

**Benefits Focus Group Minutes
(3/1/02)**

Committee members, alternates and staff advisors present:

John Agen
Benita Saldutti
Kevin Stiff
Ed Whitehead
Andy St. John
Pat Horan
Rick Winters
Karen Lusk
Janice Cox
Gil Fernandez
Mark Trefethen
Neal Elliott
Dick Minster
Linda McKinney
KayKae Thomas
Casey Humpert
Suzy Milburn
Stacey Monroe
John Glanden
Joe Munyak
Joyce Dolan
Chris Lyons
Debbie Horst

Meeting began at 10:45 a.m., March 1, 2002, in the City Commission Chambers, City Hall.

John Agen said as agreed at the last meeting, that he, Benita Saldutti and Linda McKinney had met to develop a cover letter for the proposed changes and savings. Mr. Agen asked Ms. McKinney to supply some missing information. He asked for a concurrence by the Group after they review the letter.

Ms. McKinney asked the Group to refer to paragraph 5 relating to Attachment A. This attachment had just been received and Chris Lyons was validating the information. Attachment A will give the funding information indicated by \$XXXXXX in the cover letter. Attachment A shows the 2001 budget amount of \$4.3 million for benefits, 2002 budget was \$4.9 million. For 2002, \$6.7 million is going to be required based on the proposed changes. That reflects a shortfall of \$1.8 million that will have to be contributed by the City if the group's recommendations are accepted by April 1. The product of the committee's work (increased contributions and changes to the plan design) has resulted

in a reduction of \$.5 million for a 12 month period. Since one quarter is not included, and the changes were not implemented on January 1, the actual savings for 2002 will be \$400,000.

At this point, Mr. Lyons wanted to clarify the amount required to be put into the fund by the City for the current fiscal year. The original projections prepared by Gehring, used to prepare the original shortfall figures, were through October 2001. At the City's request, the Gehring Group had updated the figures through December 2001. The experience for the last quarter of 2001 was better so the projections changed from \$7.4 million to \$7.0 million, City's cost. The projections were reduced by \$400,000. The \$500,000 savings, from increased contributions and plan design changes, would come off the revised number of \$7.0 million.

Ms. Saldutti wanted clarification between the \$6.7 and \$7.0 million. Mr. Lyons indicated that if the City did not change anything, there would be a shortfall of approximately \$7,050,000. The \$6.7 million that Ms. McKinney talked about was nine months worth of increased premiums and nine months of plan changes. Therefore, in essence, the figure is dropping from \$7,050,000 under current plan conditions to \$6,650,000 with the revised contribution rates and the plan design changes for nine months.

Ms. Saldutti asked if the \$4.9 million was what the City budgeted for 2002 and Mr. Lyons indicated that was correct. If there were no plan design changes, the cost of the plan would be \$7.0 million, the City had budgeted \$4.9 million, and the difference would be what the City would put in the fund.

Mr. Agen stated that the Group had been tasked with a recommendation for changes in the plan. The group did come up with a savings of roughly \$400,000. This has been accomplished by changes in deductibles and rates that are currently being paid vs. what is going into effect April 1. The group has to return a recommendation to Mr. McNees and to the Commission. The Group just looked at the areas that could be adjusted to get through the short-term goal of this budget year. Mr. Agen believed that the Group had accomplished their task.

Mr. Agen then returned to the proposed letter to Mr. McNees regarding the Group's recommendations to go through point by point.

Ed Whitehead had a comment regarding the figures. His understanding that as of October 1, the projection was \$7.461 million that the City was going to have to pay. Based on the figures, we are now down to \$7.0 million range, almost a \$500,000 savings. The group is proposing another \$400,000 savings. He said it appeared that there was a possibility, if the 3-month trend were to continue through the rest of the year, the projection for the increased contribution of the City would only be about \$200,000.

Mr. Lyons indicated that was not correct. Gehring would have factored the 3-month savings for a whole year. He would not just project the savings for 3 months and then

say the 9 months goes back to the old experience. He would project the full 3 months. The figure used was the total plan cost of \$7.7 million. Gehring is incorporating that savings and projecting them out for the whole year. There was not a \$500,000 savings in quarter one; it was \$500,000 savings annualized.

