

Memorandum



City of Tempe

Date: February 17, 2009

To: Mayor and Council

From: Tom Duensing, Deputy Financial Services Manager (ext. 8866)
Jon O'Connor, Deputy Human Resources Manager (ext. 8423)

Through: Charlie Meyer, City Manager (ext. 8884)

Subject: Additional OPEB Information

At the request of a Councilmember, the following information regarding retiree health care coverage is being provided to all Council Members. The premium information represents the current proposed plan.

1. Retiree census information & monthly premium estimates

City of Tempe retiree data is based on the March 2008 Actuarial report adjusted for projected inflation – PPO plan costs are for High Option PPO pre Medicare, HMO plan costs are for CIGNA pre Medicare. City of Phoenix data is based on FY 2008-09 rates.

		<i>PPO High plan (FY 2009-10 est.)</i>		<i>HMO plan (FY2009-10 est.)</i>	
# participants:		Retiree pays:	Total premium:	Retiree pays:	Total premium:
Retiree only					
City of Tempe	231	\$44	\$791	\$0	\$ 548
<i>City of Phoenix</i>		\$267	\$ 572	\$240	\$ 545
Retiree + one					
City of Tempe	275	\$240	\$1,583	\$166	\$1,101
<i>City of Phoenix</i>		\$924	\$1,649	\$846	\$ 1,571
Retiree + family					
City of Tempe	88	\$348	\$2,017	\$257	\$1,404

2. Employees with less than 10 years of service

Employees who will fall into Group 3 provided with a Health Savings Account after 10 years of service – costs are *estimated* 2009/2010 full monthly premiums, payable to the City, for Group 3 participants retiring after 7/1/2009 and continuing health care coverage with the City.

		<i>PPO High plan (FY 2009-10 est.)</i>	<i>HMO plan (FY2009-10 est.)</i>
# participants:		Retiree pays (total premium):	Retiree pays (total premium):
Employee only	303	\$ 791	\$ 548
Employee + one	91	\$1,583	\$1,101
Employee + family	291	\$2,017	\$1,404

3. Per Capita Costs - Tempe:

Annual per capita costs for Tempe residents to provide retiree health care coverage over the past 10 years:

Fiscal Year	Pay-As-You-Go Cost	Population	Cost/Resident
1998-99	\$ 1,188,332	157,653	\$ 7.54
1999-00	\$ 1,207,541	158,625	\$ 7.61
2000-01	\$ 1,832,086	160,388	\$ 11.42
2001-02	\$ 2,196,692	159,435	\$ 13.78
2002-03	\$ 2,583,575	159,425	\$ 16.21
2003-04	\$ 3,409,740	159,615	\$ 21.36
2004-05	\$ 4,019,872	160,820	\$ 25.00
2005-06	\$ 5,028,549	165,796	\$ 30.33
2006-07	\$ 4,658,501	166,625	\$ 27.96
2007-08	\$ 5,628,327	167,458	\$ 33.61

4. Per Capita Costs – other Cities:

The annual required contribution (ARC) is the total annual cost to provide retiree health insurance under each city’s current plan. The total program liability is the unfunded actuarially accrued liability reported by each city.

City of Tempe – Current Plan	
Pay-as-you-go cost	\$ 5,628,327
Cost of advance funding under current plan	\$ 33,776,035
Estimated total cost (ARC)	\$ 39,404,362

City of Tempe –Proposed Plan	
Pay-as-you-go cost	\$ 5,628,327
Cost of advance funding under proposed plan	\$ 6,600,000
Estimated total cost (ARC)	\$ 12,228,327

Below is the comparison information to other cities in metropolitan Maricopa County.

	Tempe (current)	Tempe (proposed)	Chandler	Gilbert
Population	167,457	167,457	250,619	214,820
Benefits subsidized?	Yes	Yes	Limited	No
Annual required contribution (ARC)	\$ 39.4 million	\$ 12.2 million	\$ 2.1 million	\$ 0
Per resident	\$ 235	\$ 73	\$ 8	n/a
Total program liability	\$ 398.3 million	\$ 123.6 million	\$ 18.0 million	\$ 0
Per resident	\$ 2,379	\$ 738	\$ 72	n/a

	Glendale	Mesa	Phoenix	Scottsdale
Population	249,000	463,397	1,630,340	240,126
Benefits subsidized?	Yes	Yes	Yes	Limited
Annual required contribution (ARC)	\$ 21.0 million	\$ 65.2 million	\$ 39.0 million	\$ 0.9 million
ARC per resident	\$ 85	\$ 141	\$ 24	\$ 4
Total program liability	\$195.3 million	\$664.1 million	\$345.6 million	\$ 6.8 million
Per resident	\$ 784	\$ 1,433	\$ 212	\$ 28

Source: Population and ARC information obtained from each city's Comprehensive Annual Financial Reports (CAFR's) for the fiscal year ended June 30, 2008.