



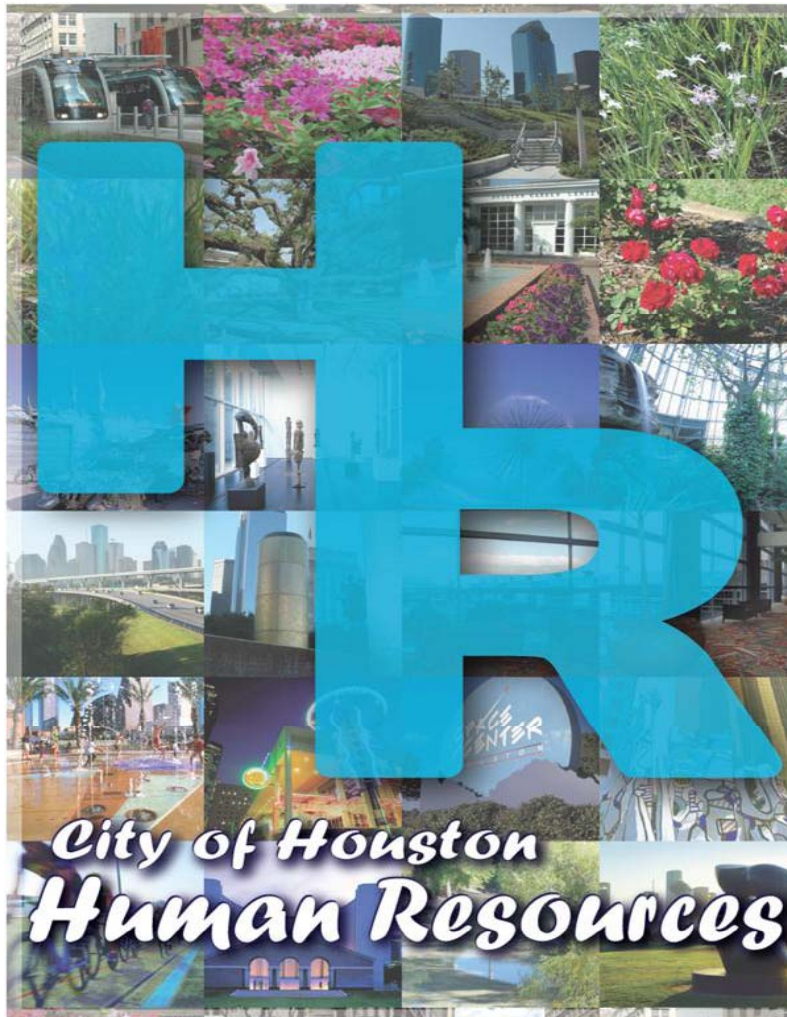
Long-Range Financial Management Task Force

**Human Resources Department
Personnel and Benefits Management
Past - Present - Future**

November 14, 2011



Human Resources



Vision

To be universally recognized for Human Resources excellence and as a premier employer.

Values

Integrity, Customer Service,
Accountability, Honesty, Respect

Mission

To be a strategic partner by providing Human Resources programs that attract, develop, retain, and engage a skilled and diverse workforce.

Goal

To exceed the expectations of our stakeholders by committing to our shared values and by achieving the highest levels of customer satisfaction.



Human Resources

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Human Resources

Overview of Human Resources



Human Resources-Overview

Central Human Resources manages and administers:

- Long Term Disability
- Workers' Compensation
- Unemployment Benefits
- Temporary Services
- Health Benefits
- Salary Administration
- Employee Relations
- EAP
- Selection Services
- Training/Development
- Civil Service
- Employee Leave Programs

Manages benefits for City employees, retirees, and their families in all funds:

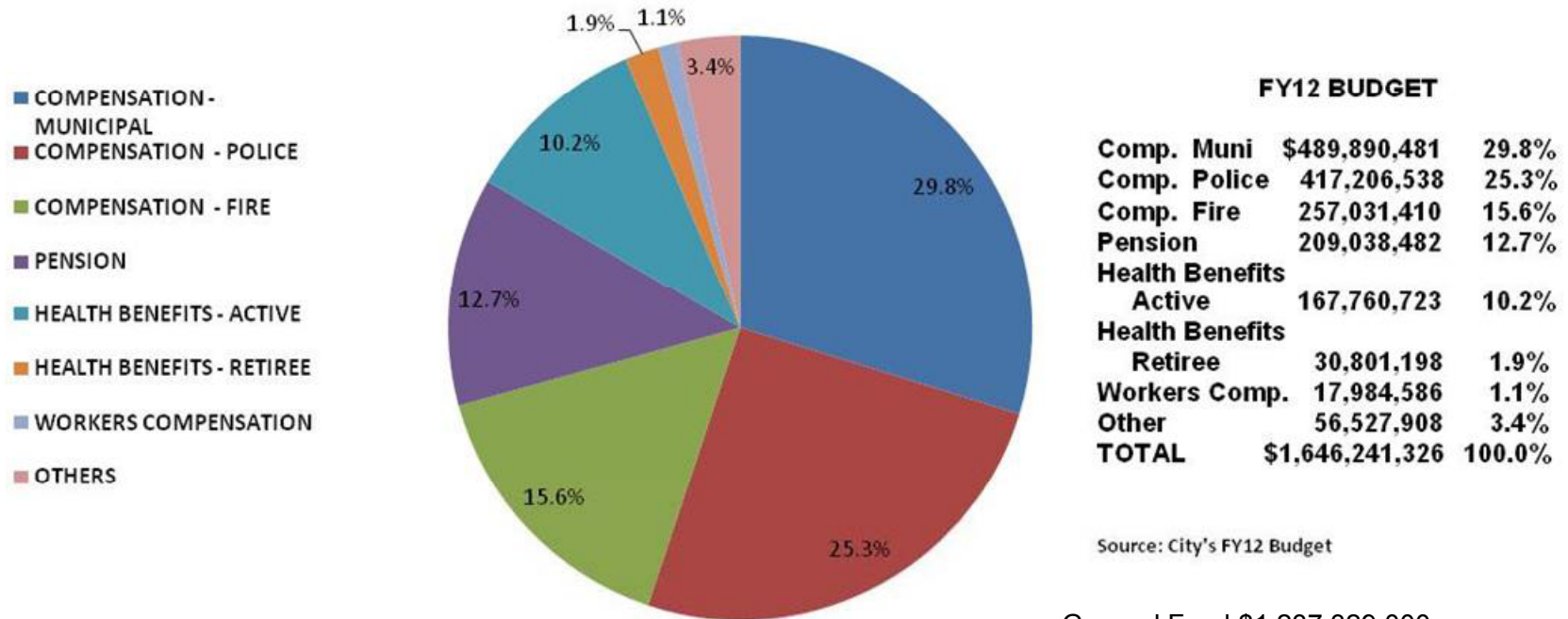
- General – Enterprise – Grants/Special Revenues

All data city-wide unless otherwise noted



Human Resources - Overview

City of Houston
FY12 Budget Compensation/Benefits - Excludes Grants



FY12 BUDGET		
Comp. Muni	\$489,890,481	29.8%
Comp. Police	417,206,538	25.3%
Comp. Fire	257,031,410	15.6%
Pension	209,038,482	12.7%
Health Benefits		
Active	167,760,723	10.2%
Retiree	30,801,198	1.9%
Workers Comp.	17,984,586	1.1%
Other	56,527,908	3.4%
TOTAL	\$1,646,241,326	100.0%

Source: City's FY12 Budget

General Fund \$1,237,329,000

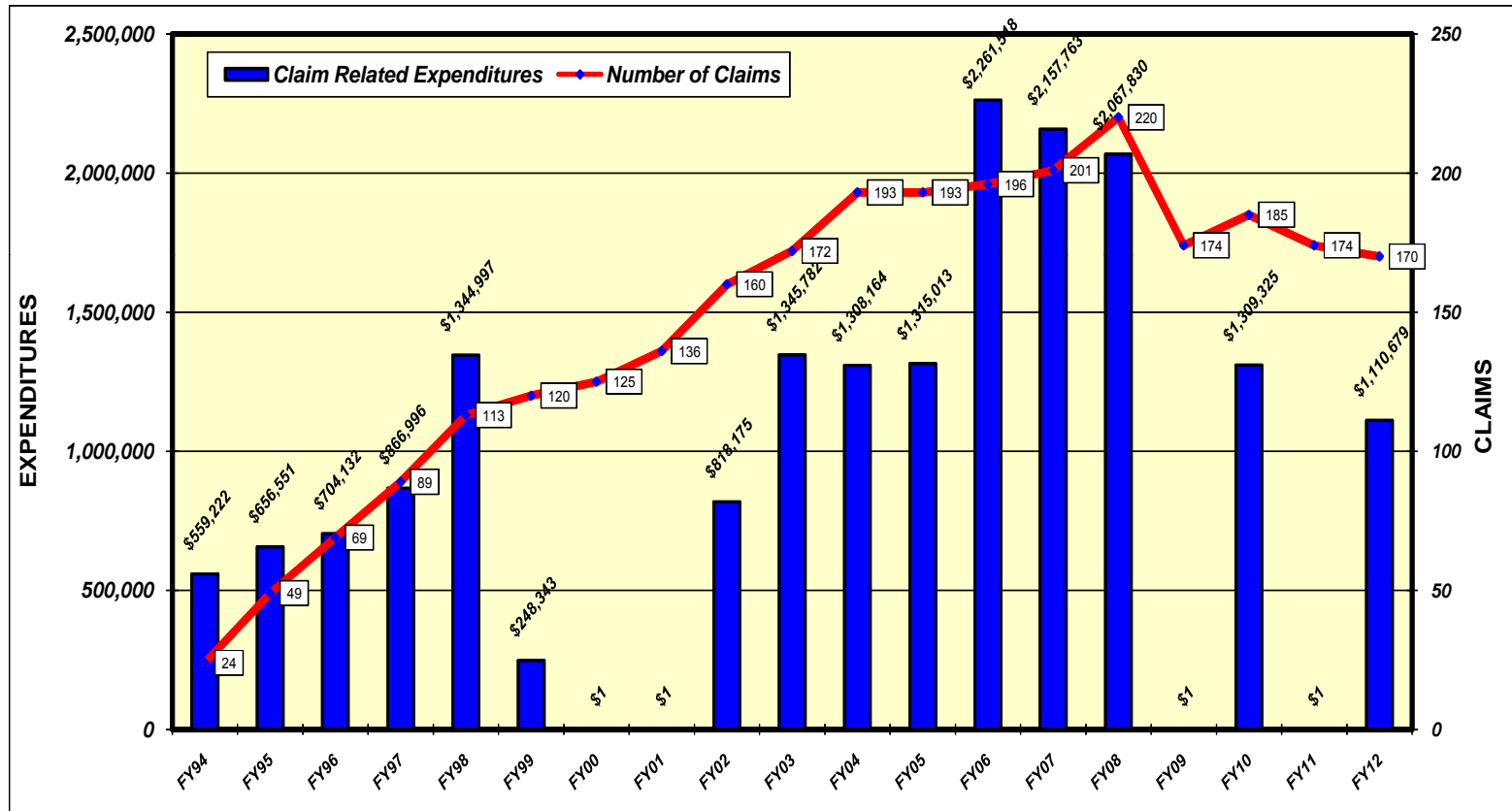


Human Resources

Long Term Disability



Long Term Disability Claim Expenditures





Long Term Disability

- Established in 1985 and revised in 1996 as a component of the Compensable Sick Leave Plan (CSL) - Self-insured – 100% funded
- September 2001, the Meet and Confer Agreement established Paid -Time Off (PTO) for Classified police officers and eliminated their eligibility for coverage under the LTD plan
- September 2008, eligibility changed from two years of employment to one year
- Approximately 13,000 eligible employees (Classified Fire and Municipal)

