

MINUTES

METROPOLITAN EMPLOYEE BENEFIT BOARD

STUDY & FORMULATING COMMITTEE

December 15, 2011

The Metropolitan Employee Benefit Board's Study & Formulating Committee met on Thursday, December 15, 2011 at approximately 9:00 a.m., in Room 163, Civil Service Conference Room in the 222 Building.

Committee Members present: Chair: Dorothy Shell-Berry; Vice-Chair: Gerald Nicely; Members: Steve Farner, Betty Nixon and Bruce Sullivan.

Other Members present: Shannon Hall, Metro Human Resources, Margaret Darby and Nicki Eke, Metro Legal Department.

Dorothy Shell-Berry called the meeting to order and noted the corrected/revised minutes from the September 30, 2011 meeting. Ms. Berry asked if there were any amendments, corrections or questions of the minutes from the last meeting held on October 20, 2011. With no corrections, Bruce Sullivan moved for approval of the minutes. Steve Farner seconded and the Committee approved without objection.

The Human Resources staff submitted the following for the Committee's consideration and appropriate action:

1. New public comments regarding employee benefits.

Bruce Sullivan reviewed a summary of the final numbers from June 30th from the Metro financial statements with the Committee. He reviewed the year end balances showing the accrued actuarial liability, the unfunded and unrecorded OPEB liability, the allotted budget and potential net assets.

There was also some discussion of annual contributions to the plan.

It was also noted that staff is still in negotiations towards obtaining a consultant for the Committee.

2. Committee deliberation on items raised at previous meeting(s).

The Committee began review of the summaries for the items presented for the Committee's review.

The Committee discussed the retiree medical benefits – vesting, (M5), and retiree medical benefits – members who leave employment before retirement (deferred vested) (M6).

Shannon Hall noted that items M5, retiree medical benefits – vesting and M6, retiree medical benefits – members who leave employment before retirement (deferred vested), can be looked at independently, but they go hand in hand based on any recommendation made on vesting, (M5).

There was discussion of obtaining a cost on the potential savings related to M6, retiree medical benefits – members who leave employment before retirement (deferred vested) and industry norms.

David Shaub, actuary, Bryan, Pendleton, Swats and McAllister, stated that re-entry provisions are less common in the private sector versus the public sector.

The Committee discussed a scenario related to M6, retiree medical benefits – members who leave employment before retirement (deferred vested), how the provision came to be, age of re-entry and an increase in that number when vesting (M5) was changed.

There was discussion of the procedure(s) the Committee should take regarding the proposals and recommendations made by the Committee and the final report to the Benefit Board.

Bruce Sullivan moved to accept the proposal on retiree medical benefits – vesting (M5) to establish 10 year vesting for retiree medical care benefits at retirement. Betty Nixon seconded and the Committee approved without objection.

It was noted that the Committee will review what is being voted on for those individuals that are present. Also, individuals will be able to speak on items before the final report is submitted to the Benefit Board.

On the retiree medical benefits – members who leave employment before retirement (deferred vested) (M6), the Committee reviewed the groups/populations that would be affected by this change.

Margaret Darby stated that if the proposed change was approved, it would not affect current vested employees only those hired and who have not vested.

Shannon Hall clarified the nature of the request, which was to study the cost and liability of and to eliminate retiree medical care benefits at retirement for those who defer vest their pension benefit rather than retire directly from their Metro employment.

There was clarification that this proposal only applies to the medical benefits.

There was discussion of the cost effectiveness of the change as proposed and with various caveats.

Danny Hale, Fraternal Order of Police, (FOP), addressed the Committee regarding this proposal and a prorated benefit system (item M1, retiree medical benefits – pensioner contribution rate for Metro health plan based on years of service).

The Committee was in agreement that there needs to be additional information on the proposal regarding retiree medical benefits – members who leave employment before retirement (deferred vested) (M6) and retiree medical benefits – pensioner contribution rate for Metro health plan based on years of service (M1).

The Committee clarified use of the term vesting or vested when referencing benefits.

Betty Nixon moved to develop a more detailed plan for item M1, retiree medical benefits – pensioner contribution rate for Metro health plan based on years of service, at the 10 year point for future employees and those not vested. Gerald Nicely seconded.

After clarification of the groups/populations that the proposal applies to, a vote was taken on the motion and was approved without objection.

On item M2, retiree medical benefits – eliminate retiree medical coverage post 65 (at Medicare age), the Committee discussed coordination of benefits, subsidies, cost sharing and the cost effectiveness of such a change/potential savings. The Committee requested information on how other governments handle Medicare eligibles.

