

**HEALTHCARE & RETIREMENT BENEFITS TASK FORCE
MEETING AGENDA*
MONDAY, JANUARY 6, 2014
2:00 P.M.
MEETING ROOM B, MUNICIPAL PLAZA**

A MEETING OF THE HEALTHCARE & RETIREMENT BENEFITS TASK FORCE WILL BE HELD AT MUNICIPAL PLAZA, PLAZA ROOM B, SAN ANTONIO, TEXAS 78205 ON MONDAY, JANUARY 6, 2014 AT 2 P.M., TO CONSIDER THE FOLLOWING MATTERS:

*-*Agenda Subject to Change -*

Item 1: Review Attachment III to Correspondence provided to Task Force on December 6
Maria Villagómez, Budget Director (30 minutes)

Item 2: Provide responses to Healthcare and Pension questions raised at December 16 meeting

A) Healthcare Questions: Tiffany Parker, MHBT Incorporated (15 minutes)

B) Pension Questions: Mary Elizabeth Redding, Bartel Associates (5 minutes)

Item 3: General Fund Model Scenarios

A) Present General Fund Model Scenarios:
Mary Elizabeth Redding, Bartel Associates (30 minutes)

B) Task Force Questions and Discussion (1 hour and 10 minutes)

DISABILITY ACCESS STATEMENT

This meeting is accessible to disabled persons. City Hall and Municipal Plaza are wheelchair accessible. The accessible entrance for City Hall is located at 100 Military Plaza. Accessible parking is also located at City Hall, 100 Military Plaza. To arrange for special assistance to attend this meeting, please call the Disability Access Office at 207-7243. Requests for interpreter for the hearing impaired must be received at least 48 hours prior to the meeting by calling 207-7245 V/TTY for assistance.

ITEM 1

**ATTACHMENT III
GENERAL & CLARIFICATION QUESTIONS ANSWERED BY CITY STAFF**

TOPIC – STATE STATUE QUESTIONS

(Combined Similar Questions 30 and 72)

Question 30. What are the statutes and how do they contrast the benefits of the uniform and non-uniform employees?

Question 72. More info on uniform contribution and benefits included in State Statue (slide 39) - what benefits can be changed by Board of Trustees vs. State legislative action?

The benefits included in state statute are: 1) Retiree Healthcare Benefits for Uniform Fire and Police employees; 2) Pension Benefits for Uniform Fire and Police employees; and 3) Pension Benefits for Civilian employees. Following is a brief summary of the contribution and benefit provisions included in each of the statutes.

San Antonio Fire and Police Retiree Healthcare Fund (Retiree Healthcare Benefits for Uniform Fire and Police Employees)

The Retirement Health Trust for police officers and fire fighters statute is set forth in the Texas Civil Statutes, Article 6243q.

The Health Trust is a Texas statutory retirement trust that provides post employment healthcare benefits to police officers and fire fighters that retired on or after October 1, 1989. The Plan is a single-employer defined benefit post-employment healthcare plan and is prefunded with contributions from active fire and police employees and the City.

The Statute mandates the level of contribution for both the employee and the City. Currently, the contribution is 4.7% of covered payroll for employees and the contribution for the City is 9.4% of covered payroll, or a matching ratio of 2 to 1. Annually, the employees' contribution is converted to a fixed monthly contribution by an actuary based upon the 4.7% of covered payroll calculation and for Fiscal Year 2014 that amount equates to \$279.61 per month.

If a uniformed employee retirees with at least 30 years of service, there is no premium paid by that employee for them or their spouse after retirement. For retirement with less than 30 years of service, the retiree must continue to pay the same monthly premium as an active employee until they reach contributions equivalent to 30 years of service or the retiree is eligible for Medicare.

The benefit plan is also included in the Statute. Generally, the Board of Trustees of the Fund may not change provisions of the Statute unless specifically provided for in the statute. All changes to the provisions of the statute must be made by legislative enactment. However, the statute gives the Board specific authority to modify the retiree health plan if the modifications do not, in the aggregate, increase the fund's total actuarial unfunded liability, as determined by the actuary.