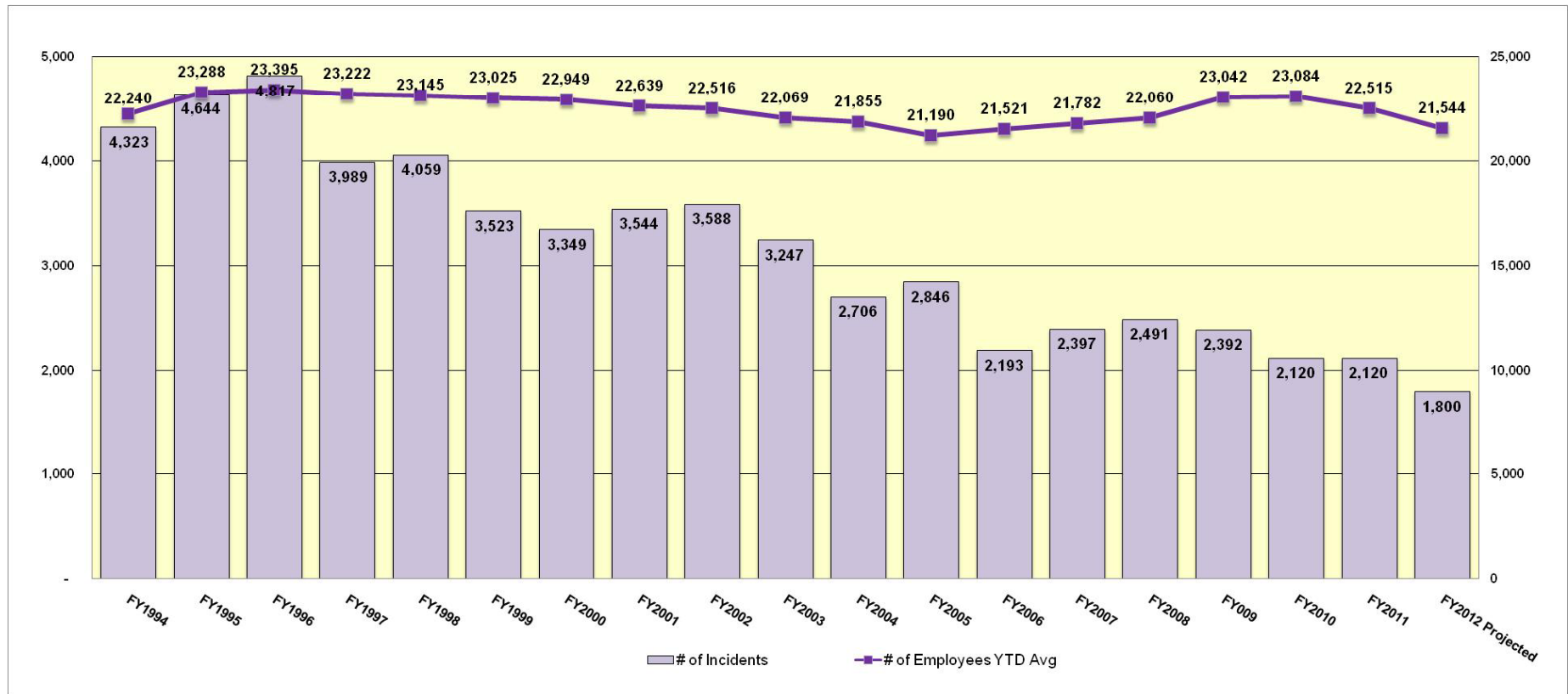


Human Resources

Workers' Compensation



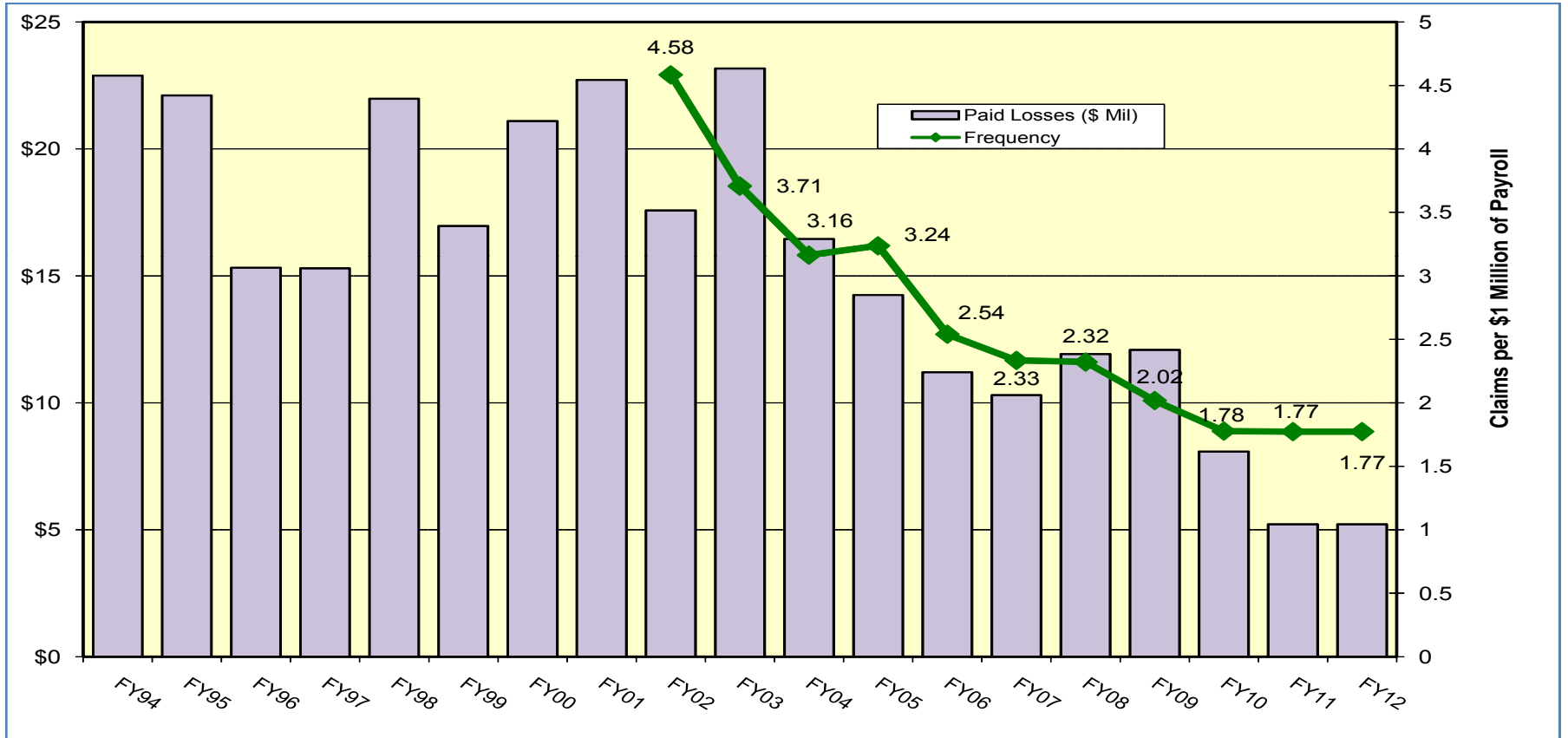
Workers' Compensation Incidents



	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012 Projected
# of Incidents	4,323	4,644	4,817	3,989	4,059	3,523	3,349	3,544	3,588	3,247	2,706	2,846	2,193	2,397	2,491	2,392	2,120	2,120	1,800
# of Employees YTD Avg	22,240	23,288	23,395	23,222	23,145	23,025	22,949	22,639	22,516	22,069	21,855	21,190	21,521	21,782	22,060	23,042	23,084	22,515	21,544



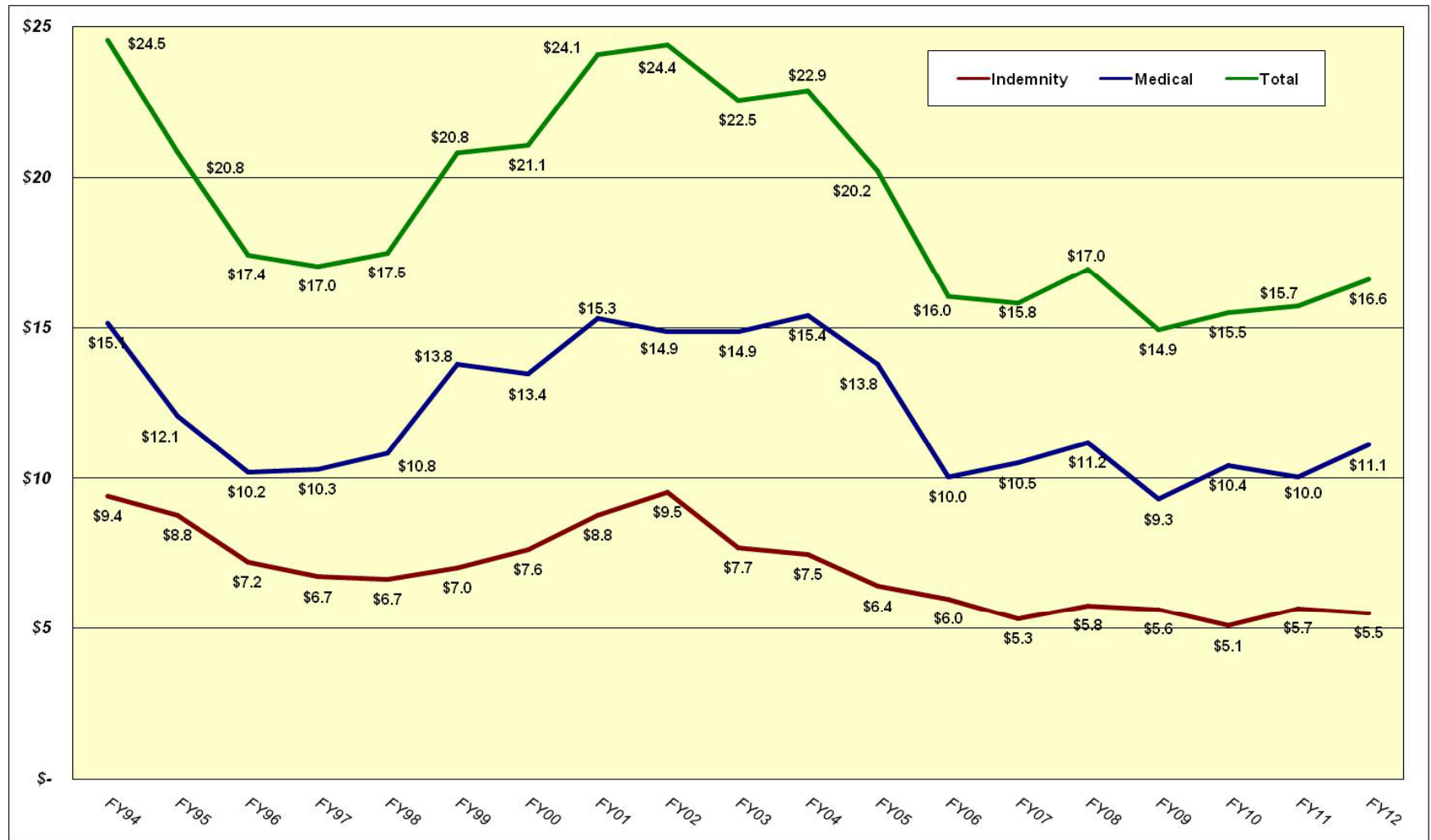
Workers' Compensation – Frequency & Paid Losses (\$ in millions)



Claim Period	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Frequency									4.58	3.71	3.16	3.24	2.54	2.33	2.32	2.02	1.78	1.77	1.77
Paid Losses (\$ Mil)	\$22.9	\$22.1	\$15.3	\$15.3	\$22.0	\$17.0	\$21.1	\$22.7	\$17.6	\$23.2	\$16.5	\$14.2	\$11.2	\$10.3	\$11.9	\$12.1	\$8.1	\$5.2	\$5.2



Workers' Compensation – Total Claims (\$ in millions)





Workers' Compensation / Safety

- Incidents
 - Police and Fire each account for 30% of incidents
 - Municipal employees incur the remaining 40%
- Workers' Compensation Medical and Temporary Income Benefits
 - Police 35%
 - Fire 25%
 - Municipal 40%
- Most frequent / most costly type of injuries
 - Strains 32%
 - Trips, falls, slips 18%
 - Motor vehicle 13%
 - Cuts / scrapes 12%
- Most catastrophic claims are attributable to Police and Fire



Workers' Compensation / Safety

It is the City's expectation that all employees coming to work finish in the same condition as when they arrived.

- Prevention, elimination, and reduction of incidents
- Mayor's personal involvement
- Proactive Third Party Administrator
- Strong Cost Control Programs
 - Bill Review
 - Specific plan / departmental involvement in case management
- Return to Work Program
- Aggressive Legal Subrogation
- Exploring Certified Health Care Networks

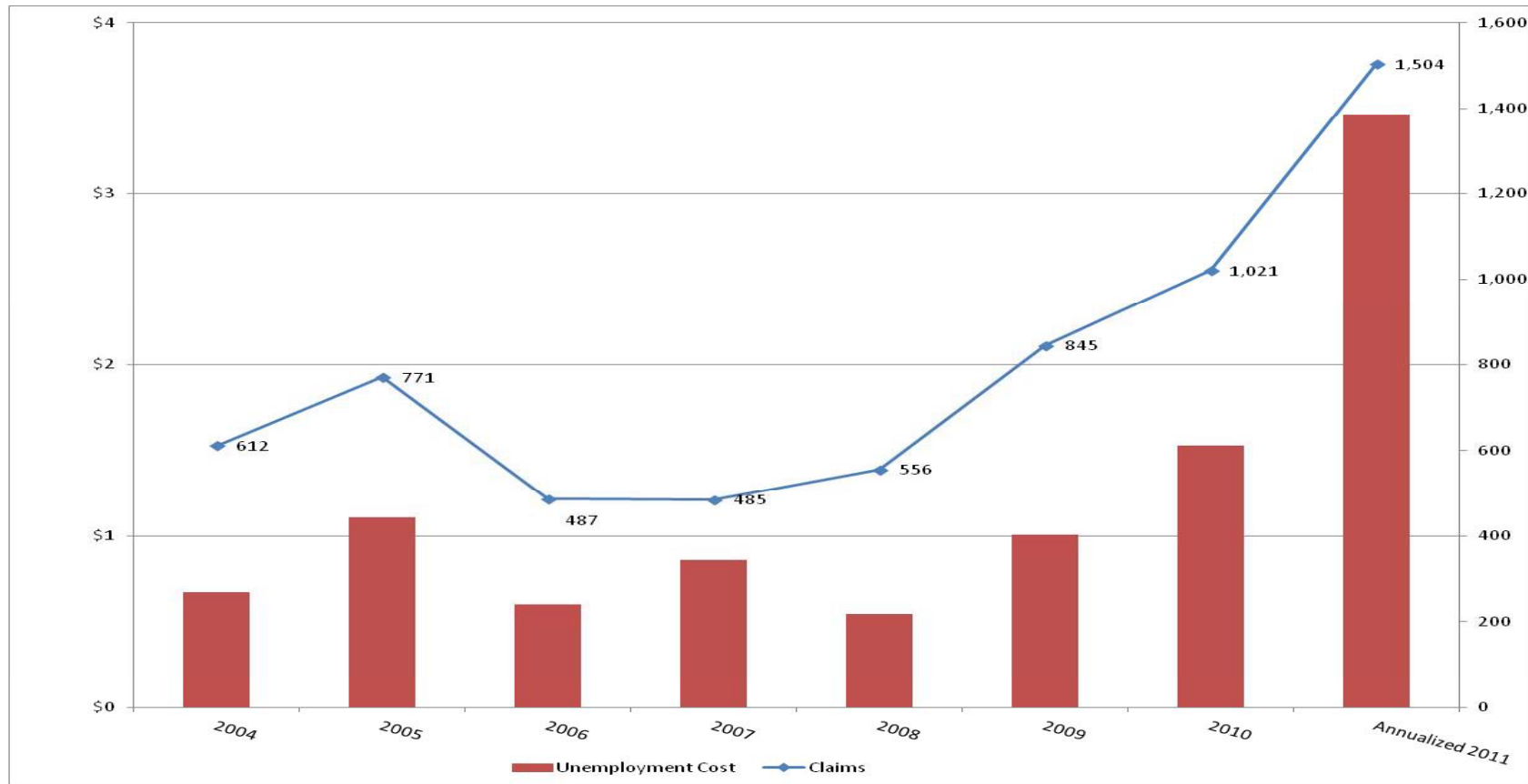


Human Resources

Unemployment Benefits



City-wide Unemployment Benefits (\$ in millions)



Calendar Year	2004	2005	2006	2007	2008	2009	2010	Annualized 2011
Claims	612	771	487	485	556	845	1,021	1,504
Unemployment Cost	\$0.7	\$1.1	\$0.6	\$0.9	\$0.5	\$1.0	\$1.5	\$3.5
Base Pay	\$810	\$832	\$882	\$1,024	\$1,008	\$1,076	\$1,103	\$1,067
% of Base Pay to Unemployment	0.08%	0.13%	0.07%	0.08%	0.05%	0.09%	0.14%	0.32%

