

**MINUTES**  
**METROPOLITAN EMPLOYEE BENEFIT BOARD**  
**STUDY & FORMULATING COMMITTEE**

**April 8, 2015**

The Metropolitan Employee Benefit Board's Study & Formulating Committee met on Wednesday, April 8, 2015 at approximately 2:00 p.m., Sonny West Conference Room, Howard Office Building, 700 2<sup>nd</sup> Avenue North, Nashville, TN.

Committee Members present: Chair: Michael Shmerling; Member(s): Debra Grimes, Glenn Farner, Jr., and \*Ivanetta Samuels.

Vice-Chair: Lucia Folk was unable to be present.

Benefit Board Member(s) present: Doug Clariday, Veronica Frazier, B.R. Hall, Edna Jones and Richard Riebeling.

Other(s) present: Justin Stack, Metro Human Resources and Nicki Eke, Metro Legal Department.

Michael Shmerling called the meeting to order and asked if there were any amendments, corrections or questions of the minutes from the last meeting held on January 23, 2015. With no corrections, Debra Grimes moved for approval of the minutes. Glenn Farner seconded and the minutes were approved without objection.

Please note that some of these items were not necessarily discussed in order with the agenda and some items were combined.

1. Committee review of historical and future trends in Metro health care cost.

Michael Shmerling gave a recap of the previous presentation from the PEW organization regarding Metro's retirement benefits and healthcare costs and funding of those costs.

2. Discussion of potential options for reducing unfunded liability.
4. Consideration of a new benefit in the form of "lump-sum payout" option for all existing employees.

David Shaub and Kevin Sullivan, Bryan, Pendleton, Swats & McAllister, were present and discussed the lump-sum payout option, and potential changes in health care offerings for new employees only.

Kevin Sullivan stated that the concept of the lump sum payout is to offer a lump sum settlement for deferred vested participants (no longer with Metro but have not started the pension benefit). He stated that this would be voluntary and they would receive a lump sum payment for the pension benefit and also forgo the ability to come back and receive retiree medical benefits. He also noted that there a number of issues and conditions associated with this option. He reviewed the current total deferred vested participants (3,300) the present value of the pension benefits they are eligible to receive at a later time (135.1 million) and the retiree medical (232.2 million) benefit. He also stated that any potential savings would be exclusively on the retiree medical side.

Kevin Sullivan reviewed an analysis of the current and new deferred vested participants, the age range and estimated number of deferred vested participants, the pension lump sum payout and the estimated post retirement liability. He also reviewed an analysis of the financial impact showing savings based on an estimated acceptance rate, lump sums paid and the estimated reduction to the post-retirement liability.

Kevin Sullivan reviewed some design considerations for the voluntary lump sum. He reviewed limitations on the amount that a member can get, total amount paid in a year and time to normal retirement date, (is the voluntary lump sum only for deferred vested or an option for members who are at or near normal retirement date). He also reviewed some design considerations that would be difficult to administer

(partial and the option to pay back lump sum) and indicated they should not be allowed. He stated that spousal consent is not required by government plans and should not be required. He also reviewed having a one-time option or always available allows an individual to select against the plan and communications to the existing deferred vested and annually to new deferred vested.

\*Denotes the arrival of Ivanetta Samuels.

There was some discussion of making the lump sum payout option mandatory for new employees and how many would have an interest in such an option, potential age discrimination issues with the limitation on the retirement date and communications.

3. Consideration of potential changes in health care offerings for new employees only.

David Shaub reviewed the current retiree medical benefit and the costs. He also reviewed the current medical liability (2.5 billion).

He reviewed the potential health care changes; reduce/eliminate medical coverage upon eligibility for Medicare at age 65; fixed subsidy – freeze the existing Metro contributions at the current levels; and reduce/eliminate medical coverage for spouses of retirees.

There was some discussion of private industry versus the public sector that offer retiree medical benefits.

Kevin Sullivan noted that 2.5 billion includes the deferred vested and any savings from that program will reduce that number.

The Committee discussed the impact of the changes to the retiree medical benefit on future employees and police and fire being excluded from those options due to a unique set of circumstances.

The Committee also discussed prefunding retiree medical benefit for new employees.

5. Formulation of first draft recommendations to Benefit Board and Metro Council.

At this time the floor was opened to comments from the audience.

Mark Young, union representative, brought up some of the changes made by the last Study and Formulating Committee, the change in vesting and if you do not retire from active service you are not eligible for retiree medical benefits.

Greg Drennan, Deloitte, clarified the changes made by the previous Study and Formulating Committee.

There were comments made by employees and others, regarding reducing the benefits of employees and it was clarified that any changes made would be for new employees, the role and re-appointment of this Committee, and some issues (compensation) not related to this Committee.

Michael Shmerling informed those in attendance that there will be one more meeting to finalize recommendations and complete the business of the Committee by the end of May.

With nothing further presented, the meeting adjourned at 5:53 p.m.

ATTEST:

APPROVED:

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***Ms. Veronica T. Frazier, Director  
Human Resources***

***Mr. Michael Shmerling, Chair  
Study & Formulating Committee***