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EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, January 11, 2011

Council Chambers

PRESENT: Alds. Donegan, Ewerdt, Organ (7:24 P.M), Berdan, Walsh – 5

ALSO PRESENT: J. Archambo, City Admin.; B. Aldana, Asst. City Atty./HR Director; M. Loy, Health & Prod. Coord.

Ald. Donegan as Chair called the meeting to order at 6:34 p.m.

Ald. Donegan inquired if they could change the agenda order and take both items #1 and #2 in closed session. Ms. Aldana advised that contract ratification must be done in open session.

Acting Fire Chief Anton and Police Captain Weiss asked that clarity be provided on a ratification issue before the decision is made on the retiree health insurance for non-represented employees. The agenda will be taken in the order presented.

Update on negotiations

Moved by Ald. Walsh, seconded by Ald. Berdan to convene into closed session per Wis. Stat. 19.85(1)(c): Considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility, and 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. Ayes: 4

Ald. Organ present at 7:24 p.m. – (5)

Moved by Ald. Berdan, seconded by Ald. Walsh to reconvene into open session. Ayes: 5

The committee reconvened into open session at 8:01 p.m.

Proposed ratification of the 2011 – 2013 labor contract with the Wauwatosa Professional Firefighters Association

Moved by Ald. Walsh, seconded by Ald. Donegan to hold this item – Ayes: 3 Noes: 2 (Ewerdt, Berdan)

The committee recessed for a five minute break at 8:02 and reconvened at 8:07 p.m.

Retiree health insurance for non-represented employees

Ms. Aldana referred to her memo in the packet dated January 4, 2011 and went over the two structures that the City has for providing retiree health insurance benefits. She noted that as part of the 2008 changes to retiree health insurance contributions by the City, the City created a retirement health care savings account (RHCSA) for all employees. These accounts received a one-time lump sum payment from the City along with an annual opportunity to convert unused sick leave days into the account to help pay for retirement related health care costs.

Ms. Aldana explained how the fiscal impact was projected when looking at the four options presented. The City average of 6.75 years of retirement eligibility for health insurance was used. This number represents the average number of years between average retirement and Medicare eligibility for City retirees. The eligibility for City paid health insurance terminates upon Medicare eligibility. The other assumption is based on a 10% premium cost share for the City's most popular insurance plan, Choice Plus-PPO. The annual premium for this plan is \$18,522.00 for 2011 and at 10% the employees would pay \$1,855.20 annually. Ms. Aldana said that a March 1, 2011 implementation date is used in some options as an assumption only. The March 1, 2011 date is used to provide an impact analysis only.

In Option 1 the City makes no changes and employees hired prior to January 1, 2008 remain eligible for City paid health insurance up to 110% of the previous year's premium. There is no increase in revenues to the City under this option. This option results in approximately \$826,403 less in premium revenues than if the City charged a 10% premium for the remaining 66 employees who are eligible under the current 110% retirement health insurance benefit until they become Medicare eligible.

In Option 2 employees who retire after March 1, 2011 pay 10% of the premium until Medicare eligible. This option has the greatest fiscal impact potential for the City. If all of the 66 non-represented employees retire after March 1, then all 66 contribute 10% of the premium until Medicare eligible. This would result in an additional \$826,403 in revenue to the City over a number of years. This could extend over a period of 33 years as that would be the time the youngest member of the 66 would turn Medicare eligible.

The impact of Option 2 is diminished by the number of eligible employees who retire prior to March 1 to avoid the premium increase which would be a difficult number to project. Different scenarios were discussed on the potential number of retirees and when they retired and how the revenue would be impacted.

Under Option 3 the City would charge retirees who were hired before 2008 and retire at a future date, 10% of their retiree health insurance premium but grandfather certain groups of employees based on years of services. A table shown in the packet was discussed showing the difference in revenues.

In Option 4, the City would charge retirees who were hired before 2008 and retire at a future date a percentage of their retiree health insurance premium on a sliding scale based on the number of years of service. A table shown in the packet was discussed showing the different scenarios and revenue difference.

Asst. Chief Carberry asked the committee to consider an option different than what was recommended. He said the department is looking at two or three more openings which will leave staffing levels below the ICMA recommendations. He noted that the recommendation offers a double standard that union employees will pay less than non-represented causing further inequities. Asst. Chief Carberry asked the

committee to consider changing the plan so that non-represented employees will pay the same as union employees.