Additionally, the Board was given specific authority related to the following:

- if on Oct 1, 2017, the actuary determines that the number of years required to fully amortize the unfunded liability of the retiree health plan is more than 30 years, the board shall (1) modify the contributions by the employees and the City in an amount determined by the board, but by an amount not to exceed 10%, on Oct 1 of each year, commencing October 1, 2017; and (2) increase the amount of the maximum deductibles and maximum out-of-pocket payments in an amount determined by the board, but by an amount not to exceed 10% on January 1 of each year, commencing Jan 1, 2018
- on Jan 1 of each year, the board shall increase the amount of the maximum deductible and out-of-pocket payments by a percentage equal to the then most recently published annual percentage increase in health

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care costs as set out in a published index selected by the actuary that reflects annual changes in health care costs, but by an amount not to exceed 8%

Provisions related to civilian retirement healthcare costs are not included in State Statute. The civilian retirement plan is funded on a pay-as-you-go basis and cost sharing and benefit levels can be adjusted through the annual budget process. For more detail information on the current civilian healthcare plans, see the response to Question No. 73 provided by MHBT and Slide No. 39 of the powerpoint presented to the Task Force on October 28, 2013.

San Antonio Fire and Police Pension Fund

The pension statute for police officers and fire fighters is set forth in the Texas Civil Statutes, Article 6243o. The San Antonio Fire and Police Pension Fund is a single-employer defined benefit plan that provides pension benefits to eligible uniformed police and fire employees of the City.

The State Statute mandates the level of contribution by the employee and the City. Currently, the employee contribution is equal to 12.32% of covered payroll with a double match by the City of 24.64% of covered payroll.

The level of benefit is also mandated by Statute. Vesting requirements are 20 years of service with retiring employees receiving a retirement annuity calculated based upon the average of the employee's total salary, excluding overtime pay, for the highest three years of the last five years. Currently, the annuity computation is based upon the following: 2.25% of the average total salary for each of the first 20 years; plus 5% of average total salary for each of the next seven years; plus 2% of average total salary for each of the next three years; plus ½% of average total salary for the next three years. The retirement annuity cannot exceed 87.5% of average total salary.

Other benefits included in the State Statute include cost of living adjustments which are outlined in the response to Question No. 70 above. Additionally, retiring members have the ability to take a Backwards Deferred Retirement Option Plan (BackDROP) which provides a lump-sum payment for a number of full months of service up to 60 months under certain conditions with a reduced annuity payment.

Texas Municipal Retirement System (Civilian Pension Plan)

The pension statute for all civilian employees is set forth in Texas Government Code, Title 8. Public Retirement Systems, Subtitles A and G, and is referred to as the Texas Municipal Retirement System (TMRS). TMRS is statewide agent multiple-employer public employee retirement system. The Plan is a nontraditional, joint contributory, hybrid defined benefit plan.

Contributions are established under the State Statute with the plan options that were selected by the City. The employees contribution is 6% of covered payroll with the City's contribution generally expected to be 12% based upon a 2 to 1 benefit design ratio. See the response to Question No. 71 above for additional information on the City's contribution rate.

Benefit levels are also established under State Statute. Vesting requirements are five years of service. Benefits depend on the sum of the employee's contributions, with interest, and the City's credits, with interest. Additionally, the City grants a monetary credit referred to as an updated service credit. Other benefits include options for cost of living adjustments (COLA) options, however, in fiscal year 2010, the City eliminated the annually repeating COLA from its plan and now grants them on an ad hoc basis. Retirees can also elect a partial lump sum with a reduced pension annuity.

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TOPIC – EMPLOYEE HEALTHCARE

Question 36. What steps has the City taken to educate employees (uniform and civilian) regarding Healthcare Reform Act and its impact to the City?

In addition to mailing out notices as required by the Affordable Care Act, Human Resources (HR) staff posted a series of educational videos on the impact of healthcare reform. Those videos are available on the HR website along with other educational videos on benefit programs provided by the City. HR staff also conducted informational meetings with employees at facilities throughout the City regarding 2014 benefit changes and the impact of Healthcare Reform. As more information becomes available, the City will continue to communicate important information to employees through informational meetings, newsletters, and educational videos, and other media, as applicable.

Question 50. Are Police and Fire required to maintain certain physical fitness standards?

No, Police Officers and Firefighters are not required to maintain any physical fitness standards. There is a voluntary program in the Police collective bargaining agreement that awards days off to officers who achieve certain milestones on set physical exercises.

Question 51. Are wellness incentives offered to city employees? Do employees participate in Health Savings Accounts?

