

MINUTES

METROPOLITAN EMPLOYEE BENEFIT BOARD

STUDY & FORMULATING COMMITTEE

May 18, 2015

The Metropolitan Employee Benefit Board's Study & Formulating Committee met on Monday, May 18, 2015 at approximately 2:00 p.m., Sonny West Conference Room, Howard Office Building, 700 2nd Avenue North, Nashville, TN.

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

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

Other(s) present: Justin Stack, Metro Human Resources and Mike Safley, 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 April 8, 2015. With no corrections, Lucia Folk moved for approval of the minutes. Debra Grimes seconded and the minutes were approved without objection.

1. Review of final draft recommendations to be submitted to the Benefit Board & Metro Council.

David Shaub, Bryan, Pendleton, Swats & McAllister, (BPSM), stated that the three potential changes on the retiree medical plan only affect new participants and the voluntary lump-sum buyout is applicable to current deferred vested and active participants.

David Shaub reviewed the voluntary lump-sum buyout option with the Committee. He stated that under this option the individual would receive a single sum lump-sum payment for their pension benefit. He stated the amount they would receive would be equal to what the plan is holding as a liability for that benefit and they would waive the right to any medical benefits. He stated that any cost savings would be dependent upon who takes the lump sum option and he reviewed estimated sums paid, the estimated reduction to the post retirement liability and the present value of the total cost impact (10%-41.2, 25%-103.1 and 50%-206.2).

There was some discussion on the design of this benefit and where that responsibility lies.

Mike Safley, Legal Department, stated that this Committee is supposed to make specific recommendations as to what amendments are proposed to the benefit system. He stated that those recommendations would then go to the Benefit Board where they can adjust the recommendations or accept them as they are presented. He stated that it is eventually sent to the Council based upon the original report from this Committee or the original report plus an additional report which includes the changes made by the Benefit Board.

There was some discussion regarding other entities that offer this benefit, the potential participation, demographic groups and any negative benefits on the plan.

There was also some discussion of the design of the benefit (when to offer/window of opportunity).

Mike Safley stated that this Committee is responsible for the specific changes and if there is going to be a window of opportunity, and then it needs to come from this Committee.

The Committee discussed payout limits on the plan per fiscal year, how that would be measured and offering the benefit to current and future deferred vested who are not currently eligible for a benefit (unreduced or reduced) from the plan. There was also some discussion of offering the benefit to current deferred as a trial program to see if people like the idea.

There was discussion of the offering this benefit throughout the year and offering an appropriate period of time to apply for this benefit.

The Committee was in agreement to propose offering the benefit to the existing current deferred vested allowing them 180 days to apply.

There was discussion from the HR standpoint on administering and communication of the lump-sum payout.

The Committee discussed the impact of the newly deferred vested and the fact that that group will become smaller based on the change in vesting. It was also discussed that if you are a current employee you have 90 days after termination to opt in to the buyout as long as you are not currently eligible for reduced or full retirement benefits.

David Shaub noted that those hired after January 1, 2013 are not eligible for post-retirement benefits unless they terminate employment after they are eligible for normal or early retirement.

The Committee also stressed communication to those that take the option.

David Shaub reviewed the option to eliminate the subsidy for Medicare retirees (M2). He stated that individuals hired after the effective date of this option and retire would not continue the medical benefit when they become Medicare eligible. He stated that currently Metro pays secondary to Medicare and that option to eliminate the subsidy would reduce the liability by 60%.

There was some discussion on how consistent this option is with other employers and prefunding retiree medical benefit for new employees.

David Shaub reviewed the option to eliminate benefits for the spouses. He stated that if all post-retirement benefits are eliminated for spouses and other eligible dependents of retirees that would reduce the long-term costs of that benefit by 32%.

The Committee questioned whether or not this was calculated based on exempting fire and police and Michael Shmerling noted that is the intent to exclude those groups.

David Shaub reviewed the option to eliminate the fixed subsidy for retirees. He stated that instead of the ongoing 75/25 cost sharing the portion paid by Metro would be fixed based on the cost at the time the change is enacted.

The Committee discussed what all three changes may look like together and elimination of approximately 80-85 % of the long term costs on the plan.

There was also some discussion on changes made by the State of TN regarding retiree benefits.

There was discussion of some options related to how the amount of the subsidy changes over time and inadvertently creating a substitutive benefit; and not letting the subsidy go below 25%.

The Committee discussed some of the unknowns related to health care and health care costs, and funding of those liabilities. There was some discussion that certain employees being excluded from the recommendations is an issue and having some type of subsidy for all.

There was discussion that some of the options overlap.

The Committee was in agreement to reduce or eliminate medical coverage for spouses of retirees and recommend a fixed subsidy at the current rate and never go below 25%.

After discussion of having some type of subsidy versus eliminating medical coverage upon eligibility for Medicare at age 65, the Committee was finally in agreement to recommend the option to eliminate medical coverage when a retiree becomes Medicare eligible.

Mike Safley stated that there needs to be some clarity with regards to whom the Committee refers to when speaking of police and fire and public safety, as they are not synonymous terms. Mike Safley stated that you have sworn police and fire department employees, but in public safety you also have correctional officers and park police which are also covered under the police and fire pension.

Ginger Hall stated that the Code identifies those that are covered.

Mike Safley informed the Committee that the recommendations should identify public safety employees that are covered by the police and fire pension plan. He also stated there needs to be specific wording for each recommendation and a vote on each recommendation.

The Committee discussed the wording and specifics regarding the lump sum payment option and concluded that the Committee will have to have editing regarding each recommendation and meet again and review the final recommendations.

There was also some discussion regarding setting up another meeting where all members are present.

The Committee further discussed the language regarding the lump sum payment option and referencing counseling prior to taking that option and was in agreement with moving forward on that option.

There was further discussion on the proposal to eliminate medical coverage upon eligibility for Medicare at age 65 and the proposal to recommend a fixed subsidy at the current rate that will never go below 25%.

The Committee was in agreement to move forward with the elimination of medical coverage upon eligibility for Medicare at age 65 and not to recommend a fixed subsidy at the current rate that will never go below 25%.

Michael Shmerling informed those in attendance that there will be one more meeting to finalize recommendations and complete the business of the Committee. The Committee was in agreement to meet later in the week and scheduled the next meeting accordingly.

With nothing further presented, the meeting adjourned accordingly.

ATTEST:

APPROVED:

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

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