

MEDICAL INSURANCE RENEWAL &  
COMPENSATION UPDATE  
FY2015-2016

# Agenda

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- Activity Leading to Insurance Renewal
- Medical Plan Renewal/Proposed Plan Designs
- Employee Impact
- Wellness Clinic
- Compensation
  - ▣ Non-represented Staff
  - ▣ Proposed MOU GYPOA
  - ▣ Proposed MOU UGFF
- Retirement Plans

# Activity Leading to Proposal

- Cost containment efforts:
  - ▣ Evaluated “AzMT” Arizona Metropolitan Trust
  - ▣ Evaluated fully or partial self-funding insurance options
  - ▣ Explored level funding option
  - ▣ Completed negotiations of renewal rate with Cigna
- Completed RFP for Vision and Life Insurance
- Continued Integration of Wellness Efforts
  - ▣ Contracted with new BioMetric Screening Provider

# MEDICAL INSURANCE RENEWAL OVERVIEW



# Current Plan Options

## Medical

### ➤ HMO

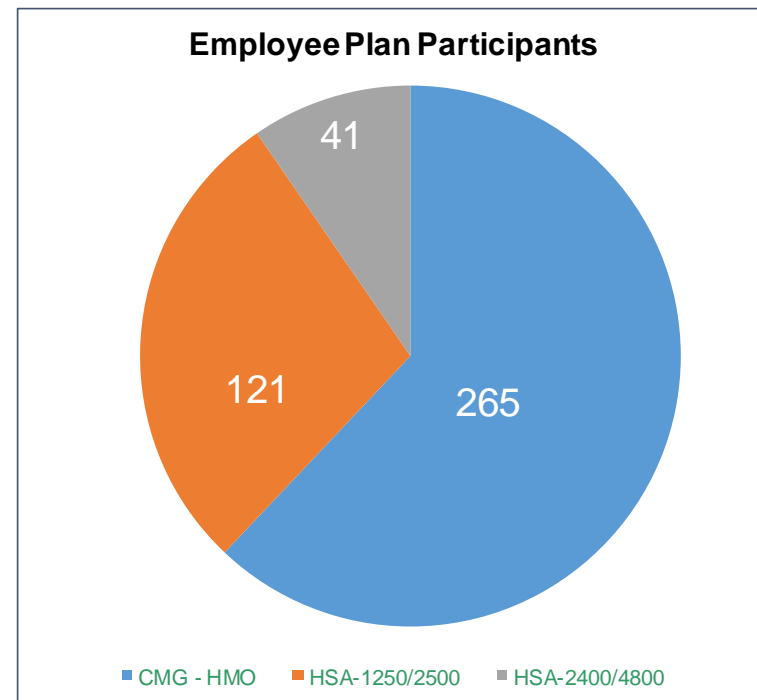
- \$750 / \$1500 Deductible
- \$20 PCP / \$35 SP Copay
- \$50 Urgent Care / \$200 ER Copay

### ➤ H.S.A.

- \$1,250 / \$2500 Deductible
- \$300 / \$900 HSA Account
- 90% Coinsurance After Deductible
- \$1,750 / \$3500 Out of Pocket Maximum

### ➤ H.S.A.

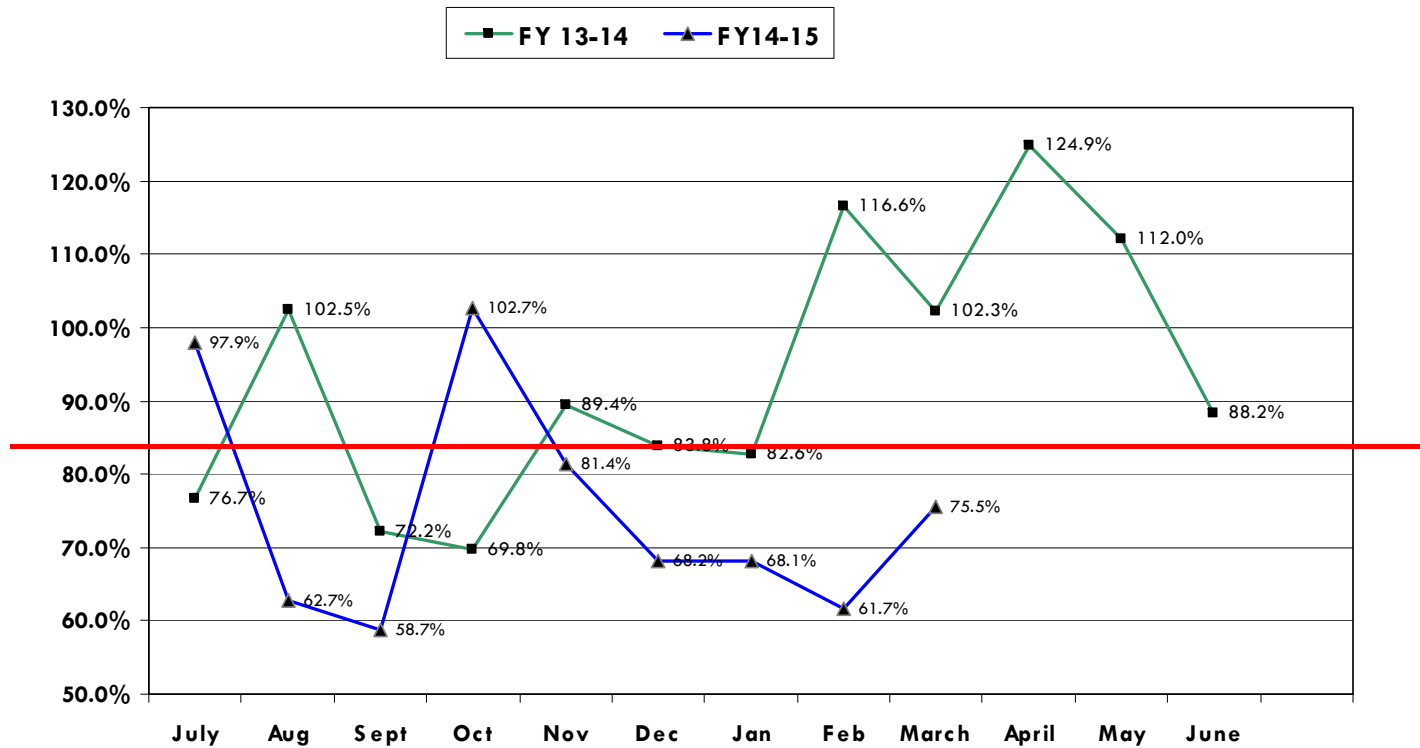
- \$2,400 / \$4800 Deductible
- \$600 / \$1800 HSA Account
- 90% Coinsurance After Deductible
- \$2,900 / \$5800 Out of Pocket Maximum