Yes, the City provides a variety of wellness incentives and programs to help Civilian employees improve their overall health. Civilian employees can earn monetary incentives through participation in the Virgin Pulse Program which tracks employee fitness levels. To date, over half of all civilian employees participate in the program and have logged over 3 billion steps. In addition, civilian employees have access to other wellness programs such as the Tobacco Cessation Program, Employee Health + Wellness Center, On-Site Wellness Coaches, and Weight Watchers at Work. Employees also have access to the Employee Assistance Program which offers counseling services for work, personal, marriage, and family issues.

The City offers a Consumer Choice (CDHP) medical plan with Health Savings Account (HSA) to active civilian employees and retirees. Flexible Spending Accounts (FSA) are also available to civilian employees enrolled in the Premier and New Value Health Plans.

There are no wellness incentives provided to uniform Police and Fire employees in the collective bargaining agreements. No uniform employees participate in Health Savings Accounts because the City's Consumer Choice (CDHP) medical plan is not included in the collective bargaining agreements.

(Combined Similar Questions 37 and 54)

Question 37. What type of benefit strategies and commitment is being used to extend cost sharing to civilians and uniforms?

Question 54. What is the City's total compensation strategy (wages and benefits) for each class of employees?

For civilian employees, historically, wages were below market rate and benefit packages exceeded industry trends. In the last seven years, wages have been increased to be consistent with market competitive rates and healthcare benefits have been adjusted to increase employees' share in cost and to align with industry trends.

With respect to compensation, the City established a Step Pay Plan in Fiscal Year 2008 for civilian non-professional and non-managerial positions. This plan is a step based plan which rewards employees for tenure in a position by providing employees pay increases as they move through each step. For civilian

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positions not included in the Step Pay Plan, market wages are maintained through the use of cost of living adjustments and performance pay.

On healthcare benefits for civilian employees, many strategies have been implemented over the past seven years while transitioning to market competitive wages. Those strategies have included the adoption of cost sharing philosophies, the creation of new tiers with increased cost sharing, changes to plan design, addition of a consumer driven health plan, and increased wellness programs and initiatives. These strategies are outlined in more detail in the attached document which includes responses prepared by MHBT to questions from Task Force Members.

For uniform employees, active healthcare is included in the respective fire and police collective bargaining agreements and are subject to negotiation. Minimal changes have been made to these healthcare benefit plans and no philosophy or formal strategy is currently in place.

Presentation Clarification Questions
(Combined Similar Questions 43 and 65)

Question 43. On slide 37, can that be clarified as to whether the other cities include prefunded retiree costs? And, whether the civilian column includes the unfunded liability component?

Question 65. Regarding slide 37, do other cities pre-fund their retiree healthcare or are they pay-as-you-go, then the information is misleading to the committee. What is the retiree cost per person for these cities?

The cities noted on slide 37 do not prefund retiree healthcare and use a pay-as-you go model for retiree healthcare costs. No other major Texas City pre-funds the cost of uniform employee healthcare. The civilian column does not include the unfunded liability component.

Staff asked the comparable cities listed on slide 37 to validate that their costs provided included the cost of retirees. Of the six cities surveyed, 5 confirmed that their numbers include the pay-as-you go cost of retiree healthcare. City of Austin provided an updated number since the figure provided in July and it includes the pay-as-you go cost of retiree healthcare. City of Houston has not confirmed their amount as of today.

FY 2013	Per Uniform position cost to provide healthcare	Per Civilian position cost to provide healthcare
Austin (figure shown on 10/28 presentation)	\$10,546	\$9,961
Austin (updated figure as of 11/21)	\$13,788	\$12,006

Question 74. Slide 41 is confusing on premium amounts

Slide 41 shows the current uniform retiree healthcare premiums. Uniform retirees with 30 years of service or more do not pay premiums. Uniform retirees with 20 to 29 years of service pay the same monthly premiums as the prefund amount paid by active uniform positions until their contribution reaches 30 years of service or retiree is eligible for Medicare. The monthly prefund amount paid by uniform active employees and retirees with 20 to 29 years of service is \$279.61 in FY 2014

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TOPIC – CIVILIAN AND UNIFORM PENSION

Question 70. How do uniform retiree pension COLA adjustments compare to civilian retiree TMRS adjustments?

