**City of Phoenix Retirees Association**

**General Membership Meeting**

**October 13, 2011**

**2340 W. Citrus Avenue, Phoenix, AZ**

**Call to Order:** Jack Thomas called the meeting order at 1:35 p.m.

Jack Thomas welcomed attendees to the meeting and provided an overview of topics to be discussed (including the City Manager’s State of the City, Pension Reform as well health benefit related issues). Jack welcomed City Manager David Cavazos.

David Cavazos stated it was a pleasure for him to attend this meeting and reconnect with many friends and former co-workers. He recognized the very difficult financial situation the City has been in over the past several years, and praised past budget directors that were present (Cathy Gleason and Charles Hill) for their hard work and dedication to the City. Additionally, he thanked the membership for their service to the City. David also alluded to the importance of looking out for the welfare of those employees who will come to the City in the future.

Several years ago the City had a very large budget deficit ($277 million (27% of the General Fund budget). However, with the cooperation of all levels of the organization they were able to solve that deficit. Within the last couple of years the City turned that deficit into a surplus – the City took advantage of their AAA credit rating, the bond market was good and the City refinanced some debt saving approximately $34 million. The City saved approximately $20 million through Innovation and Efficiency and experienced no cuts in programs, no layoffs and no increases in fees or taxes. Revenues are right on target with expenses, and the City has the highest rainy day fund in our history. The City is operating with 2,500 fewer employees than five years ago and we have the smallest City government in 40 years on a per capita basis since 1970. The City received a 96% approval rating from the public on a recent attitude survey of City services.

David introduced Rick Naimark, Deputy City Manager, who will be speaking about Pension Reform.

Rick began by stating that the average pension for City retirees is a little over $28,000 annually. The focus on pension reform really centers around what has happened on both the liability side as well as the asset side of the equation for the retirement system. The financial markets took a tumble, a pretty steep tumble for the last few years, with some recovery. The amount that has to be contributed to the plan is related to a number of different variables. Currently the City is required to subsidize approximately 18% of the pension fund. The downfall of the City having to subsidize that 18% centers around the fact that that is money from the General Fund that could otherwise be used for City services. People become concerned when there are fewer dollars for City services and more dollars needed to support a pension fund.

Those concerns are what effected the formation of the Pension Reform Task Force of both private and public sector members. Jack Thomas is a member of the Task Force representing retirees; Libby Bissa is a current City employee representing the interests of the Retirement Board and Ron Ramirez is a current city employee representing the interests of employee unions and associations. The private sector members have received an overwhelming amount of information to educate them on our system. The Task Force began their work back in the spring. A consultant firm, Segal Company, was hired to assist in modeling ideas for change and a legal team was hired because Arizona has some unique and interesting laws surrounding public pension funds. There is a provision in the State’s constitution that talks about public pension benefits as a contract. All of those constraints must be considered as the task force moves forward with any recommended changes to the system.

The task force has been very diligent – they don’t want to recommend changes quickly, but instead recommend changes that are accurate. When the State Legislature handled pension reform some of the proposals came out overnight and the next day they were voted on.

A major city multi-city survey was completed and it showed that the Phoenix pension plan was not substantially different than other plans. The fixed 5% contribution rate is a little unusual – the average of the cities surveyed is 7% and a lot of them float as a percentage of the total liability. One advantage the City’s system has is that we have a higher employee to retiree ratio than other cities (Phoenix is a younger community and as a result has more people paying into the system than are getting paid out by the system). Phoenix pays a lower percentage into the pension fund than most other cities (i.e. Philadelphia pays 50% of their pension fund in comparison to 23% which Phoenix pays).