The Committee reviewed item M3, retiree medical benefits – Medicare Part D. The Committee discussed the proposal to have all pensioners and dependents to have a Medicare Part D policy, coordination of benefits, subsidies, and cost effectiveness of such change/potential savings. The Committee requested additional information related to costs.

Shannon Hall reviewed item M4, retiree medical benefits – retiree opt out, which would allow retirees, who have proof of other medical coverage the option to opt out of Metro's plan. After some discussion of how many that may be affected and the ability to opt back in, Steve Farner moved for approval of the recommendation to allow retirees and their dependents to option to opt out of Metro's health plans with proof of other health coverage. Betty Nixon seconded and the Committee approved without objection.

Shannon Hall reviewed item P1, service pension vesting. She gave an overview of the current benefits and stated that the proposal is to change service pension vesting to 10 years. Ms. Hall also noted that the Committee has already acted on the medical portion related to this item, M5. Bruce Sullivan moved to approve the proposal to change service pension vesting to 10 years. Steve Farner seconded and the Committee approved without objection.

On item P2, service pension – earning change for pension calculations, Shannon Hall reviewed how the benefit is currently calculated and the proposal/request to modify the formula to calculate the benefit based on the 36 highest consecutive months of earnings. The Committee discussed the pros and cons of such a change, the impact on the plan and how other public sectors calculate a benefit. After discussion of the impact on the budget, Betty Nixon moved to recommend no change in the average high earnings for pension calculations. Gerald Nicely seconded.

Doug Collier, Service Employees International Union, (SEIU), addressed the Committee regarding this change and how it measures up to the private sector.

After some discussion on obtaining additional information related to industry standards, Betty Nixon amended her motion to include getting additional information on how other governments calculate this benefit. Gerald Nicely accepted the amendment to the motion to recommend no change in the earnings for pension calculations, but get information on industry standards for other governments and the Committee approved without objection.

The Committee reviewed the current benefit for item P3, service pension – compound cost of living adjustments for Divisions A & B and the proposed change to allow all cost of living increases to be compounded from year to year. The Committee requested additional information on what other government agencies are doing.

The Committee reviewed item P4, disability pensioners – cost of living adjustments and the proposed modification to grant disability pensioners an annual cost of living adjustment. After discussion of the rationale as to why disability pensioners are not granted an annual cost of living adjustment, Steve Farner moved to have the Benefit Board review this item. Bruce Sullivan seconded.

After some discussion of forming a policy to allow for an annual cost of living increase for disability pensioners tied to active employees, a vote was taken on the motion to have the Benefit Board review cost of living adjustments for disability pensioners and was approved without objection.

The Committee discussed the suggested proposal for item P5, service pension – cost of living adjustment increase for Division B, to increase the cost of living for Division B to match Division A. After discussion of the differences in the two plans and the significant increase of contributions to the plan, Bruce Sullivan moved to recommend no increase in the cost of living adjustments for Division B. Gerald Nicely seconded and the Committee approved without objection.

Shannon Hall reviewed the current benefit on item P6, service pension – employee contribution to pension plan. The Committee discussed the proposal to have employees contribute to the pension plan at some level again. Gerald Nicely moved to recommend no change in employee contributions to the pension plan. Steve Farner seconded.

After some discussion of the groups/population affected by such a change, a vote was taken on the motion not to recommend employee contributions to the pension plan and was approved without objection.

The Committee reviewed the proposed modification on item P7, service pension - increase the multiplier for general government to increase the multiplier for at least the first 25 years of service or for all employees for all service. After discussion of the differences with general government and police and fire employees, Betty Nixon moved not to recommend an increase in the multiplier for general government employees. Bruce Sullivan seconded and the Committee approved without objection.

Shannon Hall reviewed the request, item P8, service pension – defined contribution plan for new employees. The Committee discussed creating, transition and portability of such a plan. The Committee also discussed pros and cons of a defined contribution plan. Bruce Sullivan requested additional information regarding a defined contribution versus defined benefit plan, set up and transition to a defined contribution for new employees.

At this time the Committee took a break and then reconvened with the remaining items.

Doug Collier, SEIU, addressed the Committee regarding a request to bring in their consultants. He also presented information related to 401k programs, private sector and government defined contribution versus defined benefit plans.

Clyde Smith addressed the Committee regarding defined contribution versus defined benefit plans.

The Committee discussed the next meeting date, which is set for January 19th, and possibly scheduling additional meeting time.

With nothing further presented, the meeting was adjourned at 11:46 a.m.

ATTEST:

APPROVED:

***Mrs. Rita Roberts-Turner, Director
Human Resources***

***Mrs. Dorothy Shell-Berry, Chair
Study & Formulating Committee***