



Council Item of Special Interest

Retiree Healthcare

February 27, 2024





Scope of Work

- History of Retiree Health
 - 7/1/2013 Discontinued Subsidizing
 - 07/01/2018 Discontinued offering retiree coverage to new retirees
- What we currently offer to new retirees
- Proposed Retiree Health Care Plans



History of Retiree Health

- July 1, 2013
 - City stopped subsidizing retiree healthcare premiums
- April 17, 2018 - Budget Workshop
 - Council discussed the financial impact of the retiree health and other options for retirees
- July 1, 2018
 - Discontinued offering retiree health to new retirees



What We Currently Offer

- Retiree Health Reimbursement Account
 - Post retirement account more commonly referred to as a Health Reimbursement Account (HRA)
 - City Wide Plan - Non-Sworn
 - 100% of Sick Leave paid at 50% avg. hourly rate plus Vacation hours above 160 paid at current hourly rate at retirement
 - FOP Plan
 - 100% of Sick Leave paid at 50% avg. hourly rate at retirement
 - Employee contributes 1% from years 8-15 and 2% 16 years +
 - Fire MOU
 - 100% of Sick Leave paid at 50% avg. hourly rate at retirement
 - Union members receive \$125.00 per pay period into their HRA



Average Payout At Time Of Retirement

Assumption: Eligible to retire January 2024 with 20 years of service.

| | Sick Payout | Vacation Payout | HRA Balance | UFFT | Total |
|----------------|-------------|-----------------|-------------|---------|----------|
| City-Wide Plan | \$30,791 | \$12,825 | N/A | N/A | \$43,616 |
| FOP Plan | \$22,398 | N/A | \$13,683 | N/A | \$36,081 |
| Fire MOU Plan | \$17,668 | N/A | \$51,838 | \$2,000 | \$71,506 |



Average Cost of COBRA

- COBRA is the same plan as active employees. Full cost plus 2% Administration fee.
- Medical Only (Average Cost)
 - Emp Only = \$592.76
 - Emp + One = \$1,195.47
 - Emp + Fam = \$1,908.20
- Average payout covers the cost of COBRA on any tier for up to 18 months.
- *Rates include ASRS/PSPRS Subsidy



Brown & Brown Consulting

- Retiree Health Plan Model
 - Retiree Eligibility
 - Benefit Offerings
 - Rate Summary
 - Financial Analysis
 - Benefit Obligations
 - 20 Year Projection



Retiree Eligibility

Retiree eligibility requirements

- Analysis conducted based on retirement with at least 20+ years of service (at least 10 years with Glendale immediately prior to retirement)



Benefit Offerings

- Analysis reflects plan offerings and employer subsidy model currently utilized by City of Mesa

| Coordination of Benefits Model | | |
|--------------------------------|---------------|--|
| Pre-Medicare | Plan offering | Same Medical/Dental/Vision plans as Actives |
| | Plan Subsidy | Individual coverage: \$464/month Family coverage: \$1,040/month |
| Medicare | Plan offering | Same Medical/Dental/Vision plans as Actives; Medical benefits coordinate with Medicare |
| | Plan Subsidy | Individual coverage: \$464/month Family coverage: \$1,040/month |

Comments/Considerations:

- Plan subsidies reflect current maximum contributions by City of Mesa for retiree coverage
- Familiarity for retirees with current plan offerings – including provider access
- Can be significantly more costly than other options available in the retiree market
- Employer Group Waiver Plan (EGWP) offered to Medicare-eligible retirees for Rx coverage instead of continuing active Rx plan



Rate Summary

| Retiree Rates – Under 65 | | | | | |
|---|------------------|-----------------|------------------------|--------------|----------------------|
| Health Plans | Coverage Level | Monthly Premium | MAX ASRS/PSPRS SUBSIDY | CITY SUBSIDY | RETIREE CONTRIBUTION |
| Blue Cross Blue Shield EPO | Retiree Only | \$1,349.03 | (\$150.00) | (\$464.00) | \$735.03 |
| | Retiree + One | \$2,698.05 | (\$260.00) | (\$1,040.00) | \$1,398.05 |
| | Retiree + Family | \$4,047.08 | (\$260.00) | (\$1,040.00) | \$2,747.08 |
| Blue Cross Blue Shield PPO | Retiree Only | \$1,212.70 | (\$150.00) | (\$464.00) | \$598.70 |
| | Retiree + One | \$2,425.43 | (\$260.00) | (\$1,040.00) | \$1,125.43 |
| | Retiree + Family | \$3,638.13 | (\$260.00) | (\$1,040.00) | \$2,338.13 |
| Blue Cross Blue Shield High Deductible Plan | Retiree Only | \$944.51 | (\$150.00) | (\$464.00) | \$330.51 |
| | Retiree + One | \$1,889.03 | (\$260.00) | (\$1,040.00) | \$589.03 |
| | Retiree + Family | \$2,833.55 | (\$260.00) | (\$1,040.00) | \$1,533.55 |

| Retiree Rates – Over 65 | | | | | |
|---|------------------|-----------------|------------------------|--------------|----------------------|
| Health Plans | Coverage Level | Monthly Premium | MAX ASRS/PSPRS SUBSIDY | CITY SUBSIDY | RETIREE CONTRIBUTION |
| Blue Cross Blue Shield EPO | Retiree Only | \$1,155.18 | (\$150.00) | (\$464.00) | \$541.18 |
| | Retiree + One | \$2,310.32 | (\$260.00) | (\$1,040.00) | \$1,010.32 |
| | Retiree + Family | \$3,465.50 | (\$260.00) | (\$1,040.00) | \$2,165.50 |
| Blue Cross Blue Shield PPO | Retiree Only | \$1,041.90 | (\$150.00) | (\$464.00) | \$427.90 |
| | Retiree + One | \$2,083.79 | (\$260.00) | (\$1,040.00) | \$783.79 |
| | Retiree + Family | \$3,125.69 | (\$260.00) | (\$1,040.00) | \$1,825.69 |
| Blue Cross Blue Shield High Deductible Plan | Retiree Only | \$819.98 | (\$150.00) | (\$464.00) | \$205.98 |
| | Retiree + One | \$1,639.95 | (\$260.00) | (\$1,040.00) | \$339.95 |
| | Retiree + Family | \$2,459.93 | (\$260.00) | (\$1,040.00) | \$1,159.93 |



