

Reply to Common Council File No. 020479
From DOA-Budget and Management Division

July 2, 2002

Ref: 02013(39)

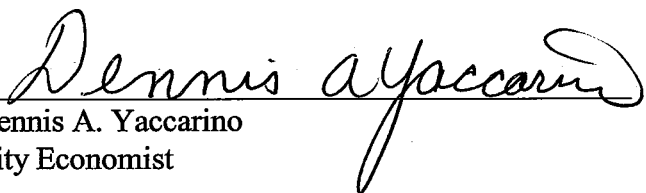
Common Council file 020479 contains a resolution approving a health care insurance rate structure for eligible management employees under 65 years of age selecting retirement after January 1, 2003 that would be identical to active management employees.

Currently, many retirees that are under 65 years old receive free health insurance. Some of the retirees pay a portion of their health care costs based on a formula that uses sick leave and service years. Most of the retirees in this category choose the more expensive basic plan.

Savings are estimated to be \$100,000 in year one of this proposal. This is based on the retirement of 50 management employees in 2003. It will take 10 years for this proposal to be fully implemented. In the end, \$1 to \$1.4 million will be produced in savings. Additional savings may be achieved in the more competitive nature of health care provider selection for management retirees.

Retirees will still be able to choose a free health care provider alternative. The amount above the low costing provider will be paid by the retiree. This policy is consistent with the policies for active managers.

RECOMMENDATION: ADOPT COMMON COUNCIL RESOLUTION 020479 THAT APPROVES A HEALTH CARE INSURANCE RATE STRUCTURE FOR MANAGEMENT RETIREES BEGINNING IN 2003.


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