# Renewal Overview

- Based on Loss Ratio of 94.29% (Cigna's target is 83%)
- Status Quo Renewal increase 7.0% (savings of \$545,926.56 annually from initial renewal)
  - ▣ Initial renewal was increase of 14.7%
- Level Funding Option
- \$50,000 wellness fund is included
- EAP included in plan (no cost \$40,000 savings annually)

# Medical Loss Ratio



# Proposed Plan Options

## □ Status Quo Renewal

### ➤ HMO

- \$750 / \$1500 Deductible
  - Hospital
- \$20 PCP/ \$35 SP Copay
- \$50 Urgent Care / \$200 ER Copay

### ➤ H.S.A.

- \$1250 / \$2500 Deductible
- \$300 / \$900 HSA Account
- 90% Coinsurance After Deductible
- \$1,750 / \$3500 Out of Pocket Maximum

### ➤ H.S.A.

- \$2400 / \$4800 Deductible
- \$600 / \$1800 HSA Account
- 90% Coinsurance After Deductible
- \$2900 / \$5800 Out of Pocket Maximum

**Total Increase 7.0%**

**Total plan increase - \$497,139**



# OTHER INSURANCE

Net Salary Increase Analysis

# Renewal Overview

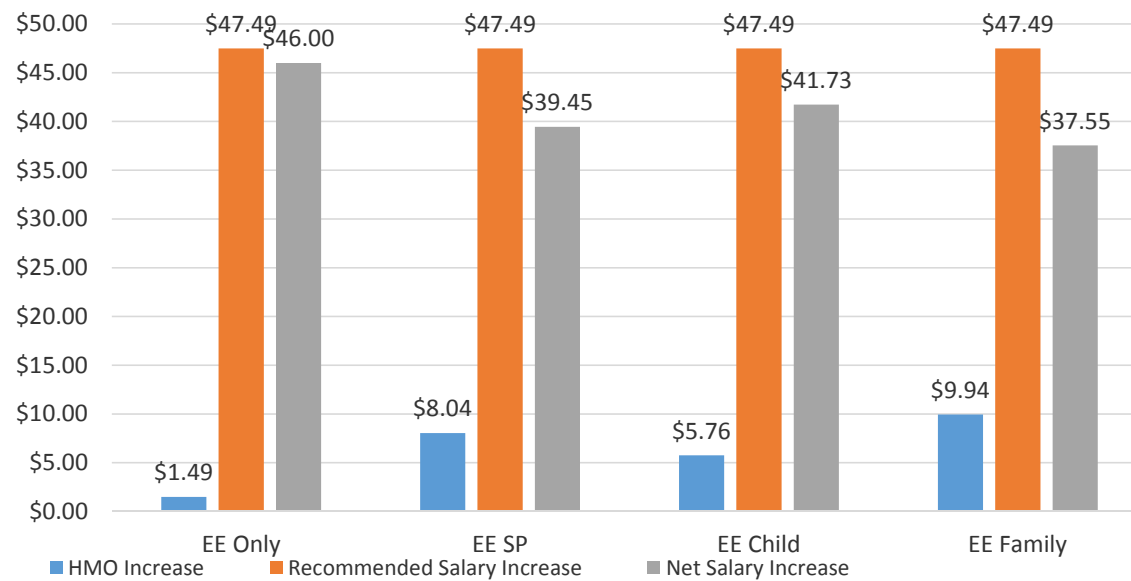
- Dental Insurance Renewal
  - ▣ 5.0% Reduction
  - ▣ Inclusion of Dental Implants
- New Vision Provider “Avesis”
  - ▣ Broader network
- New Life Insurance Provider
  - ▣ New maximum of \$300,000
  - ▣ Obtained a lower rate of approximately 20% based on current salaries