Note: The City is a reimbursing employer

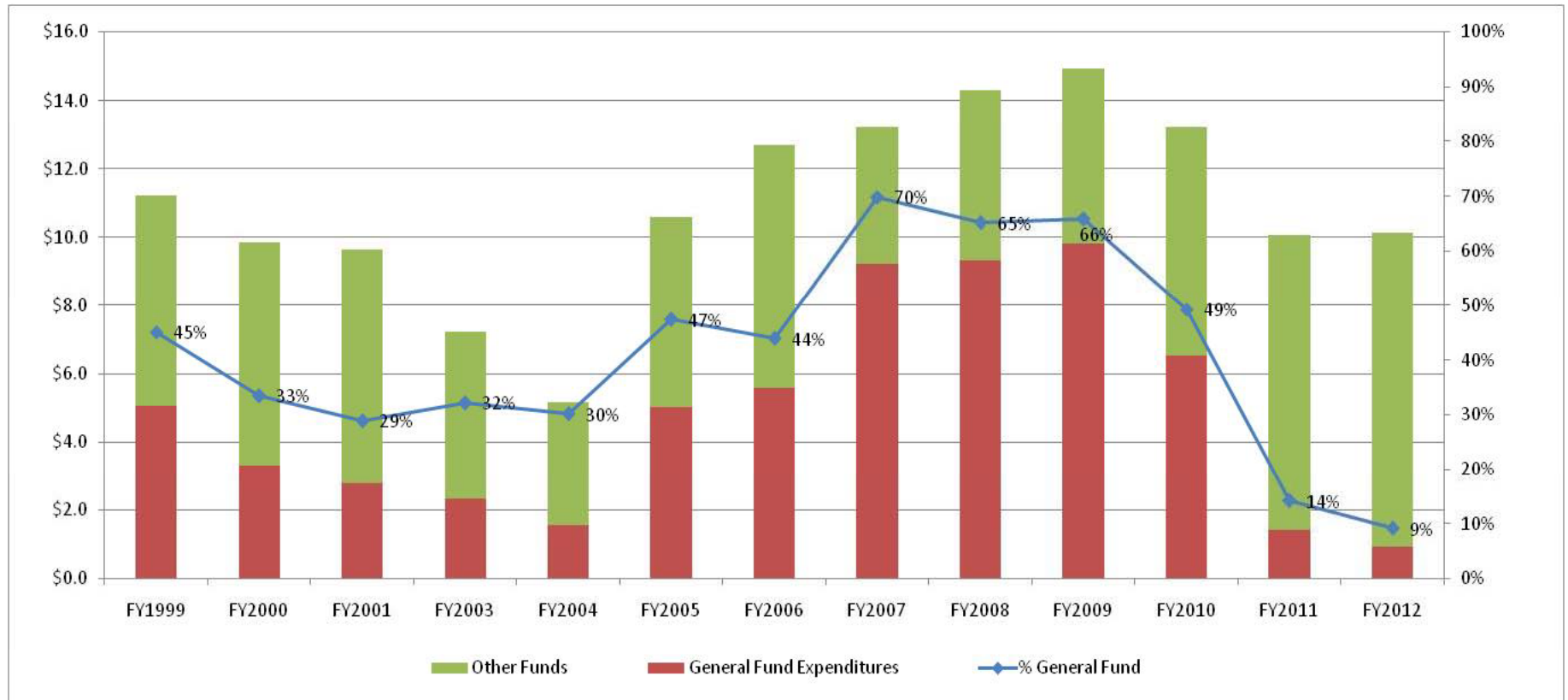


Human Resources

Temporary Employee Services Program



Temporary Services Program (\$ in millions)



Fiscal Year	FY1999	FY2000	FY2001	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
General Fund Expenditures	\$5.1	\$3.3	\$2.8	\$2.3	\$1.6	\$5.0	\$5.6	\$9.2	\$9.3	\$9.8	\$6.5	\$1.4	\$0.9
Other Funds	\$6.2	\$6.6	\$6.9	\$4.9	\$3.6	\$5.6	\$7.1	\$4.0	\$5.0	\$5.1	\$6.7	\$8.6	\$9.2
Total	\$11.2	\$9.9	\$9.6	\$7.2	\$5.2	\$10.6	\$12.7	\$13.2	\$14.3	\$14.9	\$13.2	\$10.1	\$10.2
% General Fund	45%	33%	29%	32%	30%	47%	44%	70%	65%	66%	49%	14%	9%



Temporary Employee Services Program

Mission: to provide quality, cost-effective temporary personnel on an efficient, effective, timely basis.

- HR responsibility since 1980:
 - Cost Control
 - Coordination
 - Administration
- Utilized by all departments as a vital component of staffing strategy
 - Peak load
 - Pilot programs
 - Grants
 - Special needs
- City uses 300-500 temporaries at any given time
- Agencies (10-15)
 - Diverse classifications: professional/technical, IT, administrative, service/maintenance



Temporary Employee Services Program Key Highlights

- Annually \$3 to \$6 million reimbursed via grants
- 2010 – H1N1 Health Dept. public health preparedness project - \$3.0 million
- 2009 – Displaced worker program HR Dept. project – HGAC grant –
\$1.2 million
- 2008 – Hurricane Ike recovery efforts - \$1.7 million
- 2005 – Hurricane Katrina response efforts - \$2.3 million
- 2004 – Health Dept. summer immunization and vital statistics project –
\$1.0 million
- 2001 – Tropical Storm Allison disaster debris/recovery project - \$1+ million
- Y2K – Specialized IT professionals for Y2K compliance project- \$3.2 million



