



Metropolitan Nashville and Davidson County Study and Formulating Committee

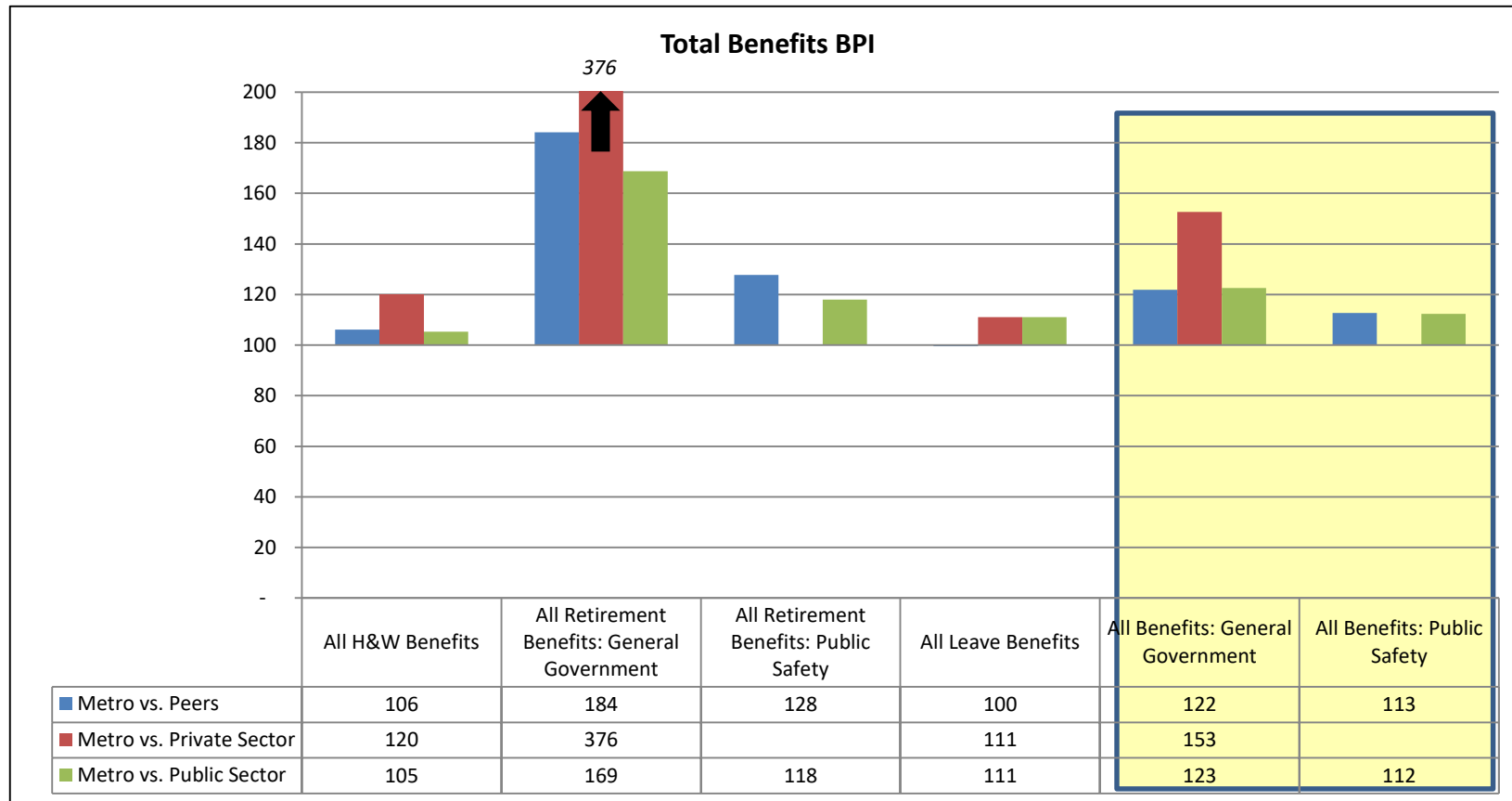
Preliminary Report of Trends and Benchmarked Benefits

Executive summary of the benchmarking and comparative analysis conducted for Metro in 2014

1. In 2014, Deloitte Consulting conducted a comprehensive benchmarking and comparative analysis of the Metro Government of Nashville and Davidson County's (Metro) Health and Welfare, Retirement, and Leave Benefits.
2. The results of that analysis reflected that Metro offered health and welfare, retirement, and leave benefits that were in total:
 - Over 20% more valuable than the averages for their peers and the broader public sector market for general employees and
 - Over 10% more valuable for public safety employees
3. Pension and retiree medical benefits were the largest drivers of the differential.
 - Most of the peers required employees to contribute to their pension benefits and offered lower employer subsidies for retiree medical coverage.
4. This analysis was based on the benefits that were offered to new employees hired in 2014. Several peers and entities in the public sector market had amended their plans in recent years to reduce or eliminate certain retirement benefits, this may partially explained the separation.
 - This was especially true of retiree medical benefits where some employers had been making significant cuts over the previous years (nearly half of the peer group no longer offered retiree health benefits to new employees as of 2014).
5. This comparative benefits study was performed in conjunction with a compensation study to understand the total rewards package being provided to Metro employees.

Executive summary of the benchmarking and comparative analysis conducted for Metro in 2014 - continued

- The chart below summarizes the value for Metro General Government and Public Safety benefits as compared to peer benefits and the broader public and private sectors.



