

## Benefits Focus Group Minutes

(7/07/04)

(In attendance, alphabetically listed)

**note: names listed are BFG members, others may attend but are not always listed.**

<u>Regular Members</u>	<u>Alternate Members</u>	<u>Staff Advisors</u>	<u>Recorder</u>
Janice Cox	Joyce Dolan	Kurt Hoverter	Diane Vanderwest
Gil Fernandez	Nancy Meskimen	Robert Blinch-Edwards (HCS)	
Dolly Gamble		Linda McKinney	
John Glanden			
Pat Horan			
Dick Minster			
Stacey Monroe			
Benita Saldutti			
Andy St. John			
KayKae Thomas			
Louise Van Pelt			
Ed Whitehead			

### Call to Order- Chairperson

Benita Saldutti called the meeting to order at 1:00 p.m., July 7, 2004.

### Roll Call

Diane Vanderwest called the roll. Note: Ed Whitehead arrived after roll call and was added to list.

### Approval of Minutes

Benita Saldutti called for approval of the minutes from the last meeting. The minutes from the June 2<sup>nd</sup>, 2004, meeting was approved unanimously.

### Introduction to O.P.E.B.'s and V.E.B.A.'s – Kurt Hoverter

Before the discussion on O.P.E.B.'s and V.E.B.A.'s, Kurt distributed information and briefly talked about an Open House from 3:00-7:00 today at the Sarasota Center for Natural Medicine. The facility is located at 2803 Fruitville Rd, Suite 250, Sarasota.

There will be six (6) handouts for today's meeting. Handouts will be listed as presented at the meeting with notes for each. If someone needs a copy for reference, please contact HR.

### Handout #1- O.P.E.B.'s and V.E.B.A.'s-

The acronyms O.P.E.B. were explained as: Other Post-Employment Benefits and Voluntary Employees Beneficiary Association.

O.P.E.B.'s: The Government Accounting Standard Board or GASB sets rules for public employers to recognize the costs of post-retirement medical benefits. The actuary (Gabriel, Roeder, Smith and Co. in conjunction with Wakely) will do a study and report back findings. They will take a look at the existing

retiree group, project life expectancy and determine a fund liability. They will also look at the existing pre-'93 employees (who do have City-funded post-retirement medical benefits), project life expectancy and retirement eligibility and determine the fund liability. The total liability will then have to be shown on the City's books.

Once the figures from the actuary are presented, there probably will be a Commission workshop set up to discuss funding options.

V.E.B.A.'s: Kurt explained Voluntary Employee's Beneficiary Association (V.E.B.A.) as an umbrella under which organizations can assist with funding future liabilities.

An example is an HRA (Health Reimbursement Arrangement). ICMA, Bencor, AIG/VALIC and Nationwide gave presentations to the City and PBA. Bencor's program was dismissed due to not being able to get access to your retirement funds before age 55 without penalties. Many officers retire before age 55.

One V.E.B.A. method involves converting banked time into dollars, at a fixed date and a fixed percentage of time on the books (listed as an annual liability for the City, such as H-time or Bonus days). The monies are then deposited, pre-tax, into individual accounts (like a 401K for investments or deferred compensation accounts.) The employee controls where he/she wants the monies to be invested until retirement. These funds are not to be used during active employment. You are saving this money towards your retirement to pay medical premiums or medical expenses after retirement.

Once these plans are set, they are fixed, mandatory and employer contribution only. The money will be in your account to be drawn out when you terminate your employment.

D/C Ed Whitehead added that this is a positive thing for the good of the greater number of people. He could see at least 3 employee groups impacted: Teamster-represented, PBA-represented and non-union represented. There could also be separate groups set up for pre-93 and post-93 hires. He referenced for us to take responsibility and to try to minimize the impact of health care after retirement for those employees who were hired after 10/93 (currently 56% of the employee population).

Robert Blinch-Edwards mentioned the possibility of a \$500 carry over year to year in the flexible spending account. This may be good to know prior to the fall enrollment. Our current participation in flex is about 21% (150 out of 717 employees.) If there were a carry over provision, more would be interested in the flexible spending account.

Robert's agenda item on free blood tests will wait till another time.

The next agenda item is: Discussion of Benefit Plan Design Alternatives for 2005, presented by Kurt Hoverter.

#### **Handout #2- New York Times newspaper article-**

Kurt handed out a recent newspaper article from the New York Times entitled, "As Doctor writes prescription, Drug Company writes a check".

#### **Handout #3 Total Cost Chart – Linda McKinney**

Linda reviewed charts for total costs through March 2004, reflecting some unique expenses of employees and the spreadsheet depicting the detail of the chart running from January to December. Linda also

presented the same chart arranged from FY October through September. Also included was a spreadsheet on our pharmacy costs.