Uniform Employees	Civilian Employees
<ul style="list-style-type: none"> • Based on Consumer Price Index for all Urban Consumers (CPI-U) • Pre-August 31, 1971 – 100% of Increase in CPI-U • After August 31, 1971 but before October 1, 1999 – 100% of CPI-U up to 8% and 75% of increase above 8% • After October 1, 1999 – 75% of the increase in CPI-U 	<ul style="list-style-type: none"> • 70% of Consumer Price Index (CPI) • Retroactive feature • Eliminated Annually Repeating COLA in 2010 • Granted Ad Hoc COLAs • Pursued Legislative Adjustments to add COLA options to include non-retroactive alternatives

Question 71. I thought for TMRS that the civilian contributes 6% and the City contributes 12%, not the 10.78% noted in the presentation

The plan benefit design structure for the City’s civilian employees under TMRS is based on a 2 to 1 ratio with a 6% employee contribution. Under this structure, employees contribute 6% of covered payroll. While the City’s contribution is expected to be generally 12% (based on the 2 to 1 ratio), the City’s actual contribution rate is actuarially determined on an annual basis. The City’s contribution rate can fluctuate based upon the actuarial determination based on actual experience compared to assumptions, changes in assumptions, investment portfolio performance, and other changes. Currently, the City’s actuarially determined contribution for fiscal year 2014 is 10.78% of covered payroll.

Question 13. More information from TMRS. For instance invite Dan Wattles to lay out what average retiree gets.

A representative from TMRS will be in attendance at the December 9 Task Force Meeting.

(Combined Similar Questions 21 and 77)

Question 21. Need more statistics on TMRS annuities:

- a. Average amount,
- b. Average amount with health benefits, and
- c. Average amount without health benefits

Question 77. I would like to request that the SA Fire & Police Pension Fund provide information on the average pension annuity by years of service as well as any lump sum distributions for current retirees and beneficiaries. I would like to see the same information for both civilian and uniform retirees who retired in the last five years.

Staff is working with Warren Schott, Executive Director of the San Antonio Fire and Police Pension Fund and the Texas Municipal Retirement System (TMRS) to obtain the requested information. Both entities have agreed to provide the requested information and once it is received, it will be provided to the Task Force.

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TOPIC – GENERAL INFORMATION QUESTIONS

(Combined Similar Questions 1 and 29)

Question 1. Budgeted police positions versus actual for the last five years.

Question 29. What are the active number of uniform and non-uniform employees from FY 2006 to FY 2013?

The below table provides a snapshot of Authorized and Filled positions by Civilian, Fire, & Police at the beginning of the 4th Quarter (July) of each Fiscal Year (the month of July was selected for the snapshot to account for any changes to positions in the budget or during mid-year budget review).

Fiscal Year	Civilian		Uniform Fire		Uniform Police	
	Budgeted	Filled	Budgeted	Filled	Budgeted	Filled
2006	8,496	6,842	1,493	1,474	2,068	2,020
2007	8,236	6,890	1,530	1,513	2,122	2,099
2008	8,266	6,906	1,564	1,526	2,202	2,138
2009	7,952	6,941	1,624	1,581	2,302	2,196
2010	7,617	6,636	1,653	1,607	2,352	2,230
2011	7,501	6,597	1,656	1,649	2,374	2,304
2012	7,376	6,611	1,658	1,646	2,375	2,301
2013	7,320	6,644	1,660	1,654	2,375	2,346

Question 2. Number of cadet classes delayed for the last three years.

The table below reflects the number of police and fire cadet classes planned for the last three fiscal years and the actual number cadet classes held.

	Police		Fire	
	Planned	Actual	Planned	Actual
FY 2012	3 classes 135 cadets	3 classes 92 cadets ¹	2 classes 50 to 60 cadets	2 classes 53 cadets
FY 2013	3 classes 84 cadets	2 classes 58 cadets	1 class 25 to 30 cadets	1 class 30 cadets
FY 2014	3 classes 90 cadets		1 class 40 cadets	

Notes:

- 1) In FY 2012, the Police Department did not realize the projected vacancy rate resulting in classes of smaller size than projected
- 2) In FY 2013, the Police Department did not realize as many vacancies as projected and cancelled the September 2013 class. The next cadet class is schedule for January 2014.

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Question 5. What percentage of total compensation is benefit/pension?

Total Compensation is the total cost for the City to employ staff and is comprised of two components: 1) compensation (salaries, incentives, and specialty pays), and 2) benefits (healthcare and pension benefits). For Civilian employees, benefits represent on an average 38% of salaries and for Uniform employees, benefits represent on an average 55% of salaries.

Question 10. Last time market survey for civilians on pay?