# IMPACT TO EMPLOYEES

Net Salary Increase Analysis

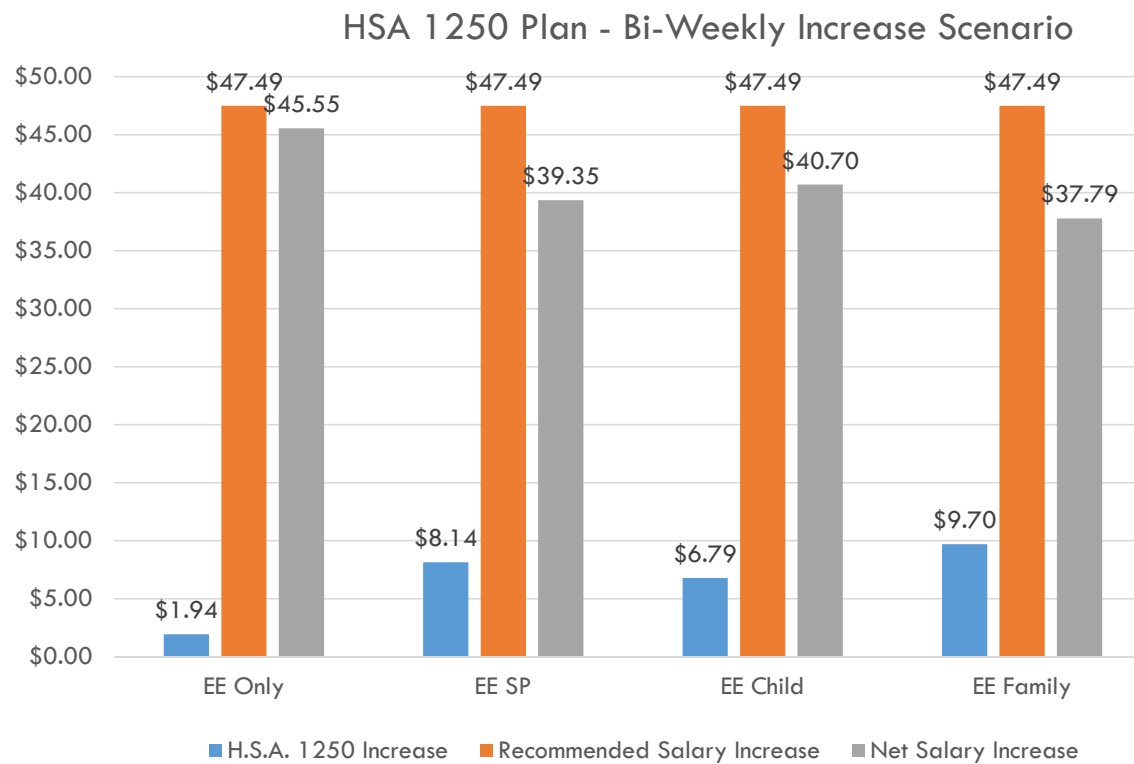
# EE Financial Impact

HMO Plan - Bi-Weekly Increase Scenario



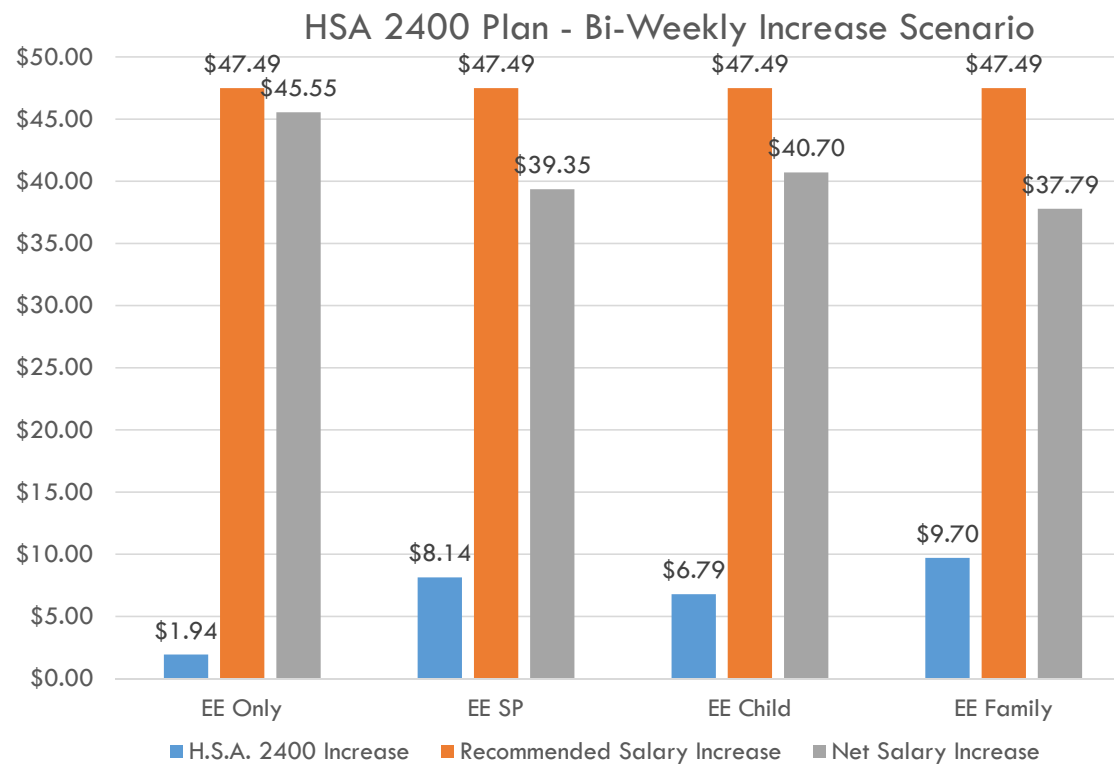
Includes Vision Insurance rate changes.

