



April 8, 2008

All City Employees,

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 service up to a maximum of thirty years.

This proposed change to the City's plan 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.
- If you are under age 65 when you first access the retiree health program, the City's contribution will be reduced by \$5 per month for every year of age under 65. (Example calculations are shown on page 2.)
- If you are over 65 years old at the time you access the retiree health program the City's contribution would be increased by \$5 per month for every year over age 65. (Example calculations are shown on page 2.)
- Your benefit (the amount the City will pay towards your health insurance premium as a retiree) will be fixed at the time that the retiree opts (enters) into the plan, unless the plan is changed in the future. **(OVER)**

*OUR VISION: The City of Gainesville will set the standard of excellence for a top ten mid-sized American city;
recognized nationally as an innovative provider of high-quality, cost-effective services.*

- You will continue to be able to opt-out of the City's Health Insurance program upon retirement and retain the ability to re-enter at a future date. In this case, the City Contribution will be calculated based on your age upon re-entry.

Examples:

Employee will have 20 years of service and retire at age 59

Years of Service X \$10	20 X \$10	20 X \$10	\$200
+	+	+	+
(Age at Retirement – 65) X \$5	(59 – 65) X \$5	-6 X \$5	\$-30
Monthly Benefit	→	→	\$170

Note in this example since the retiree is 6 years younger than 65, their amount is reduced by \$30 per month (6 x 5 = \$30).

Employee will have 35 years of service and retire at age 67

Years of Service X \$10	35 X \$10	35 X \$10	\$350
+	+	+	+
(Age at Retirement – 65) X \$5	(67 – 65) X \$5	2 X \$5	\$10
Monthly Benefit	→	→	\$360

Note in this example since the retiree is 2 years older than 65, their amount is increased by \$10 per month (2 x 5 = \$10).

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 the proposed changes in one of several informational sessions that will be conducted for active and retired employees. Times and locations for employees will be announced soon. If you have questions about these changes, I encourage you to attend one of the information sessions.

Sincerely,

Russ Blackburn & Bob Hunzinger
 City Manager General Manager