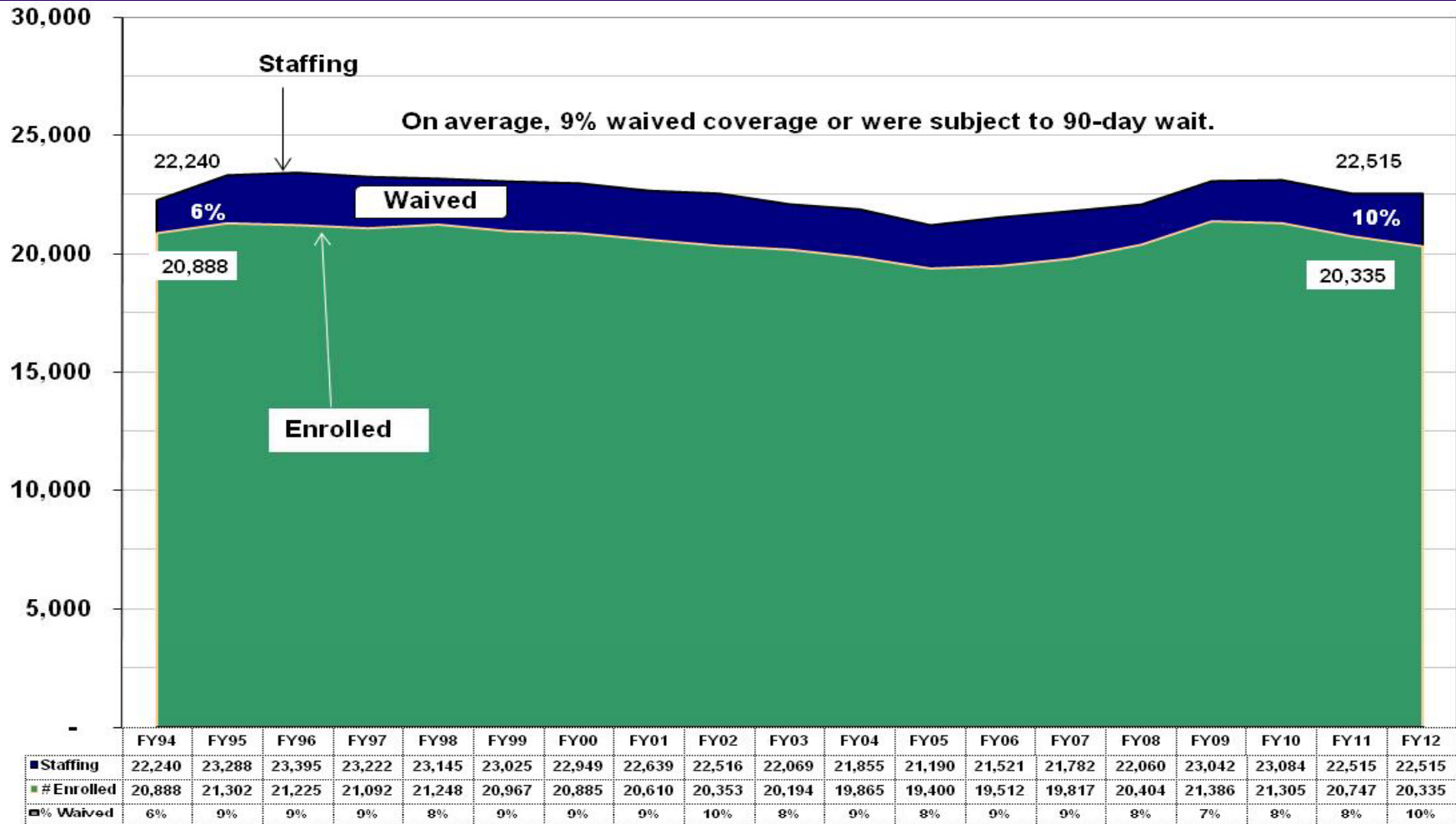
Human Resources

Demographics – Health Benefits



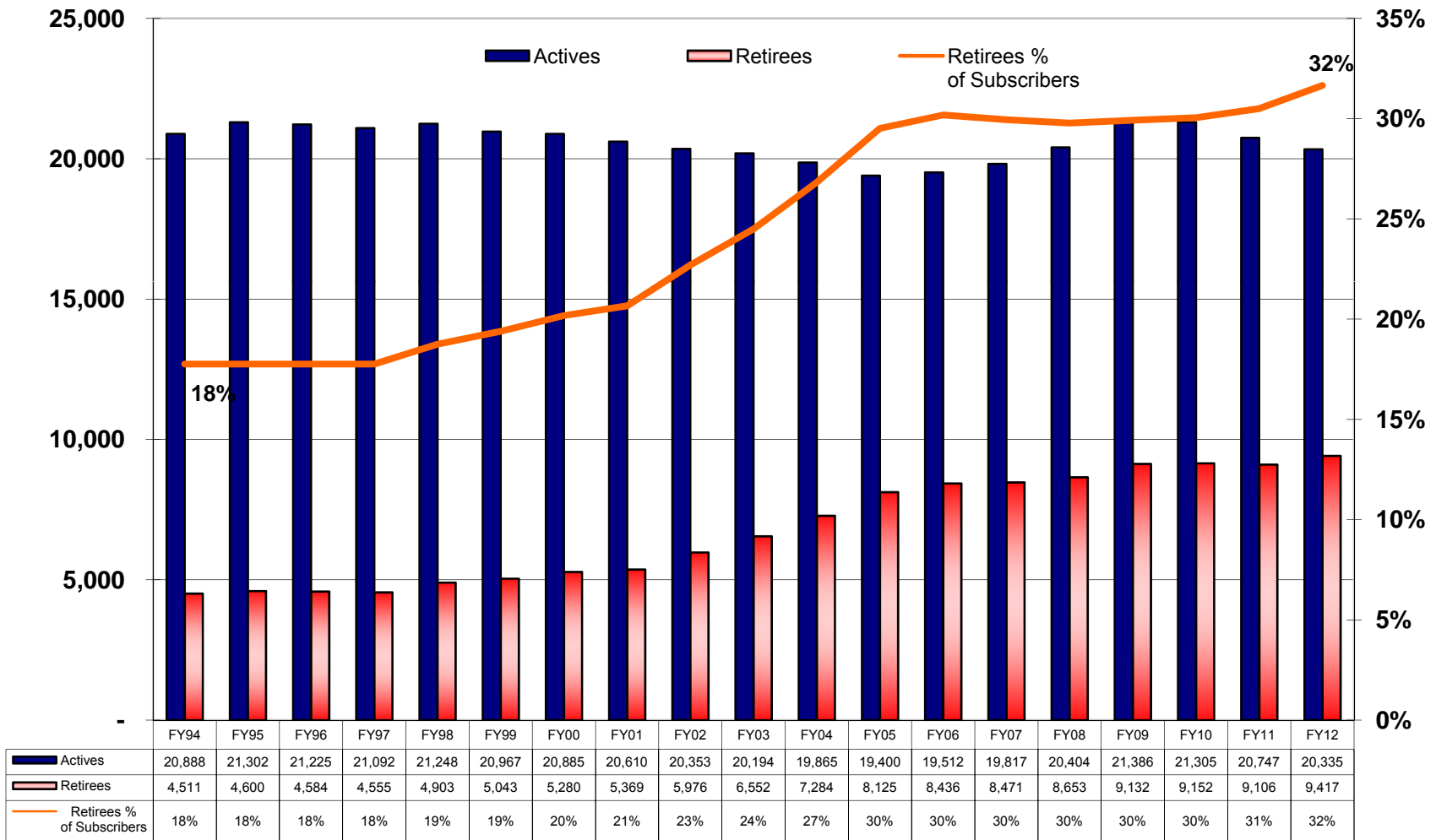
Demographics – Health Benefits

Percentage of Employees Covered by Health Insurance





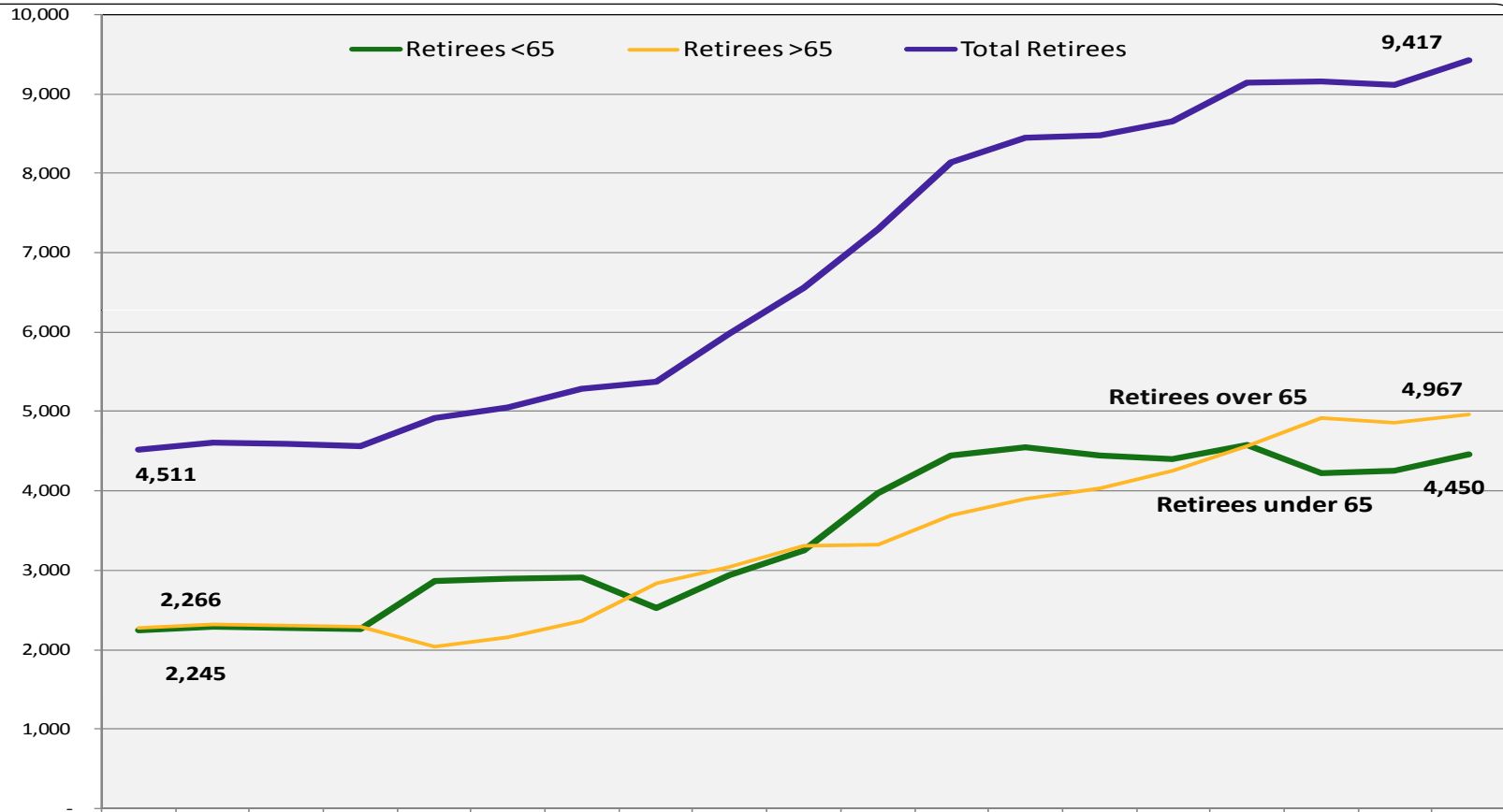
Demographics – Health Benefits Active vs. Retiree Enrollment





Demographics – Health Benefits

Total Retiree Enrollment



	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Retirees <65	2,245	2,290	2,281	2,267	2,869	2,886	2,915	2,531	2,941	3,241	3,965	4,436	4,541	4,443	4,400	4,572	4,224	4,242	4,450
Retirees >65	2,266	2,311	2,302	2,288	2,034	2,157	2,365	2,838	3,035	3,311	3,319	3,689	3,895	4,028	4,253	4,560	4,928	4,864	4,967
Total Retirees	4,511	4,600	4,584	4,555	4,903	5,043	5,280	5,369	5,976	6,552	7,284	8,125	8,436	8,471	8,653	9,132	9,152	9,106	9,417



Demographics – Health Benefits

- City's plan covers 61,817 employees, retirees and dependents
- Population is comprised of:
 - 20,335 active employees
 - 9,417 retirees
 - 32,065 dependents
- Retiree counts have doubled since 1994
- Pre- and post-65 counts have remained at almost 50/50
- Historically, 90-93% of employees have elected coverage in the City's medical plan
- Number of insured employees today is less than FY94 count
- In general, staffing has remained consistent over the years

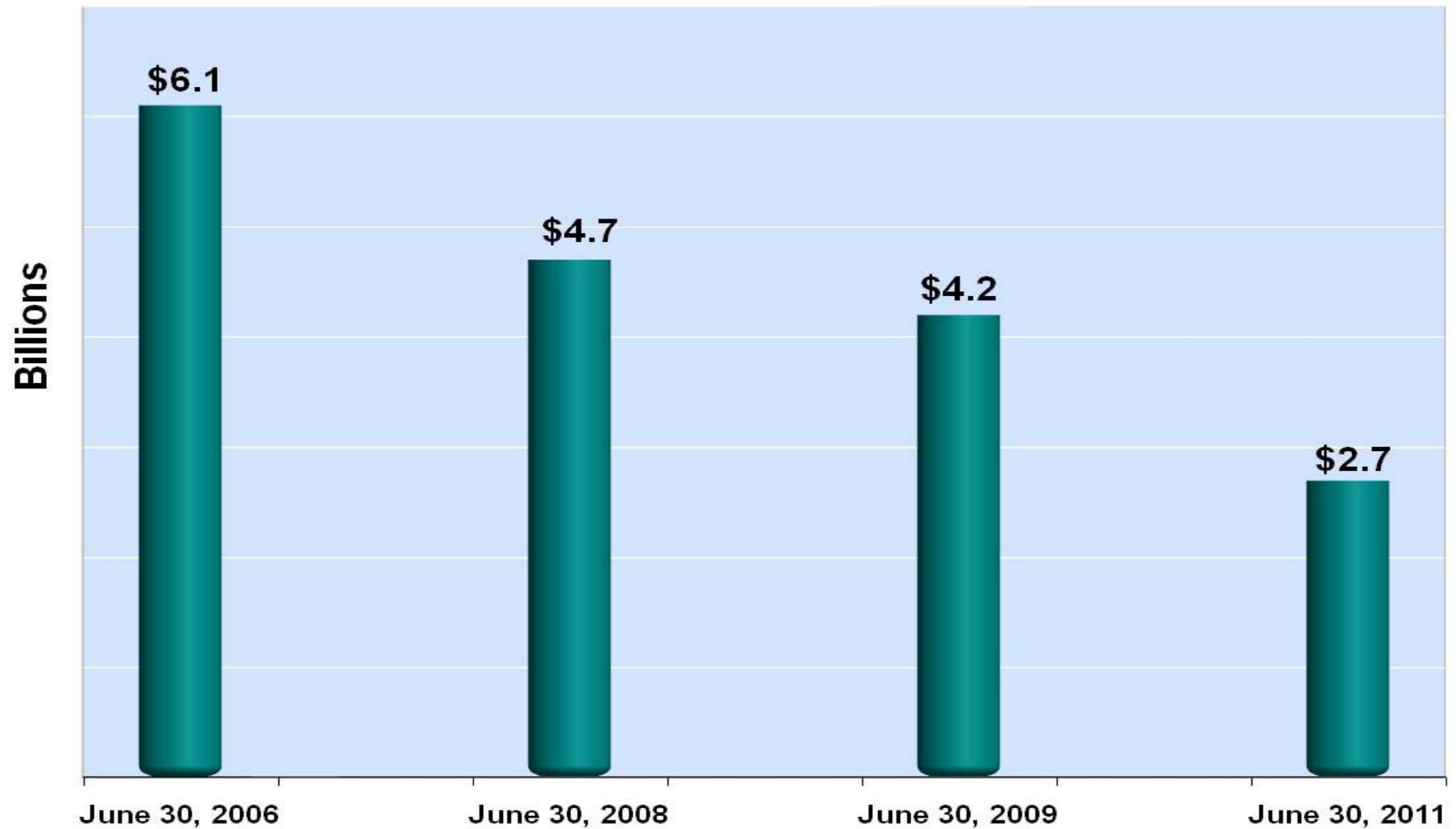


Human Resources

Health Benefits Other Post Employment Benefits (OPEB) Unfunded Liability



Health Benefits OPEB Unfunded Liability Present Value of Projected Benefits (\$ in billions)



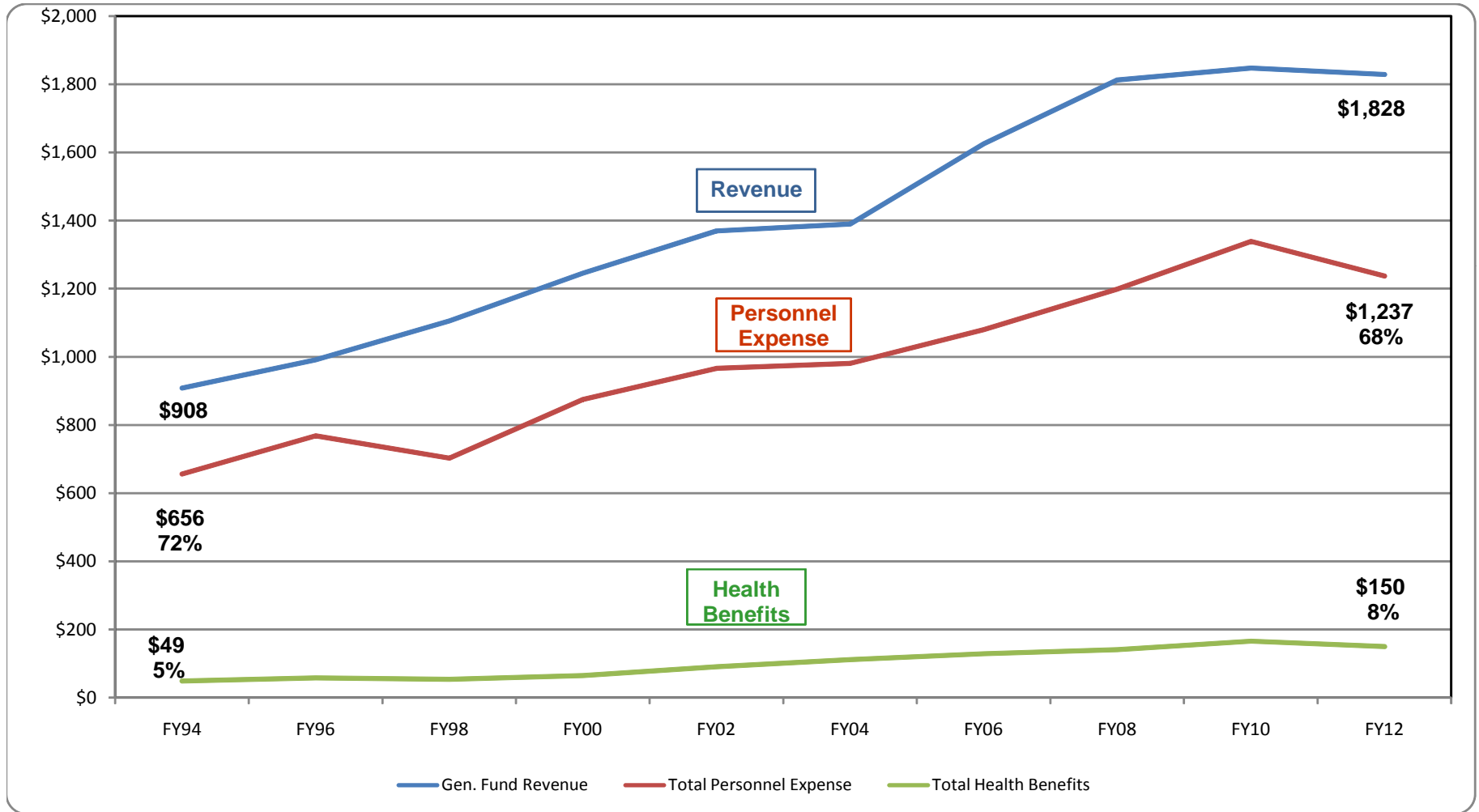


Human Resources

General Fund Extract



Health Benefits General Fund at a Glance (\$ in millions)





Health Benefits General Fund at a Glance

- Revenues have doubled since 1993
- Total personnel expense is approximately 70% of revenue
- Health benefits expense has more than tripled in the same time span
- Health benefits expense has risen from 5% to as high as 9% and is currently 8% of revenue

