



Retiree Health Insurance



Retiree Health Insurance State Statute Requirements

- Requires access to same “Plan” as active employees
- Requires “Plan” to charge the same total premium for both active and retired members
- Does not require an Employer Contribution for Retiree Health Insurance Premium



Retiree Health – State of Florida (FRS) Option (most counties and some cities also in FRS)

- Sets Employer Contribution using Years of Service as Basis
 - Pays fixed dollar per month for each year of service (\$5/yr)
 - Sets a Maximum for State Contribution (\$150/month)
 - Allows Retiree to receive contribution to apply to other health ins.
 - Some employers such as Alachua Co. Provide additional \$3 per year of service to a max of additional \$90/month



Retiree Health

- In the early 1980's the City had a 30 year, non contributory pension plan and the City funded 100% of retiree's health insurance costs
- In 1985 normal retirement moved to 20 years & plan became contributory, with increased pension costs covered by member contributions
- 20 year retirement plan change the ratio of actives to retirees
- By 1985 City was picking up 80% of retirees' dependent costs in addition to 100% of retiree premium



Retiree Health

- Rising pay-as-you –go retiree health costs began to have a fiscal impact on the City
- In 1992 City performed actuarial valuation on existing retiree health insurance structure
- AAL of \$92M for 100% retiree/80% dependent
- City began to look toward cost sharing formula to ensure continued provisions of benefit



Retiree Health

- Chose a premium sharing formula basing City contribution on years of service and age at point of accessing retiree health plan
- Formula implemented in 1995: initial valuation resulted in \$18M AAL under revised model
- At the same time new formula implemented, City began a program of periodic valuations with contributions based on % of covered payroll



City's Plan Compared to State of Florida (FRS)

- FY 08 Number of retirees currently receiving greater benefit than State maximum: 716 or 74%
- FY 09 Number of retirees currently receiving greater than or equal to State Max: 902 or 93%
- Using City retiree demographics and State formula, the City's method provides a benefit greater than the State for 96% of our retirees



Retiree Health Concerns

The current plan is financially unsustainable.

- Number of retirees increasing relative to actives
- The present annual maximum City contribution is projected to grow from \$2.7 million to \$3.9 million by 2012 on the same population

The current plan is difficult to understand.

Retirees are being heavily subsidized by the City and active employees...as much as \$3,000 per year for a retiree and spouse, about one-third of which is paid by active employees.

- In some cases retirees are actually paying less than actives for insurance
- There are retirees on the plan who have other options.



Recommendations

- Develop and implement a new “fixed” contribution plan
 - Based on the FRS formula using years of service
 - Remove cap at 30 years of service that is in State Formula
 - Use a fixed dollar amount of \$10 per year of service
 - Add \$5 per year of service for every year over age 65 for each current retiree or give them their current \$ contribution whichever is higher to help older retirees
 - Reduce amount by \$5 for each year retiree is under age 65
 - Active employees receive \$10 per year of service plus the \$5 per year age credit or reduction as of the date they enter the retiree health insurance plan.



Recommendations

- Disability Retirees - Current
 - Set Fixed 100% of 2009 indiv. premium per month for Individual Coverage
 - Set Fixed 155% of Indv. Premium per month for Dependent Coverage
- Disability Retirees – Future Work Related
 - Set Fixed amount @ Current Individual Coverage
 - Dependent Coverage Set @ 150% of Individual Premium Fixed
- Disability Retiree – Future Non Work Related
 - 50% of the benefit described in Work Related



Example Current Retiree 30 years of Service Age 70

	Service	Age	Total
City Contribution	300.00	25.00	325.00
	$30 * \$10/y$	$=(70-65)*5$	
Current Maximums	City	Retiree	Total
Individual	239.23	59.81	299.04
Dependent	463.53	235.77	699.30

- 94% of Current Retiree will have a greater Contribution for Individual Coverage
- 68% of Current Retirees will have a greater Contribution for Dep. Coverage
- Retiree over 65 will receive greater of City Contribution for Dep. Cov. (463.53)



Example Current Employee 20 years of Service – Age 45

	Service	Age	Total
City Contribution	200.00	(100.00)	100.00
	20*\$10/y	=(45-65)*5	
Current Base Plan	City	Retiree	Total
Individual	29.90	269.14	299.04
Dependent	29.90	669.40	699.30

- Most Base Plan Participants will see an increase in City Contribution Initially



Actuarial Impact - Fixed Dollar Contribution

- Present Liability is \$49,000,000
- Using the FRS retiree health funding formula would decrease it to approx \$11,000,000
- Using the Staff recommended formula increases it above FRS by \$11,000,000 to \$22,000,000



Communication Plan

- Each Retiree received personalized Calculation
- Held Informational Meetings with Retirees
- Met with Union Presidents Prior to Letters
- Held informational meetings with Employees