

EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, July 31, 2007

Council Chambers

PRESENT: Alds. Krill, Maher, Meaux, Purins, Stepaniak – 5

ALSO PRESENT: J. Archambo, City Admin.; B. Aldana, Human Resources Dir.; C. Thomas, Payroll & Benefits Mgr.

Ald. Purins as chair called the meeting to order at 7:01 p.m.

Results from Request for Proposals (RFP) regarding third party administrator for city health insurance plans

Ms. Aldana gave the committee an update on the discussion from the special meeting on Monday, July 30th. She reported that per instructions from the consultant, they went back to United Healthcare (UHC) and informed them that they were no longer under consideration as a third party administrator for the city's health insurance plans. They further informed UHC that the city was looking more closely at Midwest Security. UHC said they would like to take another look at the plan deviations that they had submitted with the RFP. What they had submitted were their standard deviations. They would like to re-submit a significantly different proposal. She said UHC has until Thursday to submit an update. It is possible that UHC will ultimately turn out to be better than Humana and Midwest Security.

Ald. Maher noted that the consultants did a very nice job of laying out the information.

Health Insurance Review 2007 Report, including discussion of options and strategies

Ms. Aldana referred to the Health Insurance Report that was giving to the Aldermen in their packets. This is open records information and she anticipated that the committee could have a full discussion on the contents.

Ald. Stepaniak asked about the issues pertaining to retirees. Ms. Aldana responded that retired city employees, by virtue of their contract, qualify for health insurance after 15 years and age 55. This system has been in effect for a very long time. Health insurance for retirees is city paid until they reach 65. They pay the same as other employees with the exception that they pay a premium if the rate goes up more than 10%. That rate is calculated each year. Once they are Medicare eligible, the city no longer contributes to their medical insurance. The retirees that are post 65 are not big cost drivers. There are a high number of retirees on the city plan and a significant number of early retirees (about 74 people). It would be a change if the city looked for a different contribution from those employees or a different level of eligibility.

Ald. Stepaniak asked about GASB 45 liability for retirees. Ms. Thomas noted that GASB 45, post 65 retirees are considered a liability. One way to get them away from the liability is to get them a Medicare supplemental plan or they can purchase one themselves. It would put them into a plan specifically designed for that age group and could work better for them. It would save them money and remove the liability from the city's books. Ald. Stepaniak suggested that, for this group, it may be better to have a plan that is administratively easier. It would simplify the plan and make it more cost effective. Ms. Aldana explained that GASB 45 is a liability on the books and a reporting mechanism. It is not "dollars out the door." Ald. Maher was concerned that it could have affect on bond ratings.

Ald. Maher noted that as they review the cost factors, those factors would seem to impact the city's cost on a relative basis and there are very few factors over which the city may have any control. Some of the factor's are: 1) southeast Wisconsin has higher overall healthcare costs; 2) the number of older

employees; 3) a higher number of families opting to use the city's healthcare; and 4) more people eligible to retire before 65 in the police and fire departments. Mr. Archambo stressed that the city's costs are different from the private sector mainly because of the police and fire departments. He added that the focus is a recitation of looking at the two sets of numbers for the municipal and the private sectors. There are differences. It is not an apples to apples comparison.

Ald. Purins noted the issue of money saved and where it goes. He observed that if the city has years where there is a good claims history, that money stays in the reserve fund and those funds are never tapped for other city purposes. If that amount goes down the city can draw on the reserve fund. He would like to think about getting out of the fund business and the cash management business. He wondered if a fully insured policy would have an impact. Ms. Aldana responded that it would distribute the risk. It was hard to explain, but the underwriter has made a point that some cities like the ability to have a reserve because they have more control over the ups and downs.

Ald. Maher observed that there seem to be some interesting spikes in health claims. Ms. Aldana pointed out that claims tend to cycle about 3 to 5 years. Ms. Thomas added that there are times when the aldermen elect to take a risk and sometimes they are more conservative. Ald. Maher suggested that information on health claims trends would be really helpful during the budget process. Ms. Thomas noted that the consultant does a progression analysis back 3 years. She added that there are a lot of people that prognosticate claims in medical insurance. Ms. Aldana added that because the city has stop loss, typically a few higher claims will not impact the cost. The next year the increase would be reflected in the cost of the stop loss rates.

Discussion of labor negotiation strategies and parameters

Moved by Ald. Krill, seconded by Ald. Stepaniak to convene into closed session per Wis. Stat. 19.85(1)(e): Deliberating or negotiating the purchase of public properties, the investing of public funds, or conducting other specified public business, whenever competitive bargaining reasons require a closed session, and may reconvene into open session – 5

The committee convened into closed session at 7:54 p.m.

The meeting adjourned at 8:21 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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