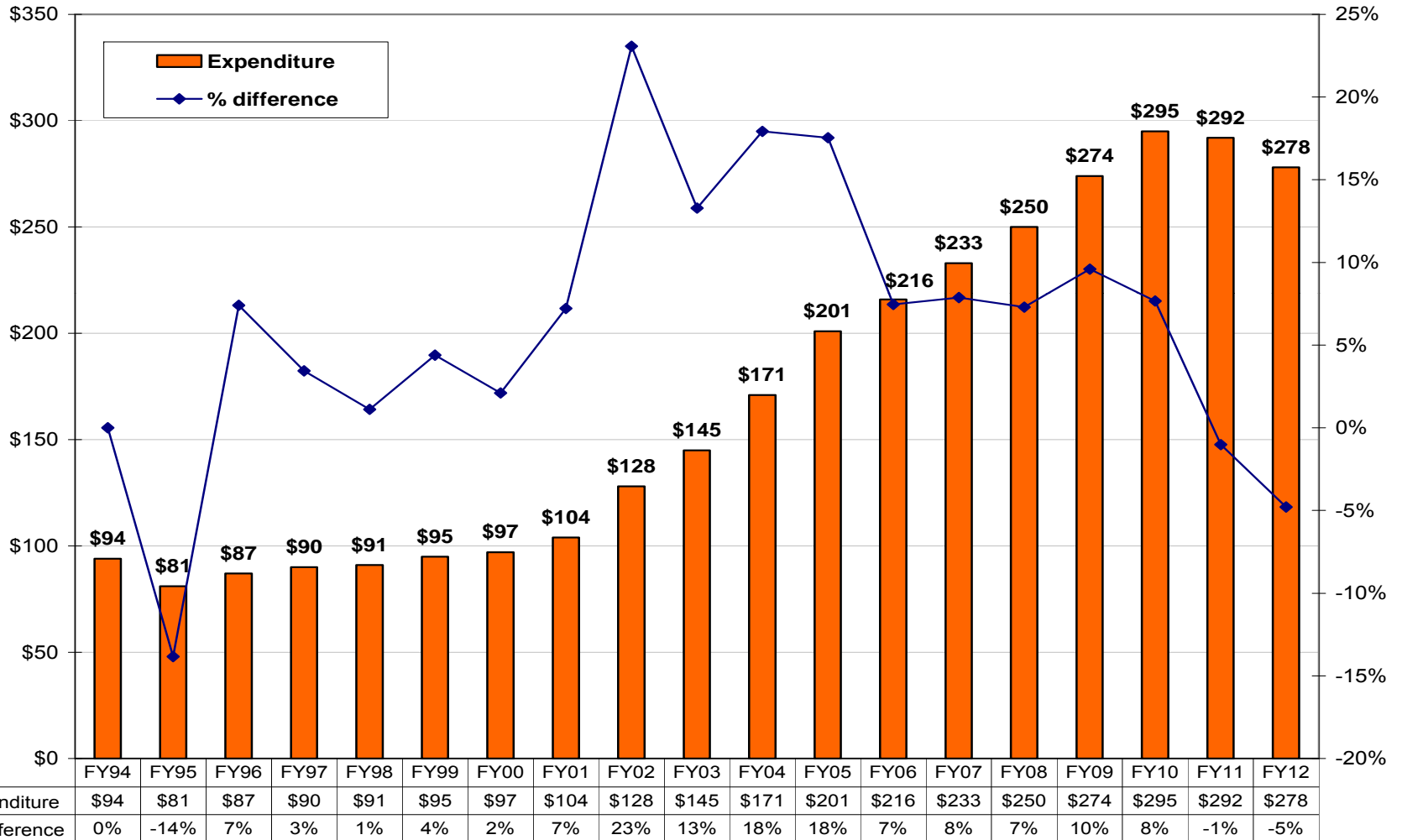


Human Resources

Health Benefits Past and Present

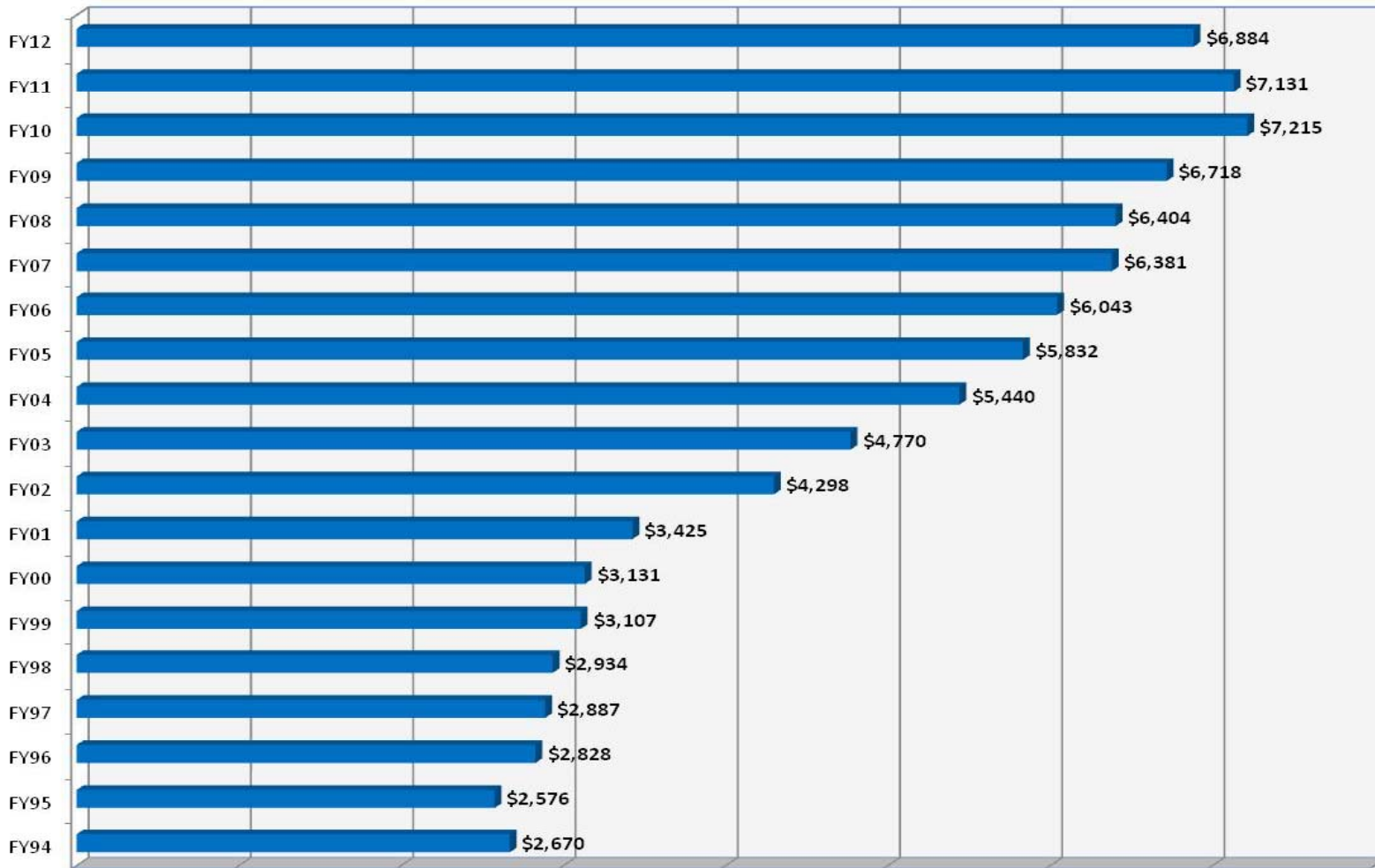


Health Benefits Healthcare Expenditures (in millions)



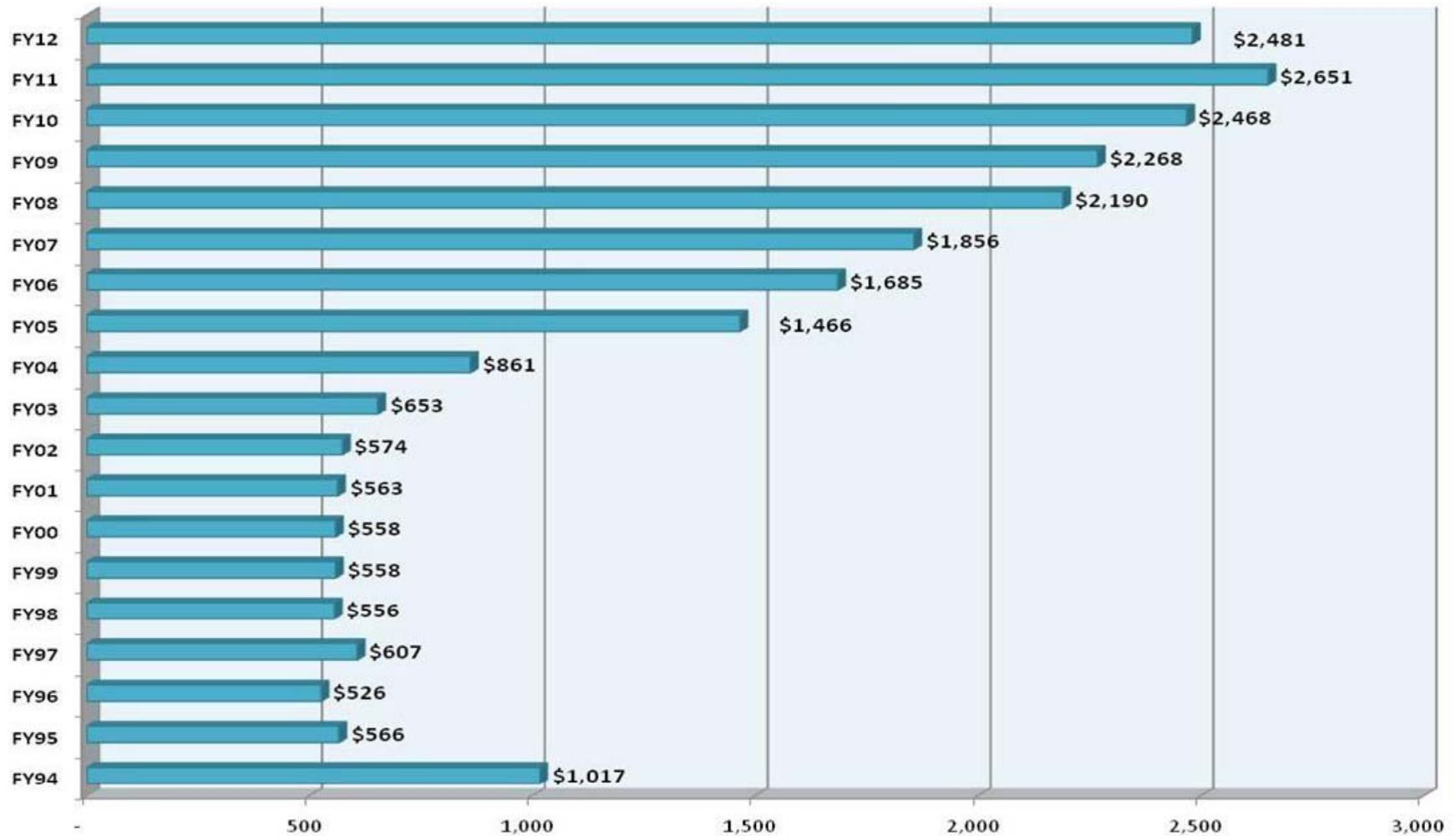


Annual City Per Capita Cost for Health Benefits





Annual Subscriber Per Capita Cost for Health Benefits





Health Benefits

Annual Aggregate Contribution Ratios

Year	City	Subscriber
FY 94	72%	28%
FY 95	82%	18%
FY 96	84%	16%
FY 97	83%	17%
FY 98	84%	16%
FY 99	85%	15%
FY 00	85%	15%
FY 01	86%	14%
FY 02	88%	12%
FY 03	88%	12%
FY 04	86%	14%
FY 05	80%	20%
FY 06	78%	22%
FY 07	77%	23%
FY 08	75%	25%
FY 09	75%	25%
FY 10	75%	25%
FY 11	73%	27%
FY 12	74%	26%



Healthcare Expenditures

- 1994-2001: The City experienced favorable rate increases which were contractually limited to 6.5%, experience, or the CPIU, whichever was least
- 2002: Contract expired, a “true-up” occurred and the City experienced a 23% increase
- 2005: New contract negotiated
- 2006: Increase limited to 7% as result of new contract (terms of increase based on # of subscribers and contractual cost)
- 2011: New CIGNA contract



Health Benefits

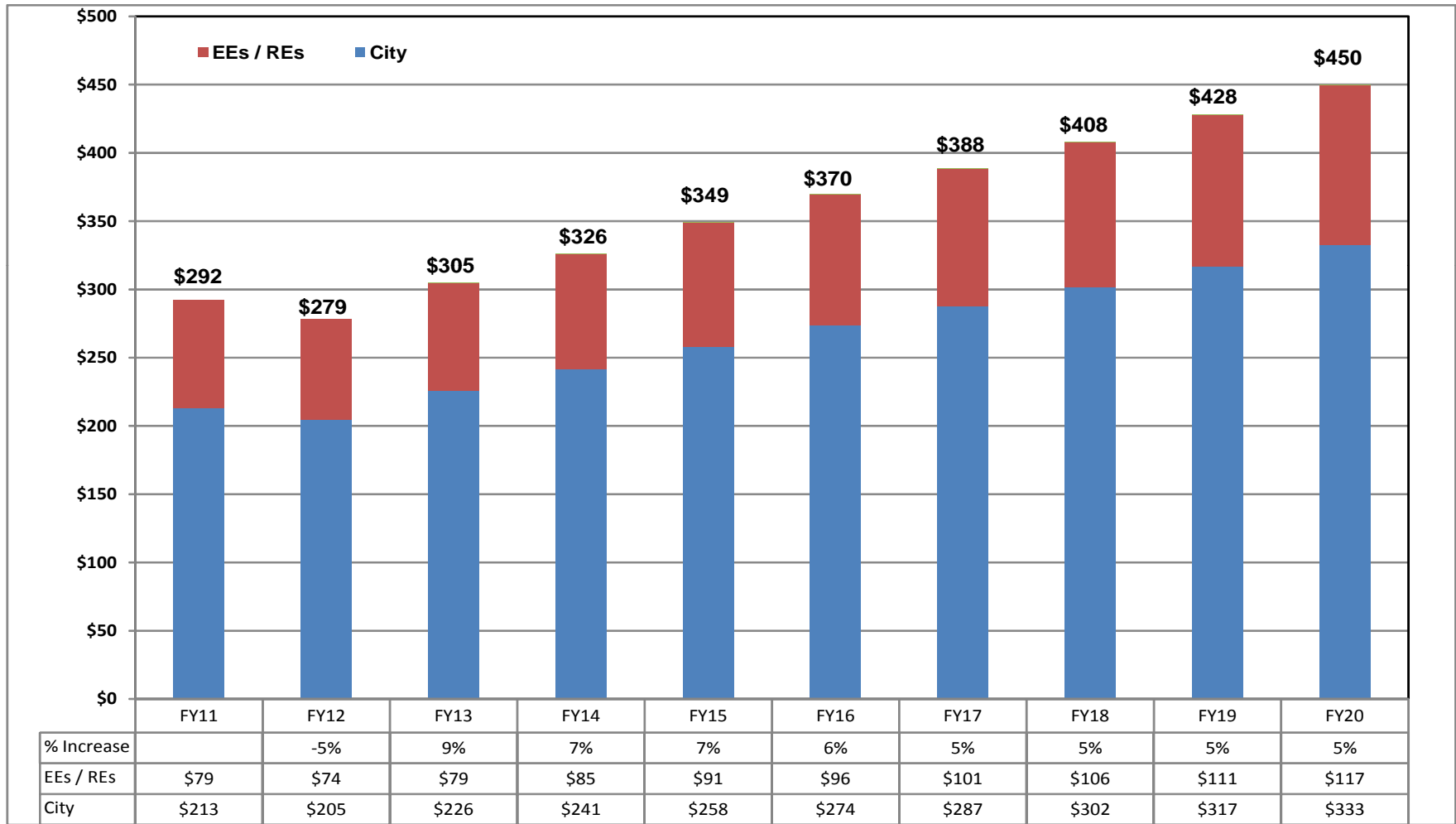
Projected Health Care Costs



Health Benefits

10-Year Projections – Pay-as-You-Go

(\$ in millions)





Health Benefits

Projected Health Care Costs

- Assumes employee count is constant – 20,355
- Assumes retiree count increases by 1.75% per year
- Assumes no changes to plan design, stop loss insurance, or contribution ratios
- Assumes 74% City/26% subscriber aggregate contribution ratio