Stacey Monroe said that means the City is about \$1.7 million short. Mr. Lyons indicated \$1.7 million to \$1.8 million short whatever way it was rounded. Mr. Whitehead asked if that was based on what has been done except for the \$400,000 plan changes for the remainder of this year. Mr. Lyons indicated that was correct.

Neal Elliott asked if this included the provision that there were no changes for the retirees in their dependent coverage and in their plan. That was correct. Mr. Elliott asked if the plan begins April 1, what happens if someone retires next month – which plan would they be in?

Ms. McKinney stated that this was an item that she had originally answered incorrectly. She had said that they would go to the current retiree funding. The correct information is that if an employee retires after April 1 they will stay with the same profile of coverage that they have as an employee now, but will have status of a retiree. They will have the existing retiree plan if they retire before April 1.

Mr. Whitehead said, for liability purposes, it might be a good idea to have the actuary address the number of retirees and the number of people in the DROP program currently. For example, if he retired at the end of this month and became a retiree, he would be entitled to insurance and the person replacing him would be entitled to insurance coverage. Has the liability of this situation been taken into account? He estimated that there are at least 25 police employees in the DROP plan and probably as many on the general employee side. If they all left at one time and were replaced, that would double the insurance coverage that is currently provided.

Ms. McKinney stated that actuarially the calculation never presumes that everyone will leave at once. They take the history and make a straight calculation out, because for everyone to leave at once would be an unusual spike.

Mr. Agen asked if there was any other questions or comments on the finance figures. Hearing none, Mr. Agen then focused the group on the memorandum to Mr. McNees. Mr. Agen then read the memorandum aloud.

Mr. Whitehead made a motion to strike the word “and dental” and just say “medical plan” in the first paragraph as the group did not address the dental plan. It was agreed and change was made.

Second paragraph was reworded to regarding the membership of the Group.

Bullet 2, under paragraph 3, reworded to say “long term solutions beginning for the 2003 plan year.”

Mr. Whitehead asked if the matter of training on medical benefits was appropriate to be included in this memorandum as there had been much discussion regarding this as a way to keep the costs of medical benefits down. It was decided to add "participant education" as a way to accomplish the Group's goal at the end of the fourth paragraph. The sentence would read, "This goal would be accomplished through plan design modification, dependent coverage contributions and participant education."

Referring to Attachment B1 and B2, these attachments were modified into one and will now be just Attachment B. Discussion followed regarding the savings of \$400,000 from April 1 in 2002. Several suggestions were made. Mr. Whitehead suggested "implementing these changes for the nine months as of April 1 is projected to result in a savings of \$400,000 to the City over the current plan design and current rate structure."

Mr. Lyons wanted to clarify the \$400,000. The actual saving is \$300,000. According to Gehring's revised numbers, the total plan before changes is \$8,050,000. That is not taking into consideration who is paying for it. After the Group's changes, and taking into consideration that they would be adopted on April 1, his revised figure is \$7,750,000. That is a \$300,000 savings. The question could be asked how can the City's savings be \$400,000 when the overall savings is \$300,000. The way the contributions work out, the employee retiree dependent units picked up another \$100,000 so that brought the City's savings to the \$400,000 rather than \$300,000.

Ms. McKinney stated that the memo states through contributions and through plan design. Mr. Lyons just wanted to make it clear that the memo should state that the savings is really only \$300,000 and maybe the Group should add "results in savings of \$400,00 to the City contribution." One figure is cost shifting and one is actual savings. The Group needs to be clear as to what the two numbers are and they want to say.

Mr. Whitehead stated that it might be easier to sell the plan if the Group states that the changes will result in a savings to the City of \$400,000. He asked Mr. Lyons if that was a fair statement and Mr. Lyons answered yes. Mr. Whitehead continued by saying that they might want to inform the employees that the Group had decided to change the premiums and deductibles, and by doing so had saved them \$400,000. The Group would expect the employees to do their share as well.

It was agreed to go with the statement "savings to the City over the current plan design and current rate structure." Ms. McKinney further stated that the Group should understand what the make-up of the \$400,000 is as Mr. Lyons explained. If the Group has to answer questions regarding this amount, they will be able to give the correct answer.