Police Cpt. Dale Weiss said that the recommendation is less generous than what the fire department agreed to in their contract. The non-represented already are being affected by the increased insurance premium to 10% effective February 1, 2011.

Cpt. Weiss expressed concern that supervisors would have a benefit package significantly less than those they supervise. He noted that when an individual under the age of 65 retires the City will be paying their insurance as well as paying insurance for their replacement. He questioned the revenue figures presented.

Mr. Loy explained to the committee that with the recommendation made the intent is for the individual(s) that have 25 years of service as of July 1, 2011, the City will continue to provide retirement health insurance at 110% no matter when they retire as long as they are not Medicare eligible. This recommendation would also include age eligible individuals within WRS. Mr. Archambo said that employees hired prior to 2008 and having less than 25 years of service could opt to retire before July 1, 2011 under this recommendation. There are approximately 15-25 employees who fall into this category.

Ald. Organ asked staff why they didn't recommend option #4. Ms. Aldana reported that administratively and economically it made more sense to lump a couple of options together for their recommendation. She noted that different strategies of the plans will have an effect on the numbers presented. There are many scenarios that could potentially change the figures.

Discussion ensued as to the other options and why they weren't being recommended. Mr. Archambo said that they had to draw the line somewhere at the years of service and he drew the line at 25.

Acting Chief Anton asked as a member of the employee council, that the committee consider the fact that there are good employees that have between 20 -25 years who would be negatively impacted by this recommendation. He expressed concern that these individuals will be pushed out of a position without a proper amount of time to make that decision. He felt the City would benefit with having a benefit for non-represented with the same or enhanced benefits for senior management in order to attract qualified individuals for management positions.

The committee discussed the two dates mentioned in the options of March 1, 2011 and July 1, 2011. Ms. Aldana noted the March 1 date was used for the financial statement. This was not a date she necessarily was recommending. Mr. Archambo answered a question from Ald. Donegan that a three-month window is probably appropriate to allow the employee time to get their paperwork in order.

Cpt. Weiss advised that 19 of the non-represented employees are police department supervisors of which five would be grandfathered with the recommendation. He did not feel that this would be fair that these hard working individuals could be in a totally different retiree program than the represented employee. The health insurance will already impact these individuals in February. He expressed concern that the City will not be able to recruit qualified candidates to supervisory ranks due to this. Cpt. Weiss asked the committee to consider this and make it fair even if it makes more work.

Asst. Chief Carberry felt that option number four with a sliding scale for those with 23 or 24 years of service, would cut down on the inequality of the 15 or 25-year cut off.

Hank Wendt, Firefighter Local 1923, reported on a comment made previously by Ald. Donegan saying it would be highly unethical to go after tenured employees, although there was a need to address the cost in health care. Mr. Wendt noted that this issue needs to be addressed. He felt it is unethical to after an

employee who has 15 or 20 years in on the job and change the rules. He asked the committee to consider this. He acknowledged the need for some employee sharing and he felt this has been recognized.

Mr. Loy reminded the committee that the RHCSA plan that was put into place in 2008, would help cover the extra insurance exposure when retiring.

Moved by Ald. Ewerdt, seconded by Ald. Berdan to recommend amending City Ordinance 2.52.080 (B) and 2.58.130 (B) that employees who have 25 years of service as of July 1,2011 will continue to have City provided retirement health insurance at 110% of the preceding year's premium. Those who were hired prior to 2008 and have less than 25 years of service as of July 1, 2011 and qualify for retirement health insurance will pay the same premium cost sharing amount as active employees for their retirement health insurance premium.

Ald. Walsh commented that the fairness issue is a concern to him. He felt there is a need to step back and do some more investigation into the dollar amounts mentioned. The sliding scale in option four should be looked at more thoroughly. He asked that a more simplified document be prepared.

Ald. Organ asked why there is a different expectation for the non-represented employees. Ald. Donegan said it is his opinion that they do have the same expectation. He said if the represented employees come back with a different package he would be disappointed. He noted that if the City doesn't get the 10% insurance cost share, it is because we, the city, fear that we would lose in arbitration.

Ald. Donegan felt that a 10% insurance cost share is an extremely generous benefit to the employees. He said the City will be getting the right thing done where they can by making the non-representatives pay more and although it does create an inequality it is the right thing to do by the taxpayers. Ald. Donegan commented that guaranteed pensions and post-retirement benefits left the private sector back in the 80's.

Vote on the motion: Ayes: 4 Noes: 1 (Walsh)

The meeting adjourned at 9:02 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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