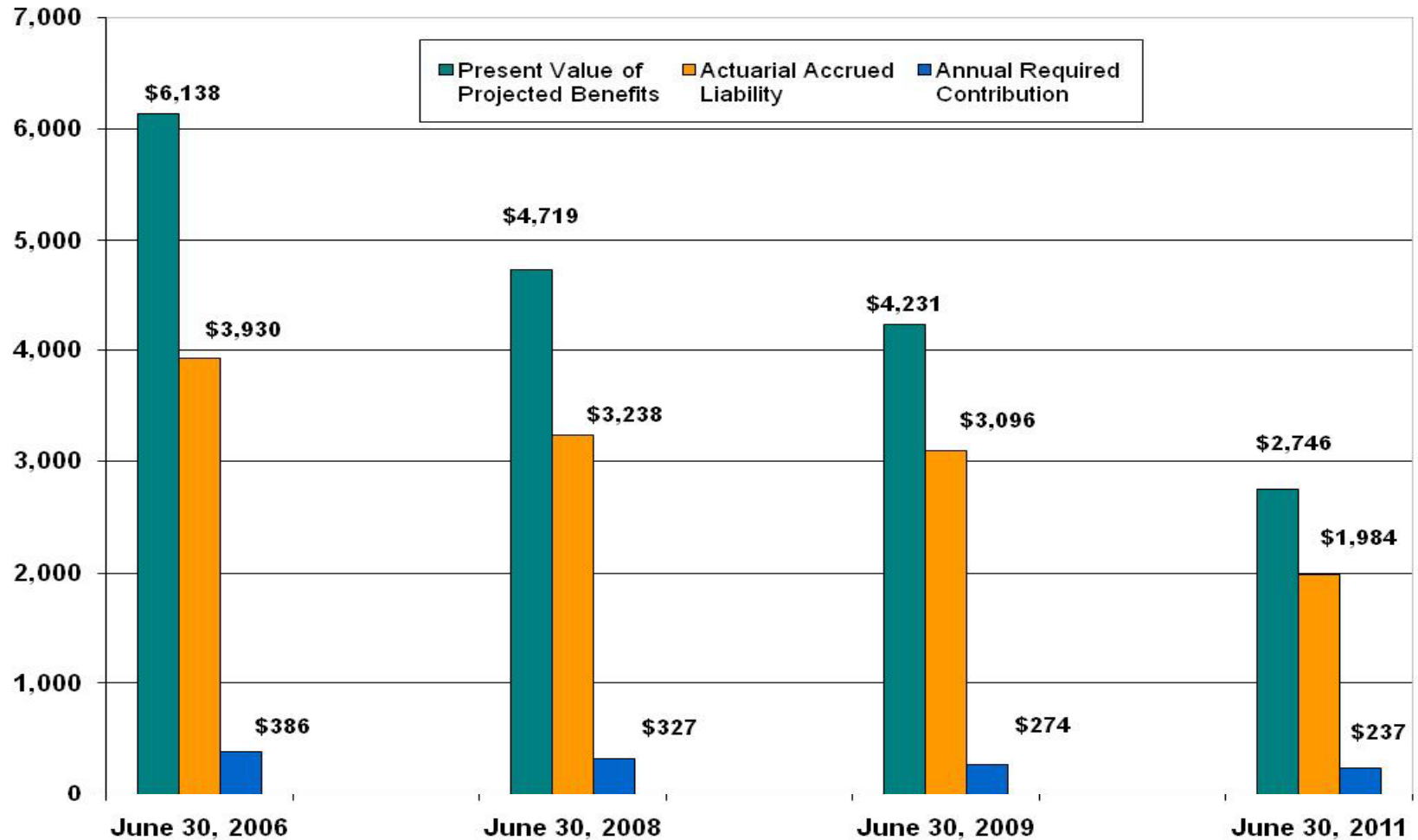


Human Resources

Retiree Health Benefits and Challenges



Governmental Accounting Standards Board (GASB)-45 OPEB Obligations – Health Insurance Only (\$ in millions)





Actions taken to Reduce Retiree Liability

Estimated Savings / Reimbursements

▪ Employer Group Waiver Plan Part D – 2012*	N/A
▪ CIGNA Plan – 2011*	\$23.2 million
▪ Mandatory 65+ Medicare Plans – 2011*	4.6 million
▪ Retiree Opt-outs – 2010*	3.2 million
▪ Early Retiree Reinsurance Program (ERRP) - 2010**	9.5 million
▪ Single Non-Profit Trust (SNPT) – 2009*	5.2 million
▪ Retiree Drug Subsidy (RDS) – 2005**	7.2 million

* Savings

** Reimbursements



Human Resources

Retiree Benefits and Challenges: GASB-45 / OPEB Forward Health Benefits Valuation

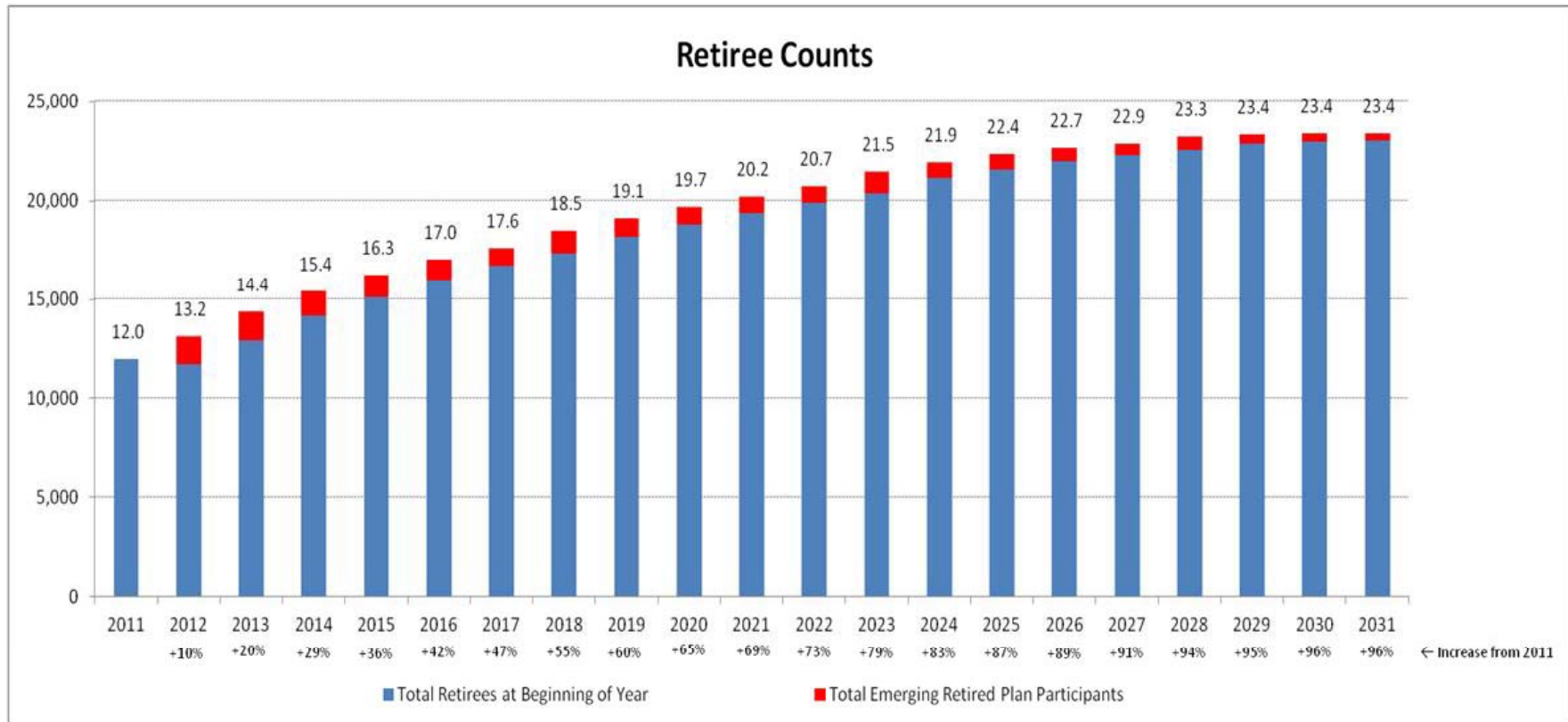


Development of Projected Results

- Required GASB OPEB valuation – performed historically – needs modification for a forward look
 - “Closed Group” valuation (based on current population and no new hires)
- A better forward look of the City’s projected population, liabilities and costs in the future can be seen by conducting an Open Group valuation
 - In an “Open Group” valuation, new hires are assumed to replace employees who leave active service (due to terminations, retirements, deaths, and disablements)
 - The number of active employees is assumed to stay flat whereby each exiting employee is replaced by a new active employee
 - The projected new entrants were assumed to be similar in nature to the new entrants who came into the plan over the last 3 years (using the same salary and age as the actual new entrants over the last 3 years for each of the groups)
- An Open Group projection of the population has been performed to put the expected progression of the population counts and liabilities into perspective
 - Projection of anticipated costs and population over a 20-year horizon
 - Results of projected open valuations are shown on next 3 pages



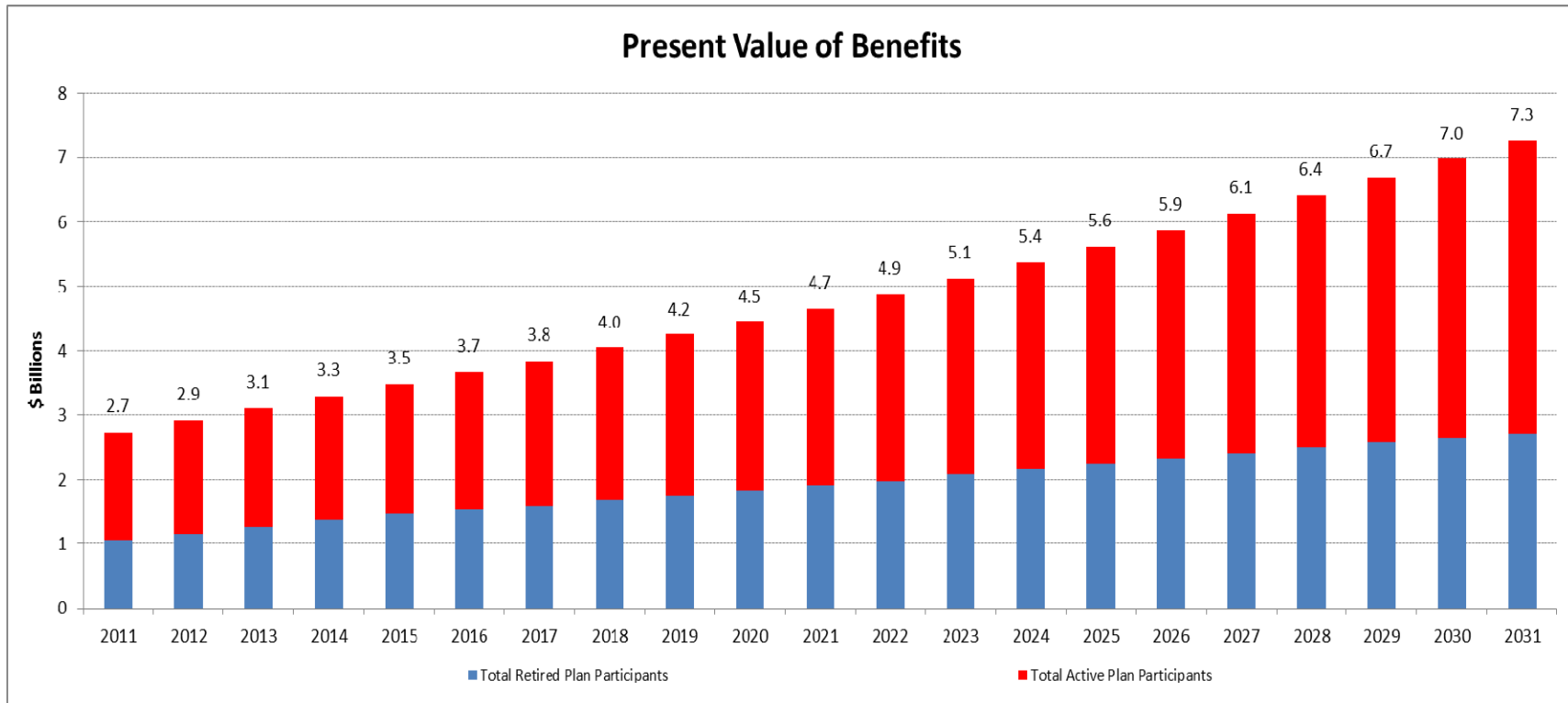
Total Health Plan Projected Retiree Participants Open Valuation – Projected Results



- Retired plan participants include retirees, spouses, surviving spouses and emerging retired plan participants
- Retired plan participant count almost doubles over projection period
 - Retiree counts expected to increase by about 160% and 200% for police and fire, respectively
 - Retiree counts expected to increase by about 68% for municipal
- Assumes no changes to plan over projection period