# EE Financial Impact



Includes Vision Insurance rate changes.

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Includes Vision Insurance rate changes.

# WELLNESS CLINIC

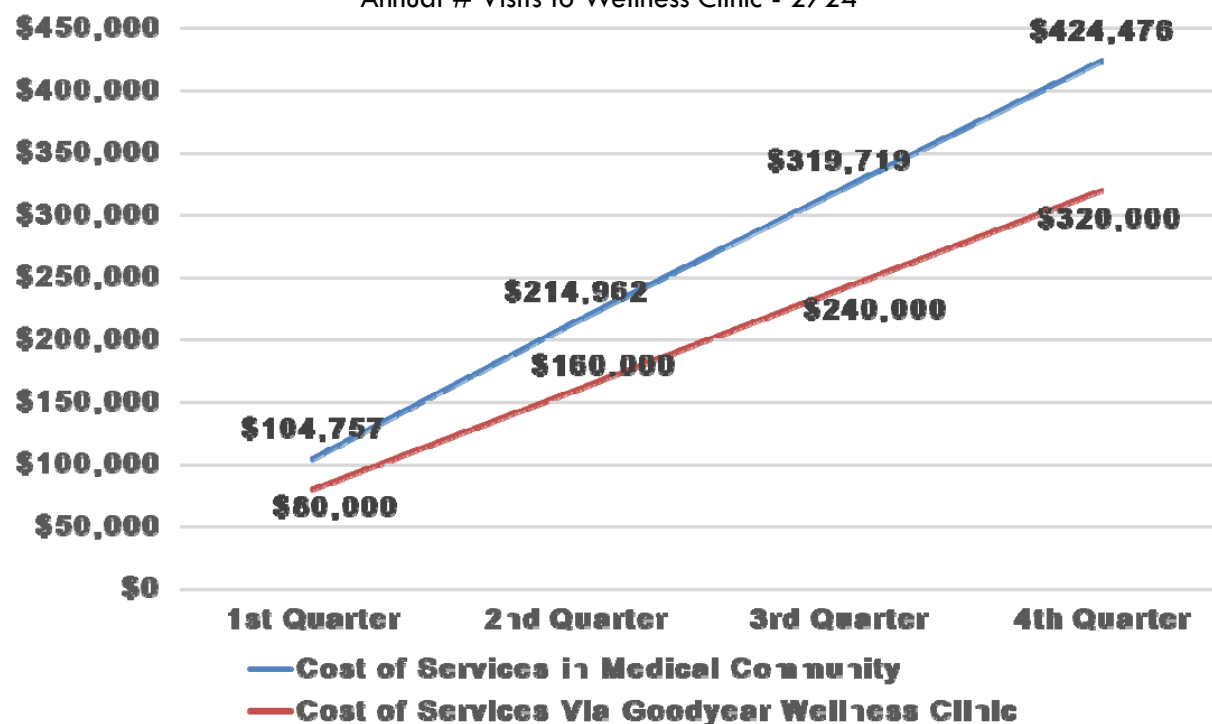
Return on Investment

# Cumulative Cost of Services

Based on Primary Care Doctors Visits

Average Plan Cost per Office Visit \$141

Annual # Visits to Wellness Clinic - 2724





# COMPENSATION

Non-Represented Staff

# Council's Interests

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- ❑ A structure that would move non-sworn employees closer to market
- ❑ Eliminate steps (Exempt Employees)
- ❑ Flexible
- ❑ Explainable and Defendable
- ❑ Legal

# Proposed Salary Increase

\$14.83	Market				\$22.03
Range Minimum	1 <sup>st</sup> Quartile	2 <sup>nd</sup> Quartile	3 <sup>rd</sup> Quartile	4 <sup>th</sup> Quartile	Range Maximum
	4.00%	3.50%	3.00%	2.60%	
					At or above max 1.75% one-time

Proposed Average Increase of 3.25%

# Quartile Movement

	Range Minimum	Market			Range Maximum
	4.00%	3.50%	3.00%	2.60%	1.75% one-time
	1 <sup>st</sup> Quartile	2 <sup>nd</sup> Quartile	3 <sup>rd</sup> Quartile	4 <sup>th</sup> Quartile	Max
March 2015	129	99	49	26	18
% to Total	40.2%	30.8%	15.3%	8.1%	5.6%
As of 7/1/15	75	118	74	31	23
% to Total	23.4%	36.8%	23.1%	9.7%	7.2%

Based on a Proposed Average Increase of 3.25%

# Proposed Memorandum of Understanding

City of Goodyear and Goodyear Police Officer's Association

# Discussion Summary

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- Covered Positions Per Meet and Confer Ordinance
- Market Data
  - ▣ Internal Comparisons
  - ▣ Police Officers and Police Sergeants Data
- Components of Proposed MOU
- Result of Contract
- Cost of Contract

# Covered Positions

- Under the Meet and Confer Ordinance

- ▣ Police Officers (73)

- Primary responsibilities include patrol, enforcement of the law and response to emergency situations.