What is the Task Force focusing on? At the present time the Task Force is not focusing on current retirees, however, that does not mean they won’t or that the Mayor and Council will not decide to. The main focus of the Task Force has been on new employees as well as current employees. Discussion items have been as follows:

* Contribution rate (bringing the rate up from 5% to 9%)
* Change in items included in total compensation calculations (vacation and sick leave payouts and transportation and communication allowances)
* Change of “Rule of 80” to “Rule of 83”
* Change in age-based retirement provisions (change provision of retirement at 60 with 10 years of service and 62 with 5 years of service to 63 with 10 years of service and eliminate the age 62 with 5 years of service provision)
* 2% Multiplier (there has been interest in looking at a lower rate)
* Three year compensation averaging (interest in changing to 5 year averaging)
* Pension based on Social Security rate of $106,000 limitation (any earnings beyond that amount would not be covered by the pension system but rather by a deferred compensation system
* Eliminate 13th check and maintain PEP payment

The next Pension Reform Task Force meeting is scheduled for October 26, 2011, 3:00 p.m. in the City Council Chambers. Mr. Naimark encouraged members to attend the meeting. At the next Task Force meeting, Task Force members will be determining which, if any, of the above items may be applied to current employees (either as a whole or a sub-group of employees which may or may not be grandfathered).

At this time David Cavazos introduced Mary Kyle, Deputy Human Services Director, and indicated she would provide an update on health insurance plans.

Mary extended her appreciation for being invited and indicated she would provide some reminders and share information today as the majority of health benefit information was presented to COPRA membership in May.

* Any change due to loss of coverage or family status change must be made within 31 days of that event (otherwise it must take place at open enrollment)
* If you fail to remove someone from your health insurance who was not eligible, a claims history check will be performed and the insured will be responsible for charges incurred during the timeframe that the individual should not have been on your insurance
* The City is a self-funded insurance plan
* Notify the City when you become Medicare eligible (typically this means your premiums will be reduced slightly)
* Lots of benefits information online
* Keep your address updated in the e-CHRIS system
* The City pays CIGNA and Blue Cross Blue Shield all claims and for the ability to utilize their network of physicians, hospitals, labs, etc.
* $215 million projection this year for claims (for both active employees and retirees)
* 99% of funds spent are for true claims
* Use generic medications wherever possible to save money for the plan
* Use mail order pharmacy services (three month supply for the cost of two co-pays)
* Use urgent care or convenience care services as opposed to emergency room care
* Stay healthy – get an annual checkup or physical
* Get annual flu shot

Mary reviewed changes which took place in August to medical co-pays. The Health Care Task Force engages in lengthy discussion about how to control costs in our plan. Changing co-pays is an excellent way to control costs and is the least aggressive way to control costs with little change to our plan.

There were no changes to prescription drug coverage co-pays, but instead there was a change to the provider for pharmacy care (from CVS Pharmacy to CIGNA). The Human Resources Department does have representatives from both CIGNA and Blue Cross Blue Shield on site for any assistance you may require relative to claims, locating a physician, obtaining prior authorization for services, etc.

The City is partnering with COPRA and the Area Agency on Aging in providing informational sessions on Medicare. Locations were provided in the October COPRA Newsletter.

Mary informed members of an enhanced Wellness Program which the City is rolling out to active employees. It is the hope of the Health Care Task Force that this program could also be offered to retirees at some point in the future.

Questions from the audience ensued.

1. How will changes to the Pension Plan be applied to new employees as opposed to someone who is close to retirement?

(Answer: It has been broken down this way – how should the system look at someone who has not yet been hired (because these folks have not entered employment it would be easier to make the recommended changes). In the upcoming meeting the Task Force will be considering which of the items listed should be applied to existing employees and are discussing whether or not they apply them to all employees or possibly just those that are farther out from retirement. One model includes an option that if you are over 50 with 15 or more years of service you would be exempted from some of the recommended changes or possibly all of those changes.)

1. Are people considering the impact of how much you have to pay for health insurance as a retiree in the whole picture?

(Answer: Yes. One point to make is that the only area where health benefits for retirees would be discussed is through the Health Care Task Force and not part of the Pension Reform Task Force discussion. The Human Resources Director is heading up a separate committee to look at total compensation and benefits for employees outside of retirement. The Pension Reform Task Force clearly understands that there is usually a gap between when you retire and when you hit Medicare eligibility and with that gap a large portion of your pension goes to pay a health premium. The Task Force does understand that issue.)