Financial Analysis

| Benefit Obligation (Actives as of July 1, 2024) | | |
|---|------------------------|-------------------------|
| | 75% Participation Rate | 100% Participation Rate |
| OPEB Liability | \$238,320,000 | \$317,760,000 |
| OPEB Expense | \$23,195,000 | \$30,927,000 |

- Retiree-only rates developed based on claims experience for Glendale’s active plans and age-adjusted
- Plan subsidies assumed to be \$464 and \$1,040 (Individual/Family)
- Balance sheet liabilities shown above reflect multiple assumptions:
 - Assumes trend applied to the plan subsidy
 - 6.5% annual trend grading to 5.0% over seven years
 - Participation rates for retirees meeting eligibility requirements upon retirement:
 - 75%
 - 100%



Financial Analysis – 20-year Projection

| 20-Year Benefit Payment Projection | | | | | |
|------------------------------------|---|---------------------------|------------------------|-------------------------|-------------------------|
| Year | Expected # Retirements (Closed Group Valuation) | Expected Benefit Payments | | | |
| | | No Trend | | With Trend | |
| | | 75% Participation Rate | 75% Participation Rate | 100% Participation Rate | 100% Participation Rate |
| 2023 | 50 | 209,553 | 209,553 | 279,404 | 279,404 |
| 2024 | 49 | 618,675 | 658,889 | 824,900 | 878,519 |
| 2025 | 46 | 1,005,570 | 1,137,865 | 1,340,760 | 1,517,153 |
| 2026 | 48 | 1,384,196 | 1,660,283 | 1,845,595 | 2,213,711 |
| 2027 | 50 | 1,776,466 | 2,253,314 | 2,368,621 | 3,004,419 |
| 2028 | 48 | 2,167,054 | 2,899,926 | 2,889,405 | 3,866,568 |
| 2029 | 45 | 2,531,999 | 3,566,178 | 3,375,999 | 4,754,904 |
| 2030 | 39 | 2,855,081 | 4,222,281 | 3,806,775 | 5,629,708 |
| 2031 | 40 | 3,153,914 | 4,897,425 | 4,205,219 | 6,529,900 |
| 2032 | 38 | 3,446,378 | 5,619,144 | 4,595,171 | 7,492,192 |
| 2033 | 39 | 3,731,140 | 6,387,605 | 4,974,853 | 8,516,807 |
| 2034 | 37 | 4,009,417 | 7,207,209 | 5,345,889 | 9,609,612 |
| 2035 | 38 | 4,277,212 | 8,073,018 | 5,702,949 | 10,764,024 |
| 2036 | 37 | 4,538,015 | 8,993,533 | 6,050,687 | 11,991,377 |
| 2037 | 34 | 4,780,019 | 9,946,799 | 6,373,359 | 13,262,399 |
| 2038 | 32 | 4,997,072 | 10,918,392 | 6,662,763 | 14,557,856 |
| 2039 | 31 | 5,194,896 | 11,918,159 | 6,926,528 | 15,890,879 |
| 2040 | 30 | 5,376,705 | 12,952,030 | 7,168,940 | 17,269,373 |
| 2041 | 31 | 5,550,852 | 14,040,114 | 7,401,136 | 18,720,152 |
| 2042 | 33 | 5,730,757 | 15,219,914 | 7,641,009 | 20,293,219 |



Pre-65 Compared to ASRS

Assumes all applicable subsidies

| Glendale Pre-65 | Single | Single +1 | Family |
|-----------------|----------|-----------|-----------|
| EPO | \$735.03 | \$1398.05 | \$2747.08 |
| PPO | \$598.70 | \$1125.43 | \$2338.13 |
| HDHP | \$330.51 | \$589.03 | \$1533.55 |

| ASRS Pre-65 | Single | Single +1 | Family |
|-------------|------------|------------|------------|
| Plus PPO | \$1,258.00 | \$2,556.00 | \$3,682.00 |
| Premier | \$982.00 | \$2,004.00 | \$2,910.00 |
| Value | \$736.00 | \$1,512.00 | \$2,221.00 |
| Economy | \$510.00 | \$1,060.00 | \$1,588.00 |



Post 65 Compared to ASRS

Assumes all applicable subsidies

| Glendale Post-65 | Single | Single +1 | Family |
|------------------|----------|-----------|-----------|
| EPO | \$541.18 | \$1010.32 | \$2165.50 |
| PPO | \$427.90 | \$783.79 | \$1825.69 |
| HDHP | \$205.98 | \$339.95 | \$1159.93 |

| ASRS Post-65 | *Single | *Single +1 | *Family |
|---------------|---------|------------|----------|
| Advantage HMO | \$0.00 | \$0.00 | \$48.10 |
| Advantage PPO | \$14.25 | \$58.50 | \$172.75 |

*Assumption is all enrollees are Medicare Eligible



QUESTIONS?

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