



CITY OF WAUWATOSA
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EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, October 12, 2010

Council Chambers

PRESENT: Alds. Donegan, Ewerdt, Walsh, Organ, Berdan – 5

ALSO PRESENT: J. Archambo, City Admin.; B. Aldana, Asst. City Atty./HR Director;
M. Loy, Health and Prod. Coord.; C. Ledesma, City Clerk; K. Walbrant, Parks &
Forestry Supt.; R. Michelz, Traffic & Elec. Supv.; K. Hurst, Traffic & Maint.
Supv.; L. Nielsen, Nursing Supv.; Asst. Chief M. Anton, Fire Dept.; Asst. Chief
M. Carberry, Fire Dept.; Deputy Chief S. Erke, Fire Dept.; Deputy Chief B.
Rice, Fire Dept.; Cpt. D. Weiss, Police Dept.; Lt. C. Fox, Police Dept.; Ald.
Wilson; Ald. Wilke; Mayor Didier

Ald. Donegan as Chair called the meeting to order at 7:03 p.m.

Amendment to ordinance 2.58 relating to proposed changes in health insurance benefits for non-represented employees

The committee reviewed a memo from Ms. Aldana with two proposals being made for non-represented employees: 1) whether to increase the amount of cost sharing/premiums paid by non-represented employees; and 2) whether to eliminate the Choice plan (EPO) and offer a new health plan in 2011 that offers a Health Reimbursement Account.

Whether to increase the amount of cost sharing/premiums paid by non-represented employees effective 2011?

Ms. Aldana reported that employees pay a flat dollar amount as cost sharing/premium. The spreadsheet in the packet shows increases of total employee premium shares in the increments of 5%, 10%, or 15% as well as the revenue for the city.

Ms. Aldana advised that currently the cost share/premium is the same for any participant in the plan, represented or non-represented employees. There is context in the budget which adds an additional 10% to the dollars already paid by employees.

Ms. Aldana said the initial 2011 budgeted revenue for all employee contributions was \$205,008. An additional \$100,000 was added at Executive Review for a total budget line of \$305,008. This reflects 10% additional premium revenue from all city employees. Mr. Archambo suggested the \$100,000 is a conservative figure.

Ms. Aldana said that historically, the City has waited until after the union contracts settle before making changes to non-represented employees. She said that this is not required. She suggested that this year the non-represented group take the lead instead of following the unions. Ms. Aldana suggested to the committee that if they are inclined to make a substantial increase in premiums to allow a reaction time line. She suggested an effective date of mid-February 2011.

Ald. Donegan asked if the dollar amounts listed are based on the current year premiums. Ms Aldana said yes, and Mr. Archambo speculated the increase for 2011 rates could be about 6% which would be in addition to the amount listed.

Ms. Aldana reported that there is a comparable list of other cities' employee premium contributions included. She said it is her recommendation to convert to a percentage paid premium system where the employees contribute more. Mr. Archambo suggested a 10% increase.

Whether to eliminate the Choice plan (EPO) and offer two plans – the Choice Plus plan and the Choice Plus plan with an HRA

Ms. Aldana explained that the networks for the two current health plans are identical. Over time both plans have become similar due to two significant changes. Both plans have access to the broad network of UHC providers and both plans provide coverage for routine and preventive care. The Choice plan in the past was priced lower but after the City's health insurance consultant reviewed the two plans suggested that the Choice plan be priced higher than the Choice Plus because of design differentials. The City and the employee would both pay more if the Choice plan is continued. The recommendation is to eliminate the Choice plan.

Frank Kopecky from Willis Consulting, explained the new plan being recommended. The Choice Plus plan with an HRA differs from the Choice Plus plan in that the deductible structure is different with the health reimbursement account. Mr. Kopecky said that HRA plans are typically offered with a high deductible health plan with a single deductible of \$1,000 or more. The City would contribute funds into the account for an employee but would be owned by the City. The employees would use the HRA funds for reimbursement for qualified medical expenses such as deductibles, dental and vision expenses. Unspent funds in the HRA may be carried over to succeeding years. If the employee leaves employment the funds remain with the City. Ms. Aldana said HRA's create consumerism because employees are motivated to maintain funds wisely so over time funds can be accrued for when needed. Ms. Aldana said the HRA plan would cost less because of the structure.

