

HUMAN RESOURCES MEMORANDUM

#08-02

TO: Honorable Mayor Kathleen M. Novak and City Council members

FROM: James Hayes, Acting City Manager *JH*
Paula Jensen, Director of Management Services *PJ*
Acquetta Likkel, Controller *AL*

DATE: October 30, 2008

SUBJECT: Retiree Medical Benefit

BACKGROUND:

Currently employees have the option to participate in post-retirement health insurance benefits with the City of Northglenn as an "early retiree" if they meet the following guideline:

- 1. For the General Employees' Pension Plan, an employee's age and years of service must total at least 65 in order to qualify as an early retiree. Under the Police Employees' Pension Plan, an employee's age and years of service must total at least 60 in order to qualify as an early retiree. This benefit continues for the retiree until age 65.*

If the retiree selects this option, the City will pay 50% of the cost of the premium for single coverage on behalf of the retiree. The retiree is responsible for paying the remainder of the single premium as well as 100% of the cost of continuing coverage for a spouse or family members.

One of the driving forces in evaluating the continuation of the Retiree Medical Benefit is the Governmental Accounting Standards Board (GASB) 45 reporting requirements, which states that beginning January 2008, the City will need to reflect the actuarial value of the City's potential liability related to providing post employment retiree health coverage.

At the August 21, 2008 Study Session, Gallagher Benefits Services presented the Actuarial Valuation of Retiree Health Plans report to City Council. Upon completion of said presentation, City Council requested that staff obtain "benchmarking" information from other Front Range city and county governments to determine what they offer for Retiree coverage.

BENCHMARK INFORMATION:

Retiree medical benefit information offered by the following jurisdictions is attached to this memo:

City and County of Broomfield
City of Brighton
City of Thornton

City of Loveland
City of Westminster

**POSSIBLE CHANGES TO CURRENT CITY OF NORTHGLENN
RETIREE MEDICAL BENEFIT:**

1. Eliminate retiree medical benefit with or without a “grandfathering” clause.
2. Employee must qualify for retirement under the current Pension Plan guideline and also have at least 10, 15, or 20 years of service, with or without a “grandfathering” clause.
3. In lieu of retiree medical benefit, employees who meet the Pension Plan guideline for retirement would receive a monthly stipend, based on years of service, to purchase medical insurance individually, with or without a “grandfathering” clause.

*Note: This is not an exclusive list.

“GRANDFATHERING” CLAUSE:

1. Those employees qualified for the retiree medical benefit as of _____ (date) will be “grandfathered” in to the plan.
2. Employees with _____ years of service as of _____ (date) will be “grandfathered” in to the plan.
3. Employees hired prior to _____ (date) will be “grandfathered” in to the plan.
4. No clause.

*Note: This is not an exclusive list.

CONCLUSION:

This memorandum is a broad representation of possible changes to the Retiree Medical Benefit plan. Depending on the direction City Council chooses, Gallagher Benefits Services will have their actuary run additional GASB scenarios, the costs range from approximately \$750 to several thousand dollars per option, depending on the complexity of changes being considered.

STAFF REFERENCE:

If Council members have any comments or questions they may contact Paula Jensen at 303.450.8877 or piensen@northglenn.org or Acquenta Likkell at 303.450.8817 or alikkell@northglenn.org

CITY OF NORTHGLENN
 RETIREE PLANS
 COMPARISON WITH LOCAL CITY AND COUNTY PLANS - SEPTEMBER, 2008

	City of Northglenn	City and County of Broomfield	City of Brighton	City of Loveland	City of Westminster	City of Thornton
1 What are your eligibility rules?	<p>General employees: Age plus years of service must equal 65. Police: Age plus years of services must equal 60.</p>	Worked for the employer full time for at least 20 years , is at least 55 years old and is no longer an employee.	Brighton does not offer a retiree health plan.	Loveland does not offer a retiree health plan.	20 years of service or a minimum of 10 years of service + age to = age 60 or older.	<p>Police: 20 years of continuous service or the later of age 55 or the participant's age on the tenth anniversary of pension plan participation. Fire: There are three plans and all are frozen. One is age 50, one is age 50 and 20 years of service, and the third is age 55 and 25 years of service. Regular employees: 20 years of continuous service or 10 years of continuous service and age 62.</p>
2 Do your eligibility rules match your pension eligibility rules?	Yes	Yes, a Retiree or Dependent shall become eligible on the first day of the month following the date he or she regains eligibility.	N/A	N/A	The City provides a money purchase plan (401(a)). Participants are vested immediately. The City contributes after a benefit eligible employee has 22 months of service. Employees must contribute 10% effective immediately upon hire.	Yes

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3 Do you contribute to retiree coverage? If so, what is the amount?	Yes. City contributes 50% of the Employee Only rate charged by the carrier.	Yes, Broomfield contributes to the premium of a qualified medical insurance policy, including COBRA or Long Term Care. The amount depends on years of service starting at \$200 for 20 years of service and increasing by \$20 for each additional year to a maximum of \$400 with 30 or more years of service. Retiree must submit monthly claim to Broomfield for the money, and must show proof of having already paid premium for other coverage.	N/A	N/A	No contributions by the City and the retiree cannot stay on the plan once they are eligible for Medicare at age 65.	No contribution by the City.
4 How many retirees are covered?	8	22	N/A	N/A	32	22
5 Are your retirees offered the same plan(s) and rates are your active employees?	Yes.	Retirees can remain on Employer's plan only if they elect COBRA. Otherwise, Retirees must purchase their own policy.	N/A	N/A	Retirees must purchase their own policy.	Yes, both CIGNA and Kaiser. However when and employee reaches age 65 they can transfer to Kaiser's Senior Advantage plan.
6 Does your medical carrier(s) require an employer contribution?	Yes.	N/A	N/A	N/A	No	No
7 If your medical carrier(s) does not require an employer contribution, why?	N/A	N/A	N/A	N/A	The City determines eligibility and would not provide this benefit unless the total cost were covered by the retiree.	The current benefits person does not have the history to know that answer.