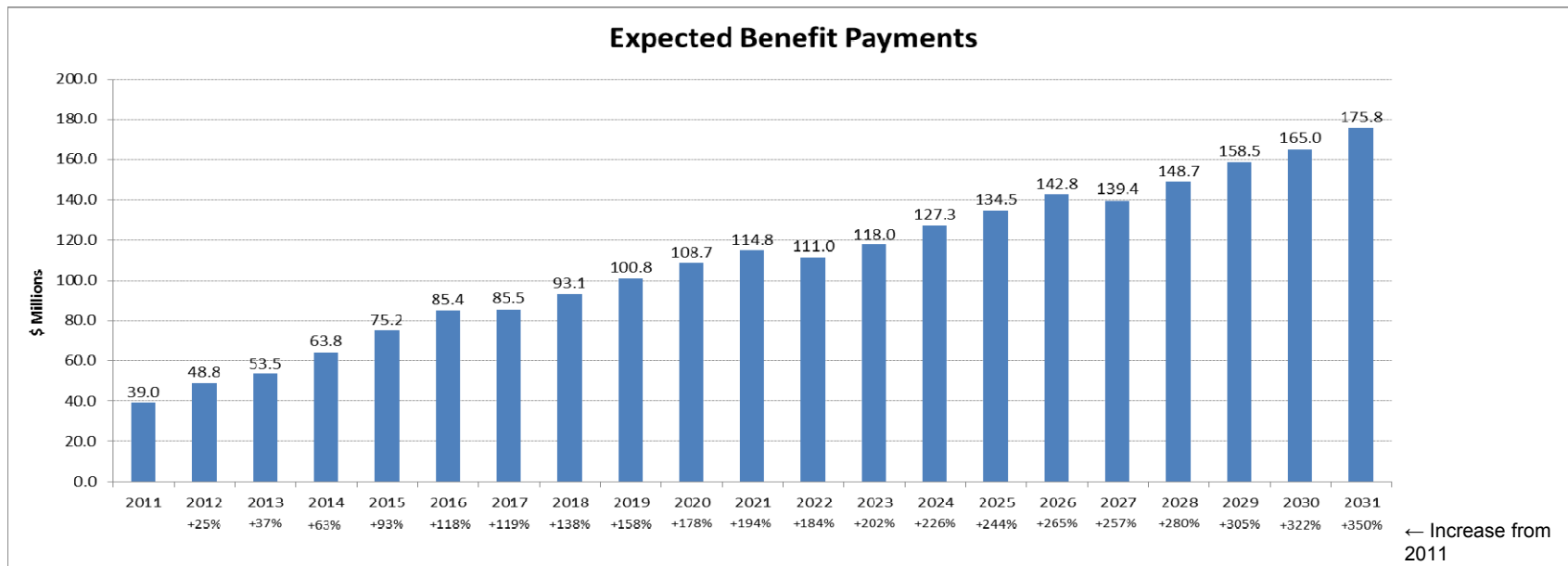
Total Present Value of Health Benefits Open Valuation – Projected Future Results with No Plan Changes



- Present Value of Benefits represents value of all future benefits for current participants at measurement date
- Total Present Value of Benefits projected to increase from under \$3B to over \$7B over projection period
 - Present Value of Benefits for police and fire expected to more than triple
 - Present Value of Benefits for municipal expected to almost double
- Assumes no changes to plan over projection period
- Refer back to Slide #42



Total Projected Annual Costs for Retirees / Dependents Open Valuations – Projected Results



- Benefit payments expected to increase from less than \$40 M for FY11 to over \$175M for FY 2031
-Expected to increase by over 470% for police, 300% for fire and about 320% for municipal
- Benefit payments expected to increase as percentage of costs over projection period (from less than 20% to almost 40% of ARC)
- Health care trend rates from FY 2011 valuation were used for the projections (10% in FY 11 reducing by 0.5% per year to an ultimate rate of 5% in FY 20)
- Expected benefit payments do not reflect imposition of potential excise tax beginning in 2018
- Assumes no changes to plan over projection period



Human Resources

Retiree Benefits and Challenges: Liability Mitigation

\$1 saved today would decrease future liability by
\$50.



Actions to be Considered to Reduce Retiree Liability

- Explore cost sharing strategies
- Provide Access Only benefits for post 65 retirees
- Limit increases in City's contribution to a fixed percentage
- Minimum age and years of service
- Require "X" years of consecutive service, otherwise access only
- Only cover dependents covered at time of retirement
- Explore plan design and administrative cost containment opportunities
- Reduce benefit levels and/or increase contribution levels for new entrants, or other actives or groups of employees who don't meet certain criteria
- Close the plan to new entrants
- Fund above "benefits payments"



Questions



Appendix

Human Resources Department Personnel and Benefits Management Past - Present - Future

Long-Range
Financial Management Task Force
November 14, 2011



Appendix

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Summary of HMO or HMO-like Copay History

	FY94	FY00	FY01	FY03	FY09	FY11	FY12
Office Visit	\$5	\$5	\$10	\$20	\$25	\$30	\$30
Urgent Care	\$5	\$5	\$20	\$40	\$40	\$60	\$60
Emergency Care	\$75	\$75	\$150	\$150	\$150	\$200	\$200
Hospital Admission	\$100	\$100	\$250	\$500	\$500	\$500/day \$1000 max	\$500/day \$1000 max
Outpatient Surgery	\$50	\$50	\$75	\$200	\$200	\$300	\$300
Prescriptions-Retail							
Generic	\$10	\$5	\$10	\$10	\$10	\$10	\$10
Brand	\$10	\$15	\$20	\$30	\$30	\$45	\$45
Brand (Non-Preferred)	N/A	N/A	N/A	\$45	\$45	\$60	\$60
Prescriptions-Mail	1x	1x	2x	2x	2x	2.5x	2.5x



Health Benefits

First Quarter Plan Year Claims Overview

Total Plan spend for claims incurred by active employees / COBRA participants paid from May 1 through July 31, 2011 was \$46,011,254.

10.2% of first quarter claims for active employees and COBRA participants were considered catastrophic (claims over \$50,000). These included 29 claims totaling \$4,718,549.

Gross prescription drug costs were \$18,040,413, less \$8,104,719 in negotiated discounts and clinical savings for a net Rx Plan cost of \$9,935,693.

Generic prescription drug usage was 77.3%.

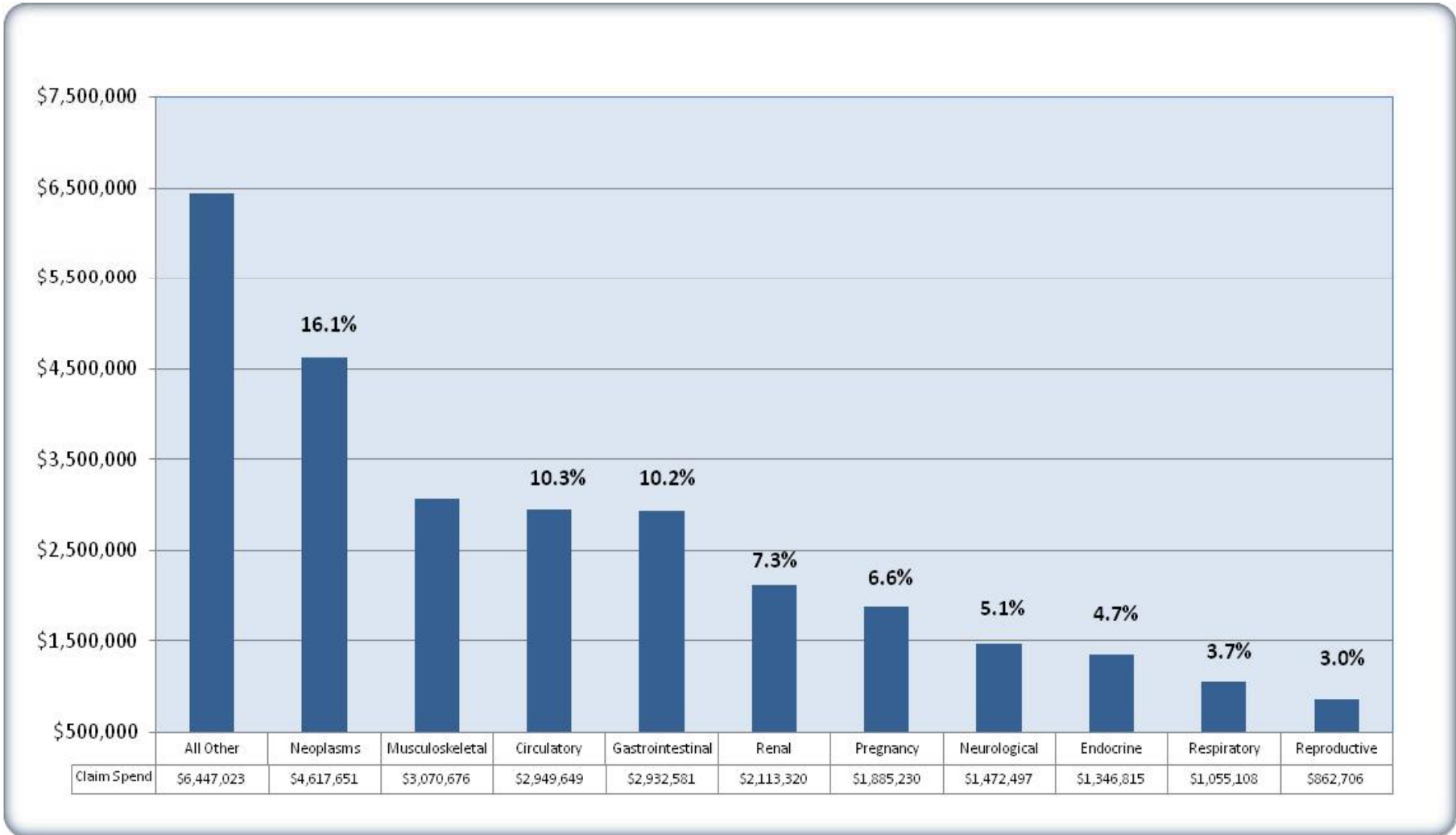
Prescription drug usage was 15.1% of total claims including those incurred by retirees (total claims, with retiree costs, equaled \$65,774,540).



Health Benefits

Non-Catastrophic Claims by ICD9 Code

May 1, 2011 – July 31, 2011 (Active / COBRA)

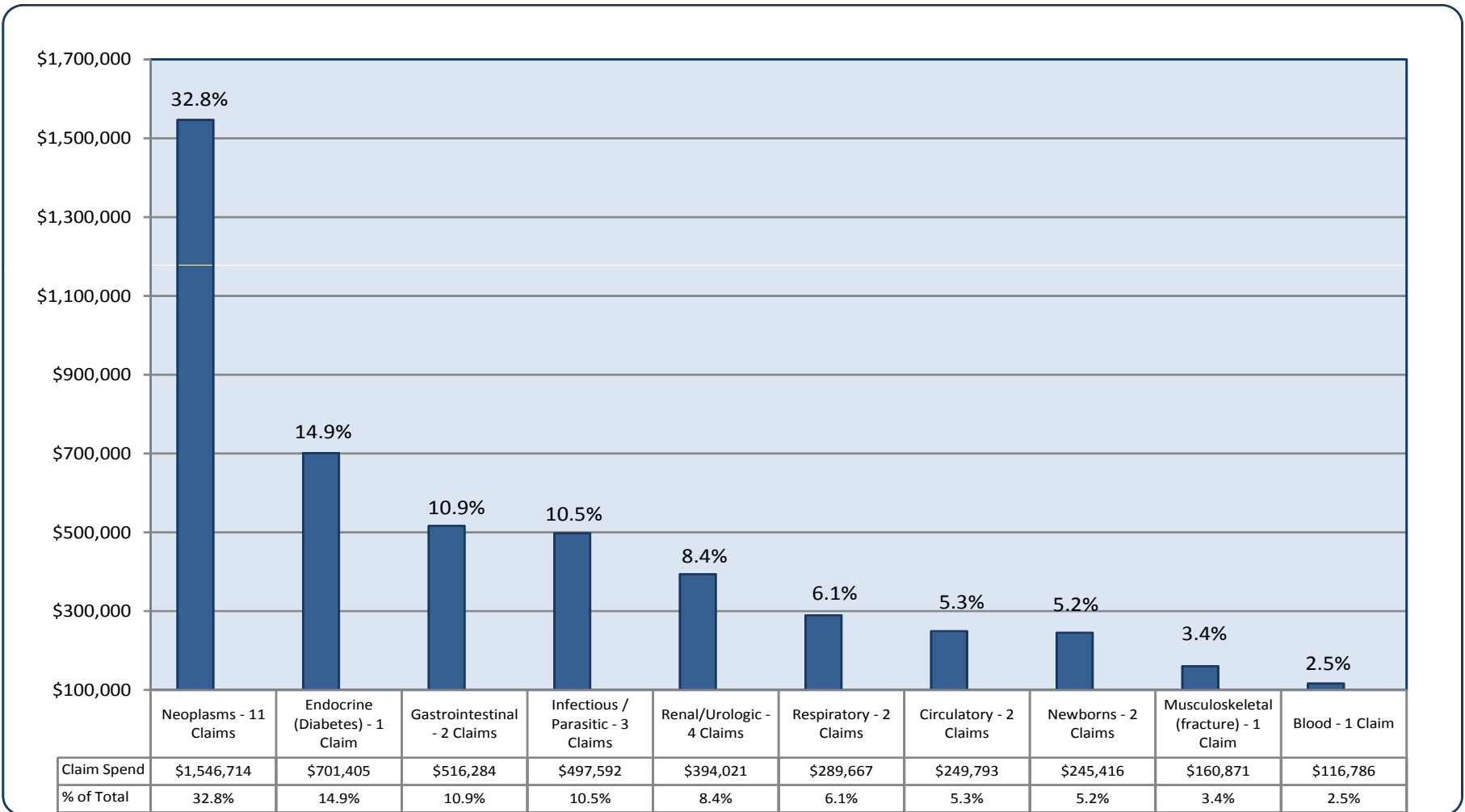




Health Benefits

Catastrophic Claims by ICD9 Code

May 1, 2011 – July 31, 2011 (Active / COBRA)





Highlights of 2010/11 Health Benefits Survey

- ❖ The City was compared to ten entities (three municipalities, three private companies, one school district, two universities, and METRO)
- ❖ The City has twice as many covered members (active + retirees) as all other entities except one
- ❖ 100% of survey respondents reported self-funding for their predominant plan
- ❖ The aggregate contribution ratio was approximately 75/25% for 6 of 11 respondents; three respondents reported an 80/20% ratio; others were 100/0% and 64/36%
- ❖ Three of eleven respondents (including City) offer Medicare Advantage Plans to Medicare-eligible retirees
- ❖ The per subscriber cost ranged from \$5,269 to \$10,821 compared to \$9,647 for the City at the time of the survey



Summary of Past Plans and Funding Arrangements

Year	Vendor	Plan(s)	Predominant Funding Arrangement	% Enrolled in HMO (or HMO-like)
Prior to 1994	More than one vendor	One POS, three HMOs	Fully Insured	40%
FY94 – FY96	Sanus	HMO, POS, OOA	Fully Insured	94%
FY97 – FY99	NYLCare	HMO, POS, OOA	Fully Insured	95%
FY2000	Aetna	HMO, POS, OOA	Fully Insured	96%
FY01 – FY11	BCBS TX	HMO, POS/PPO, OOA	Fully Insured	96%
FY12 -	CIGNA	HMO-like, Open Access PPO, CDHP*	Self-Insured	74%
		*Consumer Driven Health Plan		



Advantages of Self-funding

- Allows for more flexibility on benefit designs
- Claims and utilization data fully accessible
- Not subject to state mandated benefits
- Premium taxes eliminated
- Individual or overall stop-loss can be purchased to limit liability and funding fluctuation
- Arbitrary renewal increases (related to insurance company's revenue goals) are eliminated



