

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 7, FILE # 041592

JUNE 29, 2005

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File # 041592 is a substitute resolution relating to health benefits at the time of retirement for certain sworn fire and police management employees.

Background

1. This resolution allows all new sworn fire and police management employees hired after January 1, 2004 to pay for retiree health insurance based on their sick leave balances, the same as Local 215, the Milwaukee Police Association and the Milwaukee Police Supervisor's Association.
2. This resolution will amend a previous resolution related to health care benefits for retired management employees, **File # 020479**.
3. **File # 020479** approved a health insurance rate structure for eligible management employees less than 65 years of age selecting retirement after January 1, 2004 that would be identical to active management employees. This resolution authorized the establishment of a new monthly rate structure for City of Milwaukee management employees, *including police and fire management employees*, who take retirement on, or after, January 1, 2004 and are under 65 years of age. The change in the rate structure makes the retiree rates the same as the rates for active management employees until the retiree reaches age 65 years.

Discussion

1. This resolution will allow all new sworn fire and police management employees hired after January 1, 2004 to pay for retiree health insurance based on their sick leave balances, using a formula related to the number of hours of sick leave accrued at the time of retirement.
2. The retiree share of the monthly health care premium for sworn personnel is calculated as a percentage. Currently, Local 215, MPA and MPSO members pay for retiree health care premiums ranging from 35% to 0% per month.
3. The accrued sick leave provides the benchmark for the calculation of the city share and the retiree share until the fire or police retiree reaches age 65.
4. The policy effect of the resolution will carve out police and fire management employees and return their health care benefit status to the time prior to the adoption of File # 020479. Adoption of this resolution will also assuage concerns, especially in the fire department ranks, that the benefit of accrued sick leave for retirement health care benefit premium offset will disappear upon

promotion to the management ranks. This resolution will affect 34 fire department managers and 7 police department managers.

The city, per union contract, will continue to pay, at a minimum, 65% of the cost of the monthly premium of the retiree Basic Plan rate toward the health insurance provider that the retiree chooses.

Fiscal Effect

1. The fiscal effect of this resolution is difficult to determine with any degree of certitude given the continuing change in the cost of health care from year to year.
2. Willis of Wisconsin, at the request of the Finance and Personnel Committee Chair, conducted an actuarial study of the use of health care benefits by police and fire retirees in order to determine the potential fiscal effect of the adoption of this resolution. *This study was based upon 2005 costs for health care coverage.* The findings are as follows:
 - Moving police and fire management employees to the union retirement benefit will not have a significant cost impact to the city
 - A cost increase of \$15,000 annually (based upon the current rates for insurance) to the city will result if the 41 police and fire managers are returned to the union system
3. Certain variables, their change unknown at this time, may affect the fiscal projections stated and may result in either greater or lesser annual costs to the city:
 - The distribution of retirees selecting a particular health plan
 - The increases in health coverage from year to year
 - The rate relationship between the Basic Plan and other health plan choices
 - The amount of unused sick leave days accumulated by future retirees
 - Changes in health care coverage and respective payments that may occur as a result of collective bargaining

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LRB-Fiscal Review Section
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