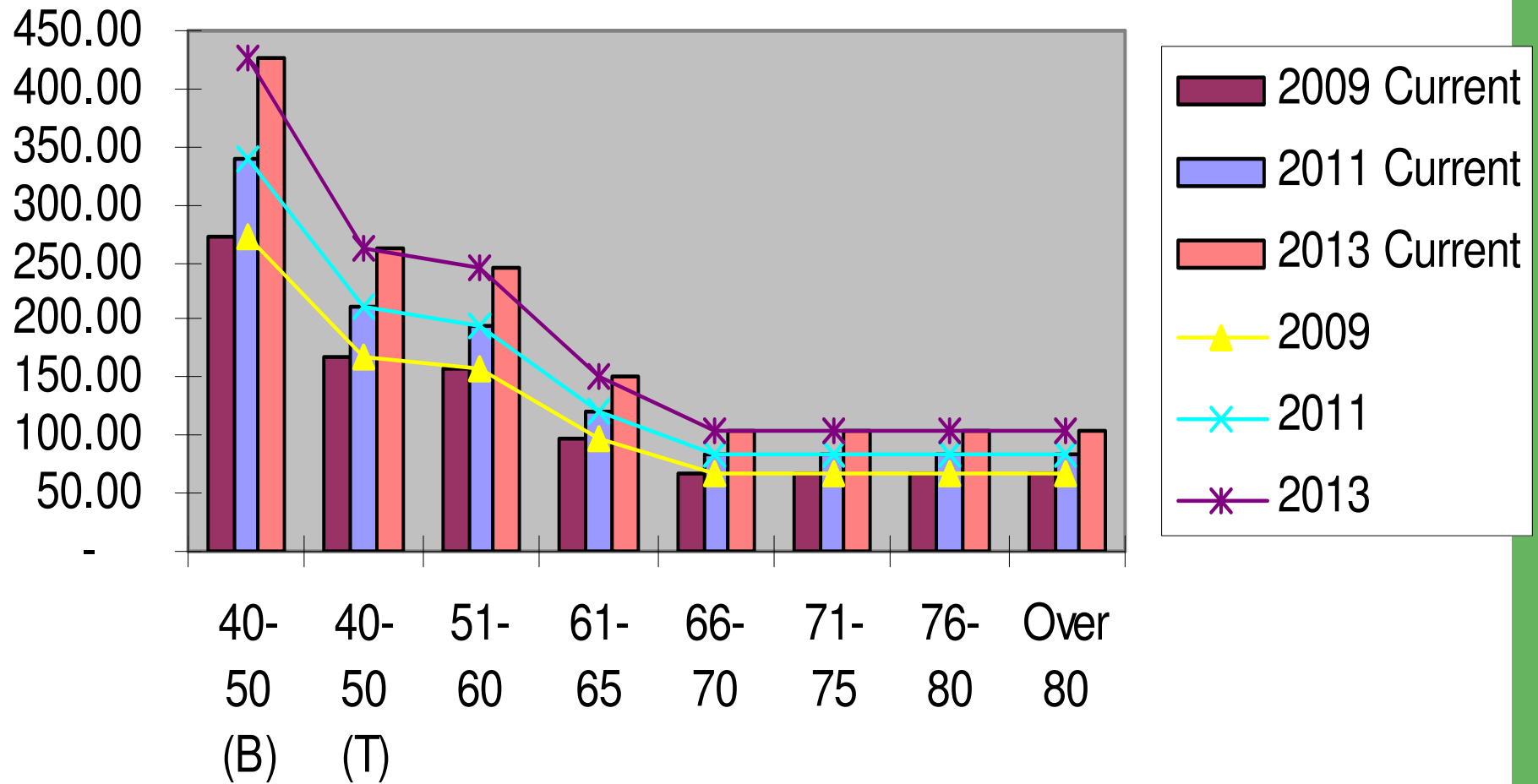
Impact of Option 9 to Retiree

Average Monthly Contribution paid by the retiree - projected

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 Base Plan	49	22	270.36	339.14	425.42	0%
40-50 Transition Plan	49	22	167.47	210.07	263.52	0%
51-60	262	24	156.40	196.19	246.10	0%
61-65	172	24	96.73	121.34	152.21	0%
66-70	178	25	66.99	84.03	105.41	0%
71-75	108	25	66.99	84.03	105.41	0%
76-80	113	23	66.99	84.03	105.41	0%
Over 80	78	22	66.99	84.03	105.41	0%

Option 9



Staff Recommendation

- Recommendation:
 - Direct the Attorney to draft and the Clerk to advertise an 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:
 - Direct the Attorney to draft and the Clerk to advertise an ordinance using Option 2, \$10 plan indexed at 150% of CPI, with \$5 age adjustments.

- Alternative Recommendation B:
 - Take no action