Current Health Plan FY12

- Changed from fully insured to self-insured funding
 - First and second year 105% stop loss insurance; year three and beyond 110%
 - \$500,000 individual stop loss
- Contracted with CIGNA for administration of new plans
- Replaced HMO/PPO plans with four self-insured options:
 - CIGNA KelseyCare
 - Consumer Driven Health Plan (CDHP)
 - CIGNA Open Access
 - Retirees of Texas Option Plus
- Established wellness program with financial incentives/disincentives for participation
- Moved contribution structure from 3 tiers to 4 tiers for actives
- Made the City's six Medicare Advantage plans the only options for >65 Medicare eligible retirees



Comparison of New Plans

	CIGNA KelseyCare & Retiree Texas Option Plus	CIGNA Open Access	Consumer Driven Health Plan
Members	75%	22%	3%
Network	Kelsey-Seybold clinics	Larger network In-network only	In- and out- of network options
Deductible	\$0	\$400/800	\$1500/3000 (in) \$3000/6000 (out)
Coinsurance	0%	20%	20/40% (in/out)
Office Visits	Copay- based	Copay- based	Deductible + co- insurance
Prescriptions	Copay-based	Coinsurance with min and max	Deductible + co- insurance



Human Resources

Health Improvement Initiatives



CIGNA

- A key strategic requirement of the new contract is a comprehensive wellness program for all employees
- Program focuses on long-term wellness, active employees only
- In the first 90 days, 85% of employees completed a required Health Assessment (17,711 employees)
- Results of the assessment are used for targeted communications and educational programs
- Additional changes in the City's daily operations which support the initiative include:
 - Placement of CIGNA onsite health coaches
 - On-site health promotion manager
 - Engaging a consulting Medical Advisor (MD)



Health Benefits Health Improvement Performance Guarantees

CIGNA agrees to:

- Provide \$405,000 towards Wellness during the first plan year and additional funds each succeeding year
- Assist in creating a health improvement strategy that will promote a wellness culture, change risky health behaviors, increase access to quality care
- Provide a Health Promotion Manager to assist in developing and executing health promotion strategies
- Move 20% of those subscribers classified as high or medium risk as determined by the health assessment to the next lower risk category measured by the next health assessment, 14 months later
- Failure will result in CIGNA paying the City \$1,100 for each subscriber who did not achieve a risk reduction (maximum exposure equals \$1,509,200 for the first plan year)



Health Benefits Biometric Screenings

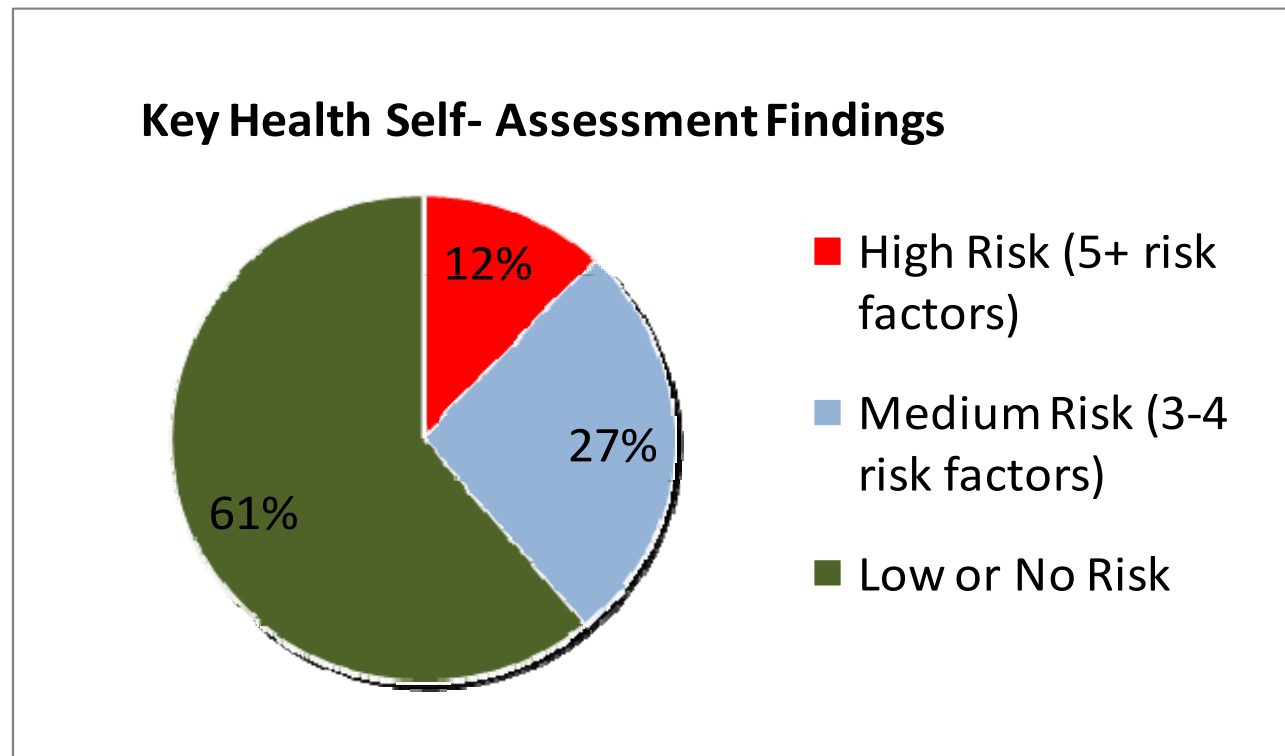
- 9,399 individuals obtained onsite biometric screenings between June 1 – July 15, 2011
- Key findings for City employees from the onsite screenings:
 - 26% are pre-diabetic or have diabetes
 - 83% have borderline high or high blood pressure
 - 37% have an undesirable cholesterol ratio
 - 83% have a body mass index (BMI) indicating they are overweight or obese
 - 49% have undesirable waist circumferences



Health Benefits

Key Self-Assessment Results

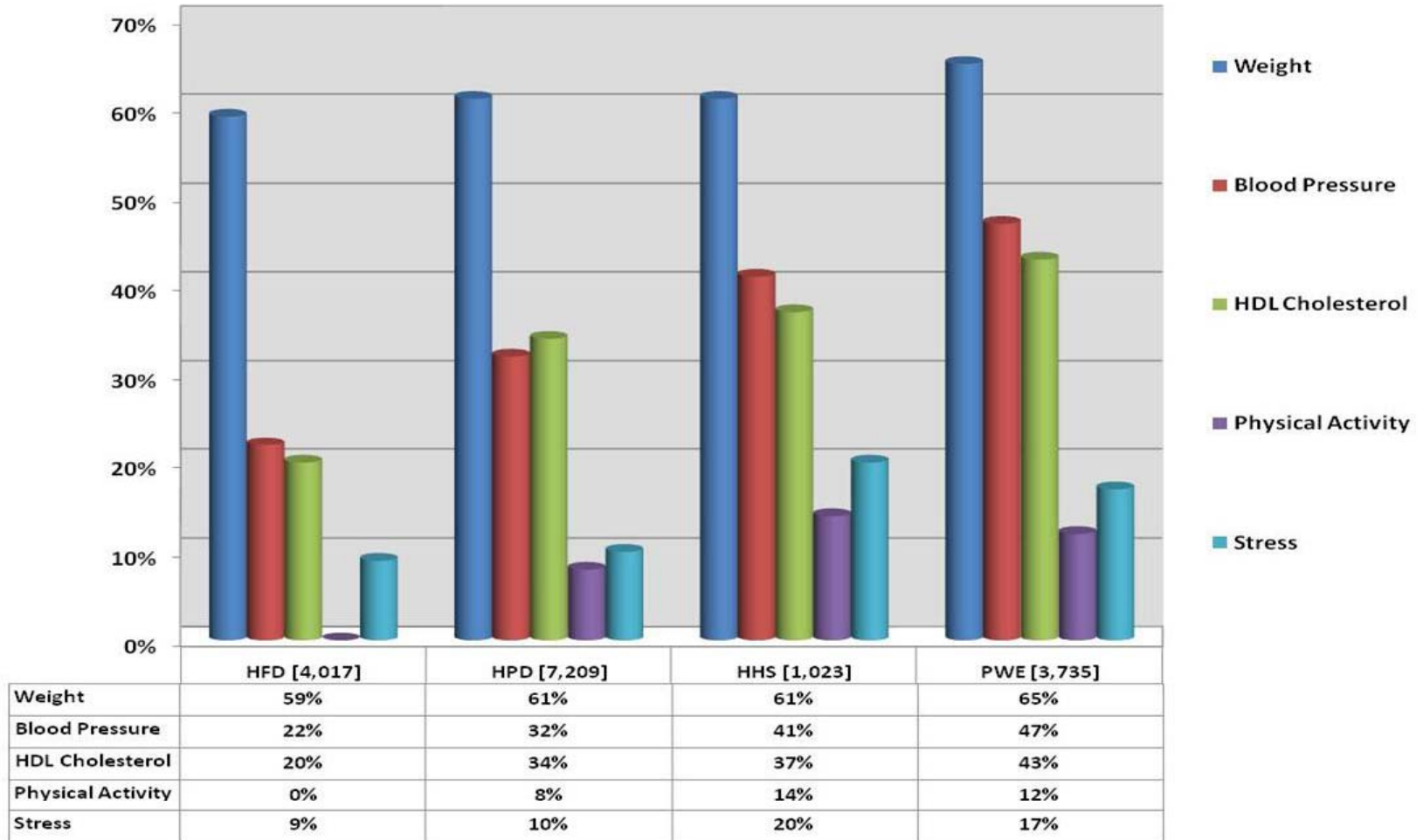
- 17,711 health assessments were completed for 85% compliance
- City incentive = \$25 surcharge for non-compliance





Health Benefits

Top Health Risks As Reported by Members in Self-Assessment





Human Resources

Medicare Advantage Plans



Medicare Advantage Plans

Past

- Introduced in 2005 with two HMO plans
- Enrollment voluntary
- Member/City contribution ratio = 25%/75%

FY12

- Six options offered (three HMOs, one POS, one PPO, one Medicare supplement)
- Enrollment mandatory for Medicare-eligible members over 65
- Member/City contribution ratio = 25%/75%
- Benefits comparable or better than other group plans
- Substantially lowers cost to City and retiree



2012 Medicare Advantage Plan Rate Comparison

Plan	Membership as of 9/30/11	2012 Contributions PMPM	
		Retirees (25%)	City (75%)
KelseyCare Advantage HMO	1723	\$35.78	\$107.33
TexanPlus HMO	737	\$41.74	\$125.21
Texas Healthspring HMO	1013	\$35.00	\$105.00
KelseyCare Advantage Plus Choice POS	291	\$58.83	\$176.48
Aetna PPO	1169	\$84.50	\$253.50
UHC Medicare supplement Plan F	1111	\$88.70	\$266.11



Medicare Advantage Plans Annualized Aggregate Cost Avoidance CIGNA Plans vs. Medicare Plans

- City's Total Cost Avoidance = \$4,590,303
- Cost Avoidance Per Subscriber = \$984
- Advantage - It is a fully-insured program



Actions Taken to Reduce Retiree Liability



Mitigation Results

Retiree Opt-outs

Retiree Opt-outs

- 873 retirees have chosen to opt-out of coverage
 - 704 under 65 (81%)
 - 169 over 65 (19%)
- \$3.2 million per year saved (based on FY12 cost)
- Retirees may leave plan at any time
- Retirees may opt in at future dates
- Opting out was effective Jan. 1, 2010



Mitigation Results Medicare Part D Subsidy

- Designed to encourage employers to continue offering prescription drug benefits to their retirees
- The City receives 28% of covered prescription costs incurred by retirees
- Effective May 1, 2011, Medicare only plans for retiree members covered by Medicare Parts A & B

Plan Year	Subsidy Payment
FY 2006	\$ 516,848
FY 2007	\$1,522,046
FY 2008	\$1,203,338
FY 2009	\$1,145,589
FY 2010	\$1,411,746
FY 2011	\$1,377,776
Total Payments	\$7,177,346



Health Benefits Early Retiree Reinsurance Program

- The City expects to receive \$9.5 million in reimbursements for eligible claims incurred by retirees under age 65 and retirees ineligible for Medicare Parts A & B.
- Those funds will be used to reduce participants' cost or offset plan increases.
- The City is studying how to use the funds.



Health Benefits

Employer Group Waiver Plan

- Effective January 1, 2012, the City will implement a Medicare Part D Employer Group Waiver Plan (EGWP), with a prescription wrap, as partner to the city-sponsored Medicare Supplement Plan F.
 - ✓ EGWP allows the City to take full advantage of the 50% pharmacy discount mandated under the Patient Protection and Affordable Care Act (PPACA), requiring pharmaceutical companies to pay 50% of cost of brand drugs in the Part D coverage gap.
 - ✓ The additional wrap plan and members' copayments will cover the remaining balance of the contracted drug price.
- The EGWP saves the City 10% in premiums for the Medicare Part D plan.



Health Benefits Single Non-Profit Trust

- Chapter 222 of the Texas Insurance Code allows “certain” political subdivisions of the State certain exclusions from gross taxable premiums for employee group health and life insurance.
 - In order to be eligible for the exclusion, the political subdivision must establish and fund their premiums through a Single Non-Profit Trust.
- In 2009, the HR Department established a Single Non-Profit Trust for the sole purpose of paying premiums for the group insurance benefits.
- Between January 1, 2010 and April 30, 2011, the City avoided paying 1.75% in taxes on premiums or \$5.2 million.



GASB 45 – OPEB Definitions

Valuation of Post-retirement Medical and Life Obligation

Present Value of Projected Benefits (PVPB)

- ❑ Total present value of all expected future benefits, based on certain actuarial assumptions.
- ❑ Benefits are defined as paid claims and expenses from the plan, net of retiree contributions.
- ❑ The PVPB measures total liability or obligation. Essentially, PVPB is the value (on the valuation date) of the benefits promised to current and future retirees.

Actuarial Accrued Liability (AAL)

- ❑ Represents actuarial present value of the postretirement benefits attributable to an employee's service as of the valuation date.
- ❑ Of the total service expected between the date of hire and the date of exit from active status for retirement, AAL represents the portion attributable to the period from the date of hire to the valuation date.

Annual Required Contribution (ARC)

A combination of the normal cost at the beginning of fiscal year and an amortization payment of the unfunded AAL.