#### **Handout #4 City/Employee Contributions – Linda McKinney**

Linda presented two charts of information to the group showing City/Employee contributions with expenses since 1989, by FY with a backup spreadsheet depicting the historical trend. It was pointed out that in 2002, the City added \$2.2 million to the fund, which would not have survived otherwise.

#### **Handout #5 Fund Balance (Finance Dept.)**

A preliminary view of the medical fund balance status was handed out using data through the end of May 2004. The beginning balance as of Oct 1, 2003 was \$1,945,567.78 and after adding revenues and deducting expenses, the amount is \$1,355,757.53 as of June 30, 2004 (as noted on the handout.) We are tracking to lose about \$65,000 per month in this fund or approximately \$776,800 per year.

#### **Handout #6 Medical Fund Balance Projection – Kurt Hoverter**

Kurt reviewed the medical fund balance projection, explaining the approximate \$65,000 loss per month. If the fund continues to erode at its current rate, the fund will be \$0 in 18 months. The unfunded amount projected this FY is \$776,847. If this trend continues and we experience a 10% increase in costs in FY 2004-05, the fund will lose approximately \$1.6 million over the 10/1/03-10/1/05 period. For the purpose of assigning cost shares to this loss, we used FY 2002-03 medical fund data where the following contribution percentages existed and applied these allocations against the \$1.6 million projected fund shortfall. City 80% = \$1,340,045, Active Employees 11% = \$184,256 and Retirees 6% = \$100,503 for a total of \$284,759 being contributed by employees and retirees. With this in mind, the BFG was presented six options to review/consider with many variations of those options to come up with the \$284,000.

**Option 1:** (Active Employees) Fund the \$184,256 employee contribution increase solely through E+1 and E+F increased contributions. Single coverage remains at \$0 cost. Option 1 generates \$187,060 additional funds.

**Option 1A:** (Retirees) Applies the same E+1 and E+F rate structure as Option 1 and is linked to the number of retirees with Medicare coverage. Single cost remains at \$0. Option 1-A generates \$74,079 additional funds.

**Option 2:** (Active Employees) Fund the \$184,256 employee contribution through a sharing of costs at E only, E+1 and E+F coverage levels. This option has an assumption of \$5/wk for E only coverage for 53% of employees that now have \$0 contribution. This generates \$260 annually per employee with single coverage. E+1 and E+F increases are not as high with this option. Option 2 generates \$185,180 additional funds.

**Option 2A:** (Retirees) Applies the same E, E+1 and E+F contributions as Option 2 to the retiree group and is linked to the number of retirees with Medicare coverage. Option 2A generates \$68,978 additional funds.

**Option 3:** Implement a medical contribution rate as a percentage of salary based on the level of coverage chosen. This option was presented to the PBA and rejected. Average salaries of current employees and retirees were computed with a multiplier of .75% (single), 1.0% (E+1) or 1.25% (E+F). Option 3 generates \$371,177 additional funds (\$275,786 from active employees and \$95,391, if applied to retirees.)

**Option 4:** Implement a lowered FY 2004-05 general wage increase (GWI) for active employees. The 1% wage offset with pension and other roll-up costs included is approximately \$384,000.

**Other Options:** There are many variations to the options presented which include:

- Implement a contribution premium for retirees that is reduced to reflect the after-tax implications retirees face. (Discounted version of Option 3).
- Implement retiree contribution premiums based on the amount of City service.
- Implement a sliding scale contribution premium that is tied to future retirement dates.
- Make no changes in the employee/retiree contributions but add/increase deductibles that would reduce plan expenditures.
- Increase deductibles as referenced above and provide age-based health incentives that allow plan members to lower their annual deductibles for themselves and their covered dependents.
- Consider replacing full-time employees who terminate with part-time, temporary, or contracted workers who do not have benefit eligibility.
- Institute a longer waiting period for new hires before benefit coverage begins.
- Institute a consumer-driven health plan for either new hires or all employees.
- Add additional coverage levels with proportionately higher costs because of the greater risk we incur for larger families (e.g. E+3, E+4, etc.)

Benita Saldutti requested a meeting in one week to allow the BFG to review the options presented and to add any additional options. Budget workshops will be concluded by then and this may impact the BFG's recommendations.

Robert Blinch-Edwards mentioned a health wellness seminar hosted by SMH on July 29<sup>th</sup>, with a series of upcoming events for management programs and help in taking control of your health.

**Adjournment and Next Meeting**

Benita Saldutti adjourned the meeting at 2:35 p.m. The BFG will meet again in one week, separate from the regular monthly meeting, on Wednesday, July 14, 2004, in Room #100 of the Federal Building.

/dv

Minutes Approved: \_\_\_\_\_

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John Agen, Chairperson, or  
Benita Saldutti, Acting Chairperson