



Legislation Text

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DATE: May 15, 2019

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Kristine Brock, Assistant City Administrator/CFO
Kevin Townsel, Human Resources Director

SUBJECT:

Consideration of Resolution 2019-54 Establishing the City's Contribution to Health Care Coverage for Retirees Electing Option II Coverage. (05/28/19 WS)

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information to consider Resolution 2019-54, which will establish a new policy related to the City of Franklin's contribution to the retiree health insurance coverage.

Background

The City currently contributes \$200 toward the monthly premium for eligible retirees with single coverage and \$500 to the monthly premium for all other plan tiers in Option II. Option II health insurance coverage ends when the retiree reaches age 65 and transitions to Medicare. The City contribution rate has remained unchanged since 2012 while total premiums for retiree health care have increased. Staff is proposing a change in calculating the City's contribution to retiree health care by which the City would contribute 40% of the premium for both single and other plan tiers that include dependent coverage. This change would become effective July 2019.

Currently, there are 30 retirees participating in the Option II Retiree Health Plan, of which 91% select either Single (11 retirees) or Retiree + Spouse (16 retirees) plan. One retiree has a plan including children and two retirees have family plans.

Financial Impact

Assuming current enrollment, the estimated financial impact for FY 2020 is additional city expense of \$19,459 above the current contribution. The actual expense will be dependent upon the actual number of enrollees during the year and the plans they select. For the two most popular plans, single retirees will benefit from an additional monthly city contribution of \$51.32 and retiree + spouse plans will receive additional city contribution of \$33.88 per month. The net amount paid by retirees may increase if the total premium increases more than the additional city contribution when moving from a flat rate system to a percentage of premium cost share.

Recommendation

Approval of the attached resolution is recommended which would establish a funding policy of a City contribution of 40% towards retiree health insurance.