The committee discussed the HRA and asked when an employee retires if they could still use their accrued balance. Ms. Aldana said it would depend on how the plan was set up. The flexible spending account (FSA) was also discussed and determined that it would probably be used before the HRA as it cannot be carried over into the next year.

Option 1 increases the deductible on the Choice Plus plan with HRA. The deductible is \$2,000 - \$4,000 with city contributions. Mr. Kopecky advised not going below the levels in option 2. Ms. Aldana said there has to be balance so that people will use the HRA plan. The new plan is to the city's advantage and gives employees an option. Ms. Aldana recommended that the Choice plan be eliminated and offer Option 2 to employees.

Several city employees expressed concern and displeasure that a decision to increase the non-represented group premiums before the unions settled their contract was being considered. Mike Anton and Bill Rice, Fire Dept.; Cris Fox and Dale Weiss, Police Dept.; and Lori Nielsen, Health Dept. shared these concerns:

- compression factor, the spread between labor and management pay and benefit levels has been a consistent concern and this would exacerbate it
- unfair perception, for non-represented employees to be provided a lesser benefit than those they supervise
- unknown factor of what could happen in the negotiation process

- Carlson-Dettman and Marshall Gratz both have stated it would be a poor precedent to set wages and benefits for supervisors below that of rank and file employees
- ability to attract top qualified employees from the rank and file into management positions would be challenging under these circumstances
- frustrated that the unions could settle with a different benefit package
- loss of good people who will hesitate taking promotions
- prior history of disparity was concerning
- fear of taking middle of the line people for promotions instead of the best, due to management penalty
- Health Care Reform act could affect the city's grandfather clause if benefits are significantly changed and could end up costing the city more money in the long run
- concerned that represented groups could settle with different co-pay or deductible package and then what, does this get passed along to the non-represented group

Mike Anton said they are not opposed to paying more, they just asked to delay this until the unions have been successfully negotiated with. He said it would be frustrating if the decision was made for a 10% insurance premium increase and the unions settle with less of an increase. Mr. Anton mentioned that in the other cities' employee premium contribution table, five out of seven of the cities mentioned pay less than 10% for their premium share.

Dale Weiss felt the comparables weren't a fair comparison. It would be more objective if you compared apples to apples. Cpt. Weiss asked if there is anything in the budget for a wage increase. Mr. Archambo replied nothing, other than the normal step increase. Cpt. Weiss also commented that this change would also affect the retirement package.

Ald. Donegan said the discussion on the table is the proposed premium increase, regardless of what happens with the union contract. It isn't about specific co-pays or deductibles or other coverage changes. Ms. Aldana said that is true at this time but commented that the Budget and Finance committee will be made aware of what happens with the unions and if they are so moved to make modifications at that time or plan design elements that could be taken up then.

Cpt. Weiss reported that in the past when insurance plan changes have been negotiated in the contracts, this have been applied to non-represented groups which affects their retirement package. If this change is not passed along to non-representatives, when they retire, they will inherit this change. Ms. Aldana noted that this is a scenario not thought of. She said that traditionally, both active employees and retirees have been covered under the same plan. Premium changes cannot be made once you retire. Different plans for different groups will make things more difficult administratively.

Mr. Archambo noted that these are all legitimate concerns. He noted that 80% of the budget is compensation. No one wants to pay more for health insurance and no one wants to lose any positions but something has to give. He said the compression issue can be reviewed and undertaken again. He was not convinced that the unions should be negotiating the pay for non-represented groups particularly their supervisors. Mr. Archambo recommended 10% contribution for the non-represented group and to eliminate the Choice plan by substituting the Choice Plus Plan with HRA.

Moved by Ald. Organ, seconded by Ald. Ewerdt to recommend approving the elimination of the Choice plan and substituting with the Choice Plus Plan with HRA – Ayes: 5

Moved by Ald. Ewerdt, seconded by Ald. Berdan to
recommend approval of the 10% increase in cost share/premiums
for non-represented employees effective Feb. 1, 2011 – Ayes: 5

The meeting adjourned at 8:45 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

mks