Deloitte's methodology used to benchmark the value of benefits is called the Benefit Performance Index ("BPI"). The BPI methodology assigns a value to each benefit plan to indicate its value relative to a comparator plan, or "market plan". A value of 100 means that the Metro benefit plan is approximately equal in value to the value of the market plan it is being evaluated against. For comparison purposes, we have included employer provided benefit values only, based on employer funding/contributions.

Sixteen peer cities and counties were included in the 2014 benchmarking analysis

- | | | | |
|--------------|-------------------|----------------------|-----------------|
| • Atlanta | • Fulton County | • Louisville | • San Antonio |
| • Charlotte | • Indianapolis | • Mecklenburg County | • Shelby County |
| • Cincinnati | • Jacksonville | • Memphis | • St. Louis |
| • Columbus | • Kansas City, MO | • Oklahoma City | • Tampa |

Changes enacted by Metro's peer cities and counties since the 2014 benchmarking analysis

City	Change
Atlanta	Changes effective January 2019: <ul style="list-style-type: none"> - Increased benefits eligibility (age and service) for retiree medical for current employees and retirees - Increased benefits eligibility (age) for retiree medical for new hires after January 1, 2019 to age 65 - Employees and retirees with a hire date after April 1, 1986 may only enroll in a Group Medicare Advantage plan
Dallas	Decreased their pension benefit by adjusting the accrual rate and number of years included for the Final Average Salary: <ul style="list-style-type: none"> - Accrual rate decreased from 2.75% to 2.5% and - Years for Final Average Salary increased from 3 years to 5 years
Jacksonville	Closed their pension plan to new hires effective 2017; new hires receive an employer match in a defined contribution plan
Memphis	Eliminated its 70% health insurance premium subsidy to most of its retirees and moved all Medicare-eligible retirees to Medicare Exchange

Changes enacted by Metro's peer cities and counties since the 2014 benchmarking analysis - continued

City	Change
Richmond	Started funding their OPEB plan in February 2019 No longer offer a supplemental policy for Medicare-eligible retirees. Once the retiree or their dependent becomes Medicare-eligible, their coverage ends
Tampa	Medicare-eligible retirees are only offered Group Medicare Advantage plans as their only option for coverage (they have the choice between 2 plans)

There are several strategies available to help control the cost of retiree medical benefit

Strategy	Cities/Counties/States utilizing the option
1. No longer offer as a benefit to new hires	<ul style="list-style-type: none"> • Cincinnati (2010) • Dallas (2010) • State of North Carolina (2021)
2. Only provide retiree medical benefit until the retiree qualifies for Medicare	<ul style="list-style-type: none"> • Dallas • Richmond
3. Only choice of coverage to Medicare-eligible retirees is: <ul style="list-style-type: none"> ○ Group Medicare Advantage plan ○ Medicare Supplement plan and/or ○ Medicare Indemnity plan 	<ul style="list-style-type: none"> • Atlanta • Cincinnati • Denver • Fulton County • Houston • Mecklenburg County • St. Louis
4. Only choice of coverage to Medicare-eligible retirees is: <ul style="list-style-type: none"> ○ Medicare Exchanges 	<ul style="list-style-type: none"> • Memphis
5. Eliminate/reduce employer health premium subsidy	<ul style="list-style-type: none"> • Memphis • State of Kansas

Many cities, counties and states have also **increased the years of service** required for vesting for retirement benefits (pension and medical)

Appendix

3 ways to provide health insurance to Medicare-eligible retirees

3 Main Employer Healthcare Solutions for Retiree's with Medicare

1. Traditional Group Health plans	<ul style="list-style-type: none">• The same health plan available to employees remains an option for retirees
2. Group Medicare Advantage (MA) plans	<ul style="list-style-type: none">• Maximizes governmental subsidies and reduces excess plan utilization• Maintains the current Group structure• Can have minimal impact on retirees
3. Medicare Exchanges (this is individual not group coverage)	<ul style="list-style-type: none">• Cannot be offered as choice with another Group plan• Plans on Exchanges are generally less expensive than Group Plans• Helps employers reduce OPEB liability while maintaining their commitment to provide quality benefits• Vast majority of retirees will pay less but some retirees may pay much more• Reduces administrative cost for employers

*Employers who make transitions to either Group MA or Medicare Exchanges often **reduce plan costs 20% - 40%**, while a vast majority of retirees can pay less based on how employers elects to share savings.*

Individual Medicare Marketplace – how they work

Private Exchanges for Medicare eligible individuals offer core services and a value proposition for consideration

Medicare Exchange Vendor

- Contracts with carriers as a broker for **individual** fully insured Medicare Advantage, Medicare Supplement and Medicare Prescription Drug Plans
- Supports retiree education, decision making and enrollment through salaried licensed agents
- Provides HRA reimbursement, customer service, and **advocacy services**
- Maintains compliance with CMS and state insurance requirements
- Allows for an employer **defined contribution** approach
- Offers optional voluntary vision and dental plans

Benefits

- Cap or reduce costs through available subsidies and defined contribution
- Cap or significantly **reduce retiree healthcare balance sheet liability**
- Offer wide array of retiree plan choices and premium costs
- Provide Medicare education and support
- Allow for access to coverage and services on a voluntary basis

Considerations

- Ability to change/discontinue retiree benefits
- Retiree access to coverage and cost impact
- Role in plan design, management and retiree interaction
- **Array of plans, carriers, and plan designs available**
- Administration fees and exchange commissions
- Current offerings and future plans



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