

IBPO Contract

EXPLANATION OF RETIREMENT HEALTH CARE BENEFITS

Retirement Health Benefits Limitation of Town Exposure

Section 7 (B)

“Each retiree who is eligible for medical insurance coverage under this Section 7 shall provide to the Town on or before July 1 of each year proof that he/she is not eligible for Medicare/Medicaid coverage, Plan 65 coverage or medical insurance coverage under any plan whether offered by another employer, through a spouse's coverage or otherwise, in a form satisfactory to the Town as a condition of continued eligibility for coverage under the Town's Plan. The Town will notify retirees annually of this obligation. Failure to provide proof, as indicated above and after the Town has notified the retiree of their obligation, will result in the loss of medical insurance coverage until the next enrollment period. **Said member who becomes eligible for such coverage** (i.e. Medicare/Medicaid, Plan 65 or coverage under another plan offered by another employer or through a spouse's coverage) **as identified hereinabove shall not reject, deny or forgo such coverage if made available to him/her.**” *(underlines for emphasis)*

Points of Clarification:

- Retired member must take alternative insurance option, even if offered by spouse's plan or employer
- Retired member does not qualify for town-provided insurance if spouse or employer **offers** insurance
- Once a member reaches 65, town is under no obligation to provide insurance (under new CBA).

Article IX, Wages & Benefits

- **Section 7 (D), “Termination Benefits,”** *(pg. 19-20)*

- Former Language:

“Employees hired on or after July 1, 1993 and retiring after at least 20 years of active service as a Westerly police officer will pay 15% of the cost of health care coverage at the fully mature working rate or monthly premium cost and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month) until the employee reaches age 65, after which time, the employee will pay 15% of the premium cost or fully mature working rate of Plan 65 and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month).”

Article IX, Wages & Benefits

- **Section 7 (D), “Termination Benefits,”** *(pg. 21)*
- Current Language:

“Employees hired on or after July 1, 1993 and retiring after at least 20 years of active service as a Westerly police officer will be eligible to receive Town-provided medical insurance for the retiring member only (single plan). The retired member will pay seventeen and one-half (17.5%) percent of the cost of health care coverage at the fully mature working rate or monthly premium cost. If the retired member wishes to purchase additional insurance, the Town will reimburse the retired member up to \$6,000 per year (\$500 per month) until the employee reaches age 65. After the retired member reaches the age of 65, the Town will be under no obligation to provide medical insurance coverage.”

Article IX, Wages & Benefits

RED LINE - CHANGES

D. Employees hired on or after July 1, 1993 and retiring after at least 20 years of active service as a Westerly police officer ~~will pay 15% of the cost of health care coverage at the fully mature working rate or monthly premium cost and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month) until the employee reaches age 65, after which time, the employee will pay 15% of the premium cost or fully mature working rate of Plan 65 and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month).~~ will be eligible to receive Town-provided medical insurance for the retiring member only (single plan). The retired member will pay seventeen and one-half (17.5%) percent of the cost of health care coverage at the fully mature working rate or monthly premium cost. If the retired member wishes to purchase additional insurance, the Town will reimburse the retired member up to \$6,000 per year (\$500 per month) until the employee reaches age 65. After the retired member reaches the age of 65, the Town will be under no obligation to provide medical insurance coverage.

Retirement Health Benefits Explanation of Differences

“Alternative vs. Additional”

Alternative

- Eligibility for Medicare/Medicaid coverage, Plan 65 coverage or medical insurance coverage under any plan whether offered by another employer, through a spouse's coverage or otherwise.
- Old CBA – cost to the Town

Additional

- Family plan.
- If the definition of “alternative” is met, there is no eligibility for “additional” insurance.
- If “alternative” if available, no cost to the Town

Article IX, Wages & Benefits

Section 7 (D), “Termination Benefits” – How they differ

FORMER CONTRACT

- 15 % cost share
- Single or Family Plan
- Additional Town contribution of \$500/month for balance of employee cost

NEW CONTRACT

- 17.5% cost share
- Single Plan only
- Family insurance elected by member (*no other alternative coverage offered or available*), Town will reimburse up to \$500/month

Article IX, Wages & Benefits

Section 7 (D), “Termination Benefits” – How they differ

FORMER CONTRACT

- At age 65, move to Plan 65
- Family or Single Plan
- Town contribution of \$500/month for balance of employee cost

NEW CONTRACT

- At age 65, no coverage

Retirement Health Benefits Assumptions

FORMER CONTRACT

- 25 Years of Service
- Age 55
- Election of Town insurance
- Death at 75

NEW CONTRACT

- 25 Years of Service
- Age 55
- Election of Town insurance
- Death at 75

Retirement Health Benefits Cost Comparison

FORMER CONTRACT (single plan)*

- Working Rate = \$9,786.72
- 15% cost share = \$1,468
- Town owes \$6,000
- Member owes remainder:
\$2,318.72
- Total member payment =
\$3,786.72
- Total Town payment = \$6,000