1. Have real concerns about the image of City employees due to comments made by unnamed folks – does the City have any long range plans to overcome that image?

(Answer: The City Manager encouraged members to be good ambassadors of the City and speak out about your pride in having served the City and promote the City. Focus on the positive!)

1. What is the lowest and median pension paid?

(Answer: Minimum pension is either $250 or $500.)

1. There has been a lot of interest about upper management retiring and being rehired and getting larger pensions – is that up for review for future retirees?

(Answer: There have been very, very few instances of this happening. The City is doing everything possible going forward to prevent that from happening again. Most recently there have been some changes in the Personnel Rules to prevent that from occurring.)

1. Is the Pension Reform Task Force looking at Public Safety employees?

(Answer: The State controls that and has just made some reforms to it and the Pension Reform Task Force is looking at it just for comparison purposes to understand it but are not recommending any changes to it.)

1. If the City went from a Defined Pension Program to a 401k program would that be a Charter change or a City Council change?

(Answer: That would be a Charter change.)

1. Is VA coverage considered continuous and comparable coverage?

(Answer: Under most circumstances yes.)

1. How many people sit on the Pension Reform Task Force?

(Answer: Technically 14 – 13 appointed members with the Retirement Administrator serving in an ex-officio capacity. Ten of the 13 members are citizens; Jack Thomas, Libby Bissa and Ron Ramirez serve as representatives of the retiree population as well as current city employees.)

1. What is the purpose of the affidavit that retirees are being asked to sign stating they are getting a pension?

(Answer: That is to affirm that you are still alive as a recipient receiving a pension. The City is fiscally required to send this affidavit to a 20% random population of individuals currently receiving a pension.)

1. At the beginning of the meeting it was mentioned that the average retiree gets a pension of $28,000 annually. If all the Pension Reform Task Force suggested changes are implemented, has anyone figured out what an average pension might be for a retiree?

(Answer: There are numerous charts which have been presented by the consultant which reflect what impact these changes might have on an individual’s pension.)

1. How will Obama Health Care Reform affect retirees and employee health care benefits? Has the City considered getting out of offering group health insurance?

(Answer: The City has not made a decision to get out of the group health care business.)

1. How much has the provision for covering children up to age 26 added to the cost to the City?

(Answer: There is not currently enough data available to determine those costs – the City only implemented this provision since August 1, 2011. Possibly there may be data in a year to reflect those numbers.)

1. This time of year the general retiree population receives a lot of information/offers to enroll in private insurance. Has the City ever compared plans with private insurance?

(Answer: The City has not done a comparison of apples to apples as there are two sub-groups of coverage for retirees (those that are Medicare eligible and those that are not.)

1. Why does it cost so much to add dependents to retiree medical insurance?

(Answer: One of things that is looked at in the tier structure for premiums is that it does not cost the plan a lot of money to cover young children; it is much more expensive to add a spouse as they will require more medical needs of the plan (as we age we tend to have more medical needs, more medication, etc.). If the tier structure was set up differently it may be even more expensive.)

Jack Thomas took the opportunity to encourage all individuals to get out and vote in the Mayoral election. Additionally, Jack indicated that he felt that it was the obligation of the entire COPRA membership to look out for not only retirees, but for current City employees. Every active City employee will be under the microscope by not only the Pension Reform Task Force, but also by the Mayor, the City Council and potentially the voting public. A large majority of items the Pension Reform Task Force is looking at will be decided upon by the will of the people (the voting public).

Jack thanked City Manager David Cavazos and Deputy City Manager Rick Naimark for their participation in the meeting and the work that they have done. Jack additionally thanked Deputy Human Resources Director Mary Kyle and Retirement Administrator Donna Buelow for their participation in today’s meeting.

Jack introduced Katia Hidalgo, City of Phoenix Grants Coordinator, to provide information on a volunteer opportunity.

Katia provided information to the COPRA members regarding an upcoming National League of Cities conference being held in Phoenix in November and the need for volunteers.

Meeting was adjourned at 3:15 p.m.