

BOARD OF ALDERMEN

ITEM NO. D(3)

AGENDA ITEM ABSTRACT

MEETING DATE: June 5, 2007

SUBJECT: Town Code Amendment Revising the Personnel Ordinance Pertaining to Retiree Health Insurance for Fiscal Year July 1, 2007 – June 30, 2008

DEPARTMENT: Human Resources	PUBLIC HEARING: No
ATTACHMENTS: A. Proposed Ordinance B. Current Ordinance C. Retiree Power Point Presentation from February 2007	FOR INFORMATION CONTACT: Desiree White – 918-7321 or Steven Stewart – 918-7315

PURPOSE

The purpose of this item is to present to the Board the changes to the Personnel Ordinance that would be required should the Board approve the staff's recommendation to modify the current provisions of retiree health insurance for fiscal year 07-08.

INFORMATION

During budget discussions in 2006, staff advised the Board that based on current trends some modifications would need to be made to the retiree health insurance plan to keep the coverage affordable for all plan participants.

In February 2007, staff, in conjunction with the Town's health insurance broker, Hill, Chesson, and Woody, presented to the board some minor modifications to the Town's retiree health insurance plan (copy of presentation attached). These changes were proposed in an effort to keep the coverage affordable for the Town, active members, and retirees. The recommended changes are as follows and would become effective July 1, 2007:

- Active employees would remain on the Town's group plan;
- Non-Medicare eligible retirees hired prior to July 1, 2007 would remain on the Town's group plan;
- Medicare eligible retirees (due to Medicare age) hired prior to July 1, 2007 would be transferred to a Town group Medicare Supplement Plan;
- Future retirees hired on or after July 1, 2007 would be provided a stipend.

The issue concerning retiree health insurance is two-fold. There is the short term impact on the Town's current insurance rates and the long term impact as referenced in the Town Manager's memo on insurance for part-time employees.

FISCAL IMPACT

The proposed budget is based upon implementing the changes in retiree health insurance and includes a 13% increase in health insurance premiums as written in the Manager's budget message. If these changes are not implemented, the increase would be 15%, costing the Town nearly \$14,000 for the

individual premiums for all covered employees. In addition, the expense to employees with dependent coverage would increase as well. Employees with one dependent covered would pay an additional \$60.00 annually, and the premium for employees with family coverage would have an annual increase of \$86.00. These increases would be in addition to the 13% increase already expected by these employees.

If the Board chooses not to take action on this item at this time, there will not be sufficient time for staff and the insurance broker to make the adjustments necessary to move the current retirees to the Medicare Supplement Plan for the fiscal year 07-08.

RECOMMENDATION

The staff recommends that the Mayor and Board of Aldermen receive this report and approve the attached ordinance changes.