In FY 2008, the City established the Civilian Step Pay Plan for non-professional and non-managerial positions and was based upon the results of a market survey of all civilian positions. This plan is a step based plan which rewards employees for tenure in a position by providing employees pay increases as they move through each step. Given the financial impact of the plan, the implementation was phased in over a six year period with the final phase being implemented in Fiscal Year 2013. For Fiscal Year 2014, the Civilian Step Pay Plan has now transitioned into a maintenance function in order to continue to provide competitive wages.

For civilian positions not included in the Step Pay Plan, market wages are maintained through the use of cost of living adjustments, market adjustments, and performance pay. Market surveys for specific positions or job classes are completed as required and have been done in conjunction with organizational realignments, reorganizations, and as needed to address specific requests.

Question 11. Trends in the Human Resources Department. FTE's over the last seven years and out of what funds are those FTEs funded and at what cost?

Below is a table that shows the personnel trends in the Human Resources department from FY 2008 to FY 2014 and the budget for those positions. Shared Services positions support operating departments and are funded by those budgets under the supervision of the Human Resources Department.

Human Resources Department Number of Authorized Positions							
Fund	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
General Fund	53	52	43	44	42	42	41
Employee Benefits	21	22	23	23	27	27	27
Shared Services (All Funds)	39	42	42	38	38	38	39
Total	113	116	108¹	105	107	107	107
Adopted Budget (Salaries, Benefits, and other personnel costs) (\$ in Millions)							
Fund	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
General Fund	\$3.5	\$3.8	\$3.1	\$3.4	\$3.2	\$3.4	\$3.7
Employee Benefits	1.4	1.5	1.6	1.7	1.8	1.9	2.0
Shared Services (All Funds)	2.0	2.3	2.3	2.1	2.2	2.2	2.3
Total	\$6.9	\$7.6	\$7.0	\$7.2	\$7.2	\$7.5	\$8.0

Notes:

1) In FY 2010, the Innovation Team of 4 positions was transferred to the Budget Office and 4 positions were eliminated.

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Question 23. What year was the original collective bargaining agreement executed? What percentage of the total general fund budget were police and fire?

The first Fire Collective Bargaining Agreement (CBA) contract was executed on August 1, 1975; and the first Police (CBA) was executed on August 1, 1976. In FY 1975 the Public Safety Budget (Police and Fire) comprised 36% of the total General Fund Budget.

Question 68. Will all committee members be afforded the right to make presentations as was afforded to the City Manager, Mr. Erik Walsh and Mr. Ben Gorzell.

Chairman Williams stated that others would be provided the opportunity to present as agreed to by the Task Force.

Question 24. How do our number of police and fire employees per capita of population relate to other Texas cities

Police Officers per 1,000 population (includes sworn officers assigned to Airport, Parks and Schools using FY 2013 Budget Figures)					
	Dallas	Houston	San Antonio	Austin	Fort Worth
Officers per 1,000 Population	2.86	2.56	2.11	2.08	1.99

Uniform Fire per 1,000 population (FY 2013 Budget Figures)*					
	Austin	Houston	Dallas	San Antonio	Fort Worth (contracts EMS)
Officers per 1,000 Population	1.86	1.78	1.60	1.22	1.18

**Source: FY 2013 Adopted Budget Documents*

ITEM 2

Healthcare and Retirement Benefits Task Force
December 16, 2013 Meeting
Questions from Taskforce Members

Responses to the questions listed below will be presented at the January 6, 2014 Task Force Meeting

Healthcare Questions

Responses will be presented by Tiffany Parker, MHBT Incorporated

1. Provide City of San Antonio number of uniform and civilian members participating in the City's Healthcare Program since 2003
2. Provide City of San Antonio current number of dependents broken out by children and spouses
3. Provide explanation on why Dallas healthcare cost per uniform and civilian position is the same (\$3,575)
4. Break out peer cities in-network and out-of-network utilization rates and associated costs
5. Provide employer/employee cost-share ratios and premiums for the City of San Antonio's Healthcare plans. Please provide information by plan and tier from 2008 to 2014
6. Confirm Corpus Christi and El Paso out of pocket maximum, deductibles and monthly premiums
7. Confirm El Paso Employee Only Uniform Premium and Family Uniform Premium Cost Averages

Pension Question

Response will be presented by Mary Elizabeth Redding, Bartel & Associates

8. Remove COLA from the "Total Present Value of Future Pension Payments" calculation for San Antonio

City Staff

9. Provide historical information on the budget reserves of the City of San Antonio Employee Benefits Fund