

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-212

SYNOPSIS -

AGENDA:

MAY 15, 2000

Receive and file the premiums charged to retired employees for health, dental, and prescription insurance, and the new Supervisory, Professional, and Management (SPM) employees' salary plan and benefit changes.

SUBJECT:

RETIREED
EMPLOYEES'
HEALTH
INSURANCE AND
SUPERVISORY,
PROFESSIONAL,
AND
MANAGEMENT
EMPLOYEES'
SALARY PLAN AND
BENEFIT CHANGES

FISCAL IMPACT -

Retired employees' health, dental, and prescription insurance is fully funded by premium payments. The SPM salary plan has an estimated cost of \$244,000 combined over budget projections in enterprise and general fund activities. The increased cost of benefit plans is \$60,000 from Trust and Agency.

RECOMMENDATION -

Receive and file.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

BACKGROUND -

Retired Employees' Health, Dental, and Prescription Insurance

The City offers retired employees the opportunity to continue their health, dental, and prescription insurance with the full premium paid by the retiree. Retirees must be permitted to purchase the same coverage as offered to active employees. The City rates the retired employees' claims in a pool with active employees. At the last open enrollment in October 1999, the cost for most retirees decreased approximately \$50 per month. In addition, new options for a higher deductible health plan, a non-orthodontia dental plan, and a generic prescription plan were introduced to permit our retired employees to purchase coverage consistent with their means. At this year's

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renewal, the same coverage options will again be available for retired employees. Additionally, the City's strategy of reducing Health Maintenance Organization options for active employees and the addition of the projected claims of this group of active employees has resulted in premium requirements at the same level as 1999. The retired employees will have no premium increase in this plan year expiring June 30, 2001. (See Attachment 1 for rates and options.)

SPM Salary Plan

The current salary plan for the City's SPM employees lapses on June 24, 2000. A new plan has been developed that reduces the number of salary grades from 42 to 14 for general SPM employees, three for sworn Police SPM employees, one for sworn Fire SPM employees, one range for assistant City Attorneys, and three ranges for senior management and executives. (See Attachment 2 for the salary ranges.) All but the senior management and executive ranges continue the City's step plan approach to salary administration. The development of this salary plan was done in collaboration with representatives of the City's SPM Board and represents analysis of internal equity factors, historical pay patterns, and market rates. The plan is projected for five years with a planned annual 3% cost of living increase. In addition, employees may advance a step each year until they achieve the last step of their pay grade provided they perform at standard or higher levels. The salary plans for sworn Police and Fire employees will increase at amounts paralleling the negotiated increases of their respective union employees. The total first year cost of implementing this plan (3% cost of living increase, transition to the new plan, and annual step movement) is estimated to be 4.5% of SPM salaries. The cost of this plan is manageable under current budget assumptions.

SPM Benefit Changes

During the course of collective bargaining, the City agreed to begin observance of the Martin Luther King, Jr. birthday holiday beginning in 2001. The SPM employees will also observe this holiday with pay.

The City has provided as much as \$125,000 in contributions to SPM employees' flexible medical spending accounts if they selected an HMO option. Since the City has eliminated HMO's from its health plan menu, the City will continue to contribute

to all SPM employees' flexible medical spending accounts an equal amount not to exceed the current annualized cost of \$125,000. This will result in a monthly contribution beginning January 1, 2001 of \$30 per employee per month.

The City currently provides life insurance in an amount equal to one times an employee's annual salary. The City will increase this insurance, effective July 1, 2000, to two times an employee's annual salary. This is estimated to cost an additional \$60,000 in Fiscal Year 2001; however, the lack of any increase in funding requirements for the City's self-insured health plan provides sufficient budgeted funds to cover this cost.

Attachments