NEW CONTRACT (single plan only)*

- Working Rate = \$7,515.96
- 17.5 % cost share = 1,315.29
- Town responsibility = \$6,200.67
- Deductible = \$1,500
- Member responsibility = \$2,815.29

Savings from old CBA = \$2,070.09

**Must prove no alternative coverage*

Retirement Health Benefits Cost Comparison

FORMER CONTRACT*

Chooses Family Coverage

- Working Rate = \$24,426
- Town Responsibility up to \$6,000
- Member Cost = \$18,426

**Must prove no alternative coverage*

NEW CONTRACT*

Needs Family Coverage

- Working Rate = \$18,746.52
- Town Responsibility up to \$6,000
- Minus single plan = \$7,515.96
- Member Cost = \$5,230.56
- Family Deductible = \$1,500
- Total Member Cost = \$9,545.56
- Total Town Cost = \$12,200.67

Retirement Health Benefits Experience

Eligible Members for Retirement Insurance Coverage

Pre-July 1, 2016 (former CBAs)

- 3 retired members – All have alternative health insurance option
 - Of the three, only one is being reimbursed up to \$6,000
 - The other two get \$337.07 and \$364 per month
 - No cost to the member if alternative coverage, cost to the Town of up to \$6,000

Post-July 1, 2016 (new CBA)

- 8 members would be eligible for retirement
 - Only eligible if no other insurance is offered or available
 - To qualify for reimbursement, it must be family plan
 - No cost to the Town if alternative coverage available and/or offered

Retirement Health Benefits

Explanation of Town Costs – Old CBA

“Employees hired on or after July 1, 1993 and retiring after at least 20 years of active service as a Westerly police officer will pay 15% of the cost of health care coverage at the fully mature working rate or monthly premium cost and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month) until the employee reaches age 65,”

Working Rate (Single Plan) = \$9,786.72`

15% = \$1,468

Town responsibility = \$6,000

“after which time, the employee will pay 15% of the premium cost or fully mature working rate of Plan 65 and the Town will pay the balance up to a maximum of \$6,000 per year (\$500 per month).”

Working Rate (Plan 65) = \$7,511.52

15% = \$1,126.73

Town responsibility = \$6,000

Coverage of \$6,000 per year would extend until death of the member.

Retirement Health Benefits

Explanation of Town Costs – New CBA

“Employees hired on or after July 1, 1993 and retiring after at least 20 years of active service as a Westerly police officer will be eligible to receive Town-provided medical insurance for the retiring member only (single plan). The retired member will pay seventeen and one-half (17.5%) percent of the cost of health care coverage at the fully mature working rate or monthly premium cost.”

Working Rate (Single Plan) = \$7,515.96

17.5% = \$1,315.29

Town responsibility = \$6,200.67

“If the retired member wishes to purchase additional insurance, the Town will reimburse the retired member up to \$6,000 per year (\$500 per month) until the employee reaches age 65.”

Working Rate (Family Plan) = \$18,746.52

Town responsibility 82.5% of Single Plan = \$6,200.67

Town responsibility for additional insurance = \$6,000

Total Town responsibility = \$12,200.67

“After the retired member reaches the age of 65, the Town will be under no obligation to provide medical insurance coverage.”

Town responsibility = \$0

Retirement Health Benefits

Former Contract

- \$6,000 per year until death
- Assume retirement of member at 55
- Assume death of member at 75
- Total cost to the Town is \$120,000
- Any years after 75 would increase this amount

Member Cost

\$0

New Contract (Worse Case Scenario)

- If no other insurance is available or offered and member elects additional insurance, \$12,200 per year until age 65
- Assume retirement at 55
- Assume death of member at 75
- Total cost to the Town is \$122,000
- At age 65, no obligation or cost to the Town

Member Cost

\$9,545.56 per year (\$95,456)

Retirement Health Benefits

Former Contract

- Total cost to the Town is \$120,000
- Any years after 75 would increase this amount

New Contract (Worse Case Scenario)

- Total cost to the Town is \$122,000
- At age 65, no obligation or cost to the Town

COST TO THE TOWN
\$120,000 v. \$122,000
(wash)

Retirement Health Benefits Actuarial Evaluation of CBA

ACCRUED LIABILITY			
	Actives	Retirees	Total
Former CBA	\$ 11,382,000	\$ 23,830,000	\$ 35,212,000
New CBA	<u>\$ 5,028,000</u>	<u>\$ 23,830,000</u>	<u>\$ 28,858,000</u>
Impact of CBA Change	(\$ 6,354,000)	\$ 0	(\$ 6,354,000)
ANNUAL CONTRIBUTION*			
	Former CBA	Current CBA	Savings
	\$ 2,785,000	\$ 1,812,000	(\$ 973,000)

* Calculated for FY17