Mr. Agen stated that Mr. McNees also has to clear about the facts when he takes it to the Commission. Mr. Agen asked for a read-back on the statement. Ms. McKinney read "Implementing these changes for nine months as of April 1 is projected to result in a savings of \$400,000 of savings to the City over the current plan design and current

rate structure.” It was decided to add “approximately \$400,000.”

Mr. Agen would like a strong statement in Paragraph 6 regarding the recommendation of the Group – that it should be presented in its entirety to the City Commission. Discussion followed about stating the short time that was given to the Group to work on the recommendations. It needs to be spelled out that the Group will continue to work on long-term solutions

A discussion followed about specifically stating that only short-term solutions were considered and that the Group would like to continue to work on long-term solutions. Mr. Agen stated that from the beginning, when Mr. McNees initially addressed the Group indicating the time constraints, it was decided to divide the examination into two different areas. One area was the short-term so that the Commission would have something to work with on April 1. When the decision was made by the Commission regarding that, then the Group would move on to long-term solutions. This was addressed at the City Commission meeting in December.

The decision was made to change Paragraph 6 to read “These are the short-term recommendations of the Benefit Focus Group submitted for your presentation to the City Commission.”

Ms. McKinney said that the last sentence does say that the Group will be going forward with the long-term solutions.

Ms. Saldutti asked if the changes could be incorporated very quickly and copied and brought back to the Group while they continued to discuss any other topic that needed to be discussed. Ms. McKinney asked if there were any other changes before she left. The Groups asked to revise the first sentence of the memorandum to read “The Benefit Focus Group was established on January 25, 2002, at the request of the City Manager.
..”

It was decided to add another attachment listing the Benefits Focus Group participants, including the alternates, showing the date they were included in the Group.

Ms. McKinney left to revise the memorandum.

Mr. Agen passed out Attachment B. This attachment shows the breakdown between the current plans and the recommended changes proposed by the Group. Suggestions were made to clarify out of pocket maximums and deductibles for individuals and families. Typographical errors were corrected.

Ms. McKinney returned with the revised memorandum and stated that the Attachments would be renamed. Attachment A will be the participants’ names, Attachment B is the Projected Plan Cost, and Attachment C is the Summary of Plan Benefits. The date of the memorandum was changed to March 1.

Mr. Agen asked that the group review the memorandum one more time. He then thanked the Group for their time and effort.

Ms. McKinney told the Group that corrections to all the documents would be made and the final product sent to the Group by email.

There was some discussion regarding the Retirees' premium as it relates to those under and over 65. The question was as to whether the rate would drop in half when the retiree reaches 65. It appeared that it did not. Mr. Lyons indicated that the City was required to offer the same coverage at the same rate by State Law. Mr. Lyons stated that it's just the methodology required to make the sheet balance.

The Group noted that there were a few corrections to be made to the participant list (Attachment A). The question was raised as to whether Bill Campbell's name should remain. The Group said that he was an integral part of the Group and should remain as a Staff Advisor. Andy indicated that Jim Godshall should be added as an alternate. It was decided to place Pam Hayes as an alternate rather than an active.

Mr. Agen asked for a motion to present the memorandum and attachments to Mr. McNees. Suzy Milburn made the motion and it was seconded by Ms. Saldutti. Mr. Agen called for any discussion. It was voted unanimously to send the submission.

The presentation to the City Manager is Tuesday, March 5 at 9:00 a.m. It was requested that as many participants be in the audience as possible. It was understood that Mr. McNees would be presenting the recommendation to the City Commission in its entirety. Mr. Campbell did assure the Group that this would happen and a clarification will be made with Mr. McNees.

Ms. Monroe asked if the Group would be notified when they would start on the long-term solutions. Mr. Agen stated it would be up to the City Manager. Ms. McKinney suggested that the Group not meet until the presentation goes before the City Commission. Ms. McKinney also suggested that the Group give the same support at the City Commission meeting as at the City Manager presentation if at all possible.

Kevin Stiff stated that he was representing the PBA as a participant and was not speaking for them. Although he agrees with the recommendation of the Group, he does not want it to be assumed that he is accepting anything on behalf of the PBA.

Meeting was adjourned at 12:30 p.m.

The proposal meeting to the City Manager is Tuesday, March 5, 2002, 9:00 a.m. in the City Commission Chambers.

Minutes Approved: April 3, 2002

John Agen, Chairperson