- ▣ Police Sergeants(13)

- Primary responsibilities include supervision of a police squad, response and control of emergency situations

# Police Officer Market Data

Salary Survey Respondent	Job Title	Avg. Tenure	Minimum	Midpoint	Maximum	Avg. Annual Base Salary
Goodyear	Police Officer	8.4	\$53,769	\$64,849	\$75,929	\$58,511
*Benchmark Average	Police Officer	8.6	\$51,929	\$63,653	\$75,377	\$66,956
Average w/1 StdD	Police Officer	10.1	\$52,723	\$63,312	\$75,210	\$68,244
Goodyear Comparison to Market		<b>.84</b>	<b>1.02</b>	<b>1.02</b>	<b>1.01</b>	<b>0.86</b>

## Benchmark Cities:

Avondale, Buckeye, Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, Surprise, Tempe

Goodyear Police Officer's actual Average salary is at 86% of market



# Police Sergeant Market Data

Salary Survey Respondent	Job Title	Avg. Tenure	Minimum	Midpoint	Maximum	Avg. Annual Base Salary
Goodyear	Sergeant	14.1	\$75,975	\$86,614	\$97,254	\$80,063
*Benchmark Average	Sergeant	16.4	\$75,831	\$86,892	\$97,954	\$90,527
Average w/1 StdD	Sergeant	16.5	\$74,939	\$87,946	\$96,974	\$91,308
Goodyear Comparison to Market		.86	1.01	0.98	1.00	0.88

## Benchmark Cities:

Avondale, Buckeye, Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, Surprise, Tempe

Goodyear Police Sergeant's actual Average salary is at 88% of market

# Components of Proposed MOU

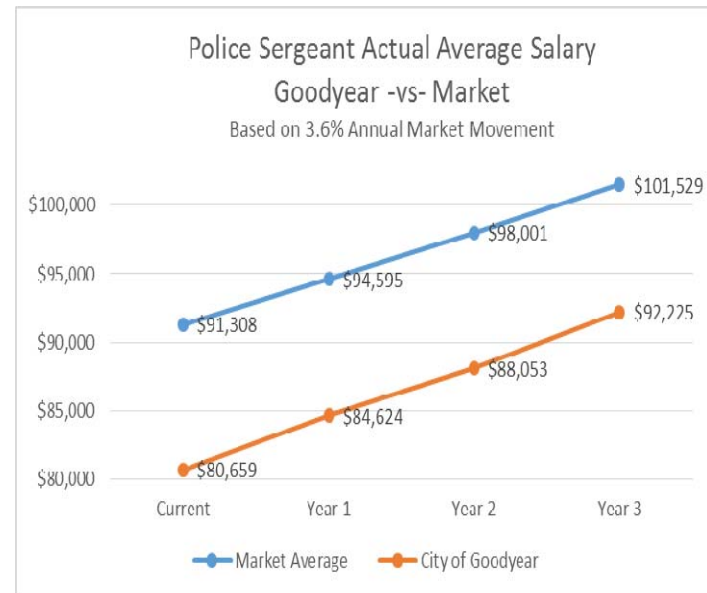
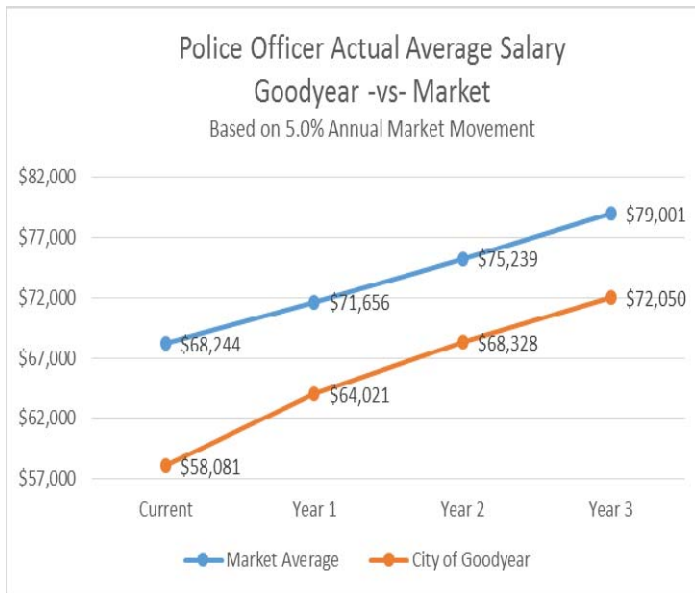
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- Three-year Memorandum of Understanding
- Base Pay
- Lump-sum for maxed employees
- Revenue Trigger

# Base Pay

- Frontloaded increase
  - Year 1 - 7.5%
  - Year 2 - 6.0%
  - Year 3 - 5.24%
- Year 3 Includes a 5.0% market adjustment and movement back to steps

# Results of Contract



# Other Pay Components

- 2.5% Lump Sum for Employees at max of range

Year	Cost
Year 1	\$17,420
Year 2	\$38,410
Year 3	\$14,955

- Revenue trigger with the following components
  - ▣ Additional funding available in year 3 of the contract if revenue collections exceed projections
  - ▣ Management option for wage reopener if revenue projections are not meet

# Police Contract Costs

Year 1 - 2015-16							
		Ongoing			Lump Sum/One-time - 2.5%		
		Salary/Wage	% Based Benefits	Total	Salary	Benefits	Total
	Base Pay	\$ 402,074	\$ 128,664	\$ 530,738	\$ 17,420	\$ 5,574	\$ 22,994
	Detective Assign	0	0	0			
	Overtime	50,348	16,111	66,459			
	<b>POLICE TOTAL</b>	<b>\$ 452,422</b>	<b>\$ 144,775</b>	<b>\$ 597,197</b>	<b>\$ 17,420</b>	<b>\$ 5,574</b>	<b>\$ 22,994</b>
Year 2 - 2016-17							
		Ongoing			Lump Sum/One-time - 2.5%		
		Salary/Wage	% Based Benefits	Total	Salary	Benefits	Total
	Base Pay	\$ 345,784	\$ 110,651	\$ 456,435	\$ 38,410	\$ 12,291	\$ 50,701
	Detective Assign	0	0	0			
	Overtime	43,299	13,856	57,155			
	<b>POLICE TOTAL</b>	<b>\$ 389,083</b>	<b>\$ 124,507</b>	<b>\$ 513,590</b>	<b>\$ 38,410</b>	<b>\$ 12,291</b>	<b>\$ 50,701</b>
Year 3 - 2017-18							
		Ongoing			Lump Sum/One-time - 2.5%		
		Salary/Wage	% Based Benefits	Total	Salary	Benefits	Total
	Base Pay	\$ 339,041	\$ 108,493	\$ 447,534	\$ 14,955	\$ 4,786	\$ 19,741
	Detective Assign	18,994	6,078	25,072			
	Overtime	47,809	15,299	63,108			
	<b>POLICE TOTAL</b>	<b>\$ 405,844</b>	<b>\$ 129,870</b>	<b>\$ 535,714</b>	<b>\$ 14,955</b>	<b>\$ 4,786</b>	<b>\$ 19,741</b>

# Proposed Memorandum of Understanding

City of Goodyear and United Goodyear Firefighters Local  
4005

# Discussion Summary

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- Covered Positions Per Meet and Confer Ordinance
- Market Data
  - ▣ Firefighter, Fire Engineer and Fire Captain
- Components of Proposal
  - ▣ Base Pay
  - ▣ Other Pay Components
  - ▣ Other Components
- Cost of Contract



# Covered Positions

- Under the Meet and Confer Ordinance

- ▣ Firefighters (42)

- Primary responsibilities include responding to emergency situations to perform fire suppression and or medical pre-hospital procedures

- ▣ Fire Engineers (17)

- Primary responsibilities include responding to emergency situations, driving fire apparatus, performing rescue operations and fire suppression

- ▣ Fire Captains (24)

- Primary responsibilities include directing the activities of fire personnel, supervising firefighters and ensuring safety of personnel and apparatus.

# Firefighter Market Data

Salary Survey Respondent	Job Title	Ave. Tenure	Minimum	Midpoint	Maximum	Ave. Annual Base Salary
Goodyear	Firefighter	8.2	\$44,084	\$53,187	\$62,289	\$51,500
*Benchmark Average	Firefighter	7.8	\$45,273	\$54,640	\$64,007	\$57,238
Average w/1 StdD	Firefighter	8.2	\$44,706	\$54,483	\$63,137	\$58,233
Goodyear Comparison to Market		<b>1.00</b>	<b>0.99</b>	<b>0.98</b>	<b>0.99</b>	<b>0.88</b>

## Benchmark Cities:

Avondale, Buckeye, Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, Surprise, Tempe

Goodyear  
Firefighter's actual  
Average salary is at  
88% of market

# Fire Engineer Market Data

Salary Survey Respondent	Job Title	Avg. Tenure	Minimum	Midpoint	Maximum	Avg. Annual Base Salary
Goodyear	Engineer	11.8	\$59,288	\$64,022	\$68,756	\$65,106
*Benchmark Average	Engineer	13.7	\$61,713	\$67,034	\$72,355	\$68,793
Average w/1 StdD	Engineer	14.0	\$64,390	\$66,643	\$70,017	\$68,542
Goodyear Comparison to Market		<b>.84</b>	<b>0.92</b>	<b>0.96</b>	<b>0.98</b>	<b>0.95</b>

## Benchmark Cities:

Avondale, Buckeye, Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, Surprise, Tempe

Goodyear  
Engineer's actual  
average salary is at  
95% of market

# Fire Captain Market Data

Salary Survey Respondent	Job Title	Avg. Tenure	Minimum	Midpoint	Maximum	Avg. Annual Base Salary
Goodyear	Captain	14.5	\$68,756	\$76,264	\$83,772	\$78,711
*Benchmark Average	Captain	17.1	\$68,321	\$76,686	\$85,050	\$82,212
Average w/1 StdD	Captain	17.7	\$70,540	\$77,959	\$82,647	\$81,915
Goodyear Comparison to Market		<b>.82</b>	<b>0.97</b>	<b>0.98</b>	<b>1.01</b>	<b>0.96</b>

## Benchmark Cities:

Avondale, Buckeye, Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, Surprise, Tempe

Goodyear Captain's actual average salary is at 96% of market

# Components of Proposed MOU

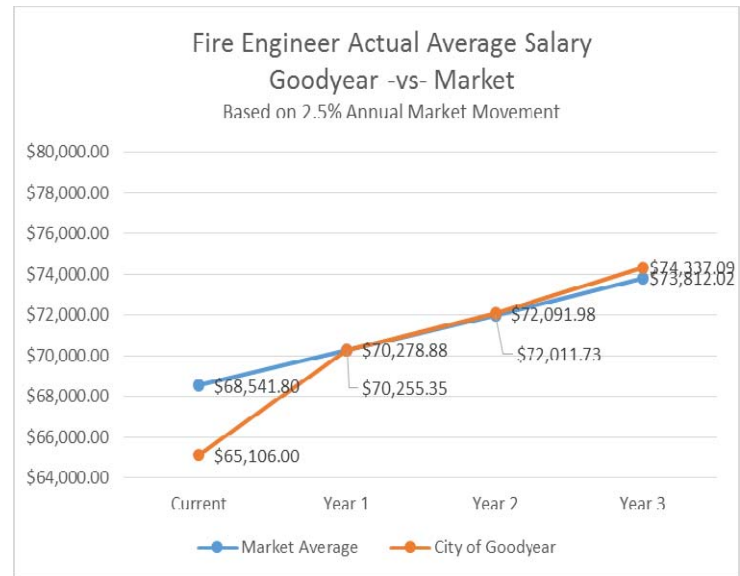
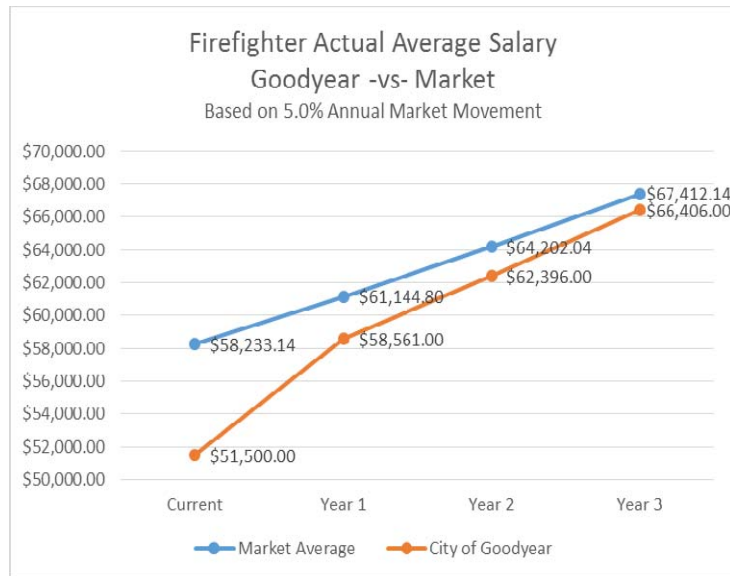
- Three-year Memorandum of Understanding
- Base Pay
- Other Pay Components
  - ▣ Lump Sum
  - ▣ Specialty Pay
- Other Components
  - ▣ Voluntary Employee Benefits Association (VEBA) Trust Contribution
  - ▣ Restructure Move-up Pay
  - ▣ Update Committee Language
  - ▣ Allow donation of Floating Holiday to Labor Relations Bank

# Base Pay

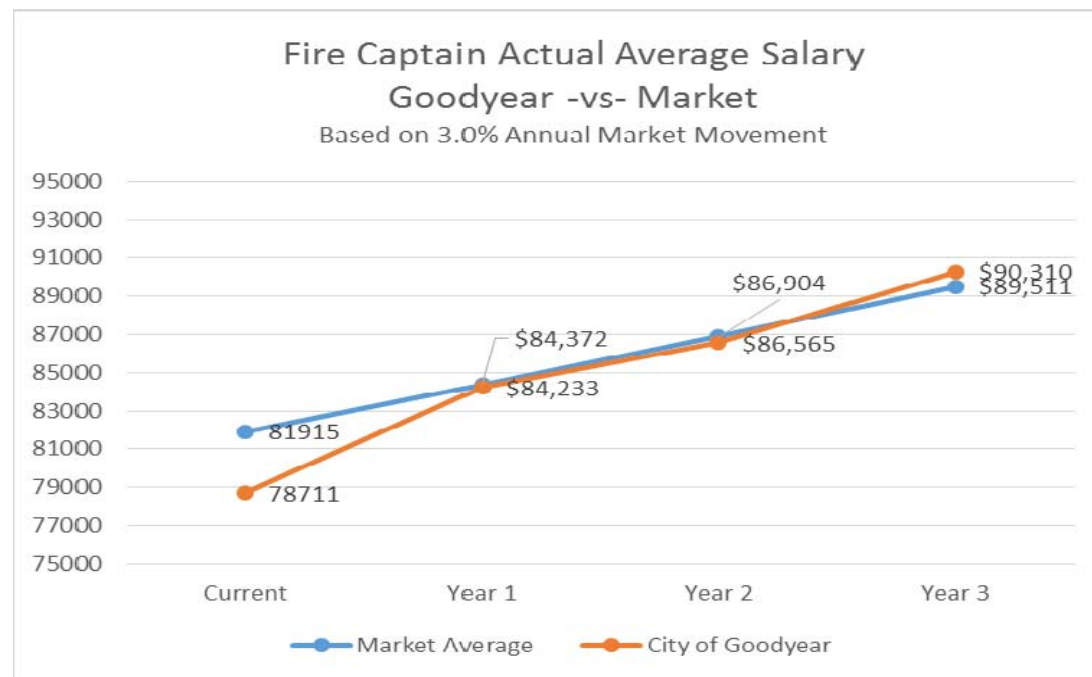
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- Frontloaded increase
  - Year 1 - 6.0%
  - Year 2 - 4.3%
  - Year 3 - 5.0%
- Year 3 Includes a 3.0% market adjustment and movement back to steps

# Results of Contract



# Results of Contract con't





# Other Pay Components

- 2.5% Lump Sum for Employees at max of range

Year	Cost
Year 1	\$24,700
Year 2	\$46,777
Year 3	\$3,635

- Specialty Pay

Pay Type	Current	Market Ave.	Proposed	Cost
HazMat	\$0.86/\$0.22	\$1.02	\$1.00	\$60,907*
Paramedic	\$2.00	\$2.21	\$2.25	\$40,255*

\*Includes benefit costs

# Other Components

- Reallocate a portion of the current Uniform Allowance \$26,975
  - ▣ City to reallocate \$26,975 on a per member basis of \$12.50 per pay period to contributions to a VEBA Trust Fund created by UGFF.
- Change Move-up language to (Estimated savings \$28,800):
  - ▣ 5.0% pay for one rank jump
  - ▣ 10.0% for two rank jump
  - ▣ Institute a 4-hour minimum requirement
- Revenue trigger with the following components
  - ▣ Additional funding available in year 3 of the contract if revenue collections exceed projections
  - ▣ Management option for wage reopener if revenue projections are not met
- Update Committee Language to better reflect the current meeting structures
- Allow donation of floating holiday to Labor Relations Bank.

# Fire Contract Costs

Year 1 - 2015-16								
		Ongoing			Lump Sum/One-time - 2.5%			
		Salary/Wage	% Based Benefits	Total	Salary	Benefits	Total	
	Base Pay	\$ 319,180	\$ 63,836	\$ 383,016	\$ 24,700	\$ 4,940	\$ 29,640	
	Paramedic Pay	33,546	6,709	40,255				
	HAZMAT Pay	50,756	10,151	60,907				
	Overtime	123,100	24,620	147,720				
	<b>FIRE TOTAL</b>	<b>\$ 526,582</b>	<b>\$ 105,316</b>	<b>\$ 631,898</b>	<b>\$ 24,700</b>	<b>\$ 4,940</b>	<b>\$ 29,640</b>	
Year 2 - 2016-17								
		Ongoing			Lump Sum/One-time - 2.5%			
		Salary/Wage	% Based Benefits	Total	Salary	Benefits	Total	
	Base Pay	\$ 281,946	\$ 56,389	\$ 338,335	\$ 46,777	\$ 9,355	\$ 56,132	
	Paramedic Pay	0	0	0				
	HAZMAT Pay	0	0	0				
	Overtime	88,222	17,644	105,866				
	<b>FIRE TOTAL</b>	<b>\$ 370,168</b>	<b>\$ 74,034</b>	<b>\$ 444,202</b>	<b>\$ 46,777</b>	<b>\$ 9,355</b>	<b>\$ 56,132</b>	
Year 3 - 2017-18								
		Ongoing			Lump Sum/One-time - 2.5%			
		Salary/Wage	% Based Benefits	Total	Salary	Benefits	Total	
	Base Pay	\$ 294,111	\$ 58,822	\$ 352,933	\$ 3,635	\$ 727	\$ 4,362	
	Paramedic Pay	0	0	0				
	HAZMAT Pay	0	0	0				
	Overtime	84,604	16,921	101,525				
	<b>FIRE TOTAL</b>	<b>\$ 378,715</b>	<b>\$ 75,743</b>	<b>\$ 454,458</b>	<b>\$ 3,635</b>	<b>\$ 727</b>	<b>\$ 4,362</b>	

# Retirement Plans



# Goodyear Retirement Plans

- Participate in Two Defined Benefit Retirement Plans
- Public Safety Personnel Retirement System (PSPRS)
  - ▣ Sworn Police
  - ▣ Sworn Fire
- Arizona State Retirement System (ASRS)
  - ▣ All Other Full Time Employees
- Accounting Standards Change Elevates Discussion.

# PSPRS

## □ Agent Plan

- ▣ Investments are Pooled
- ▣ Separate Accounts for Each Agency

## □ Local Board

- ▣ Decides Issues of Eligibility
- ▣ Prescribe Procedures to be Followed
- ▣ Determine Right of Claimant to a Benefit
- ▣ Afford Claimant Right to Rehearing
- ▣ Appoint Medical Boards
- ▣ No Power to Modify Any Terms of the System

# PSPRS Financial Information

Selected Financial Information			
	PSPRS	Goodyear Fire	Goodyear Police
Funding Level	50.4%	92.0%	68.3%
Net Unfunded Liability	685,964,945	2,007,105	9,367,180
<b>Recommended Funding Rate</b>	<b>41.40%</b>	<b>13.85%</b>	<b>21.66%</b>
Phase In Funding Rate		13.30%	18.88%

# PSPRS Issues

- Permanent Benefit Increases (PBI)
  - ▣ 50% of Earnings over 9%
  - ▣ COLA reduces return by 2% (Lower than assumed)
- 2011 Senate Bill 1609
  - ▣ Increased Investment Return Threshold for PBI
  - ▣ Variable PBI
  - ▣ Funded Status Minimum
  - ▣ Additional Employee Contributions
  - ▣ Lower tier benefits for new hires



## PSPRS Issues (continued)

- Fields case overturned PBI changes for Retirees
- Hall case challenges additional contribution & PBI mechanism
  - ▣ Has not been resolved
- Time Period to Eliminate Unfunded Liability is Fixed at 22 Years

# What Can Goodyear Do?

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- Pay Liability Today Instead of Over 22 Years (Not Recommended)
- Pay “Recommended Funding Rate” (Recommended)
- Prepay Contribution in July (Recommended at 90%)

# ASRS

- Cost Sharing Plan
  - ▣ Assets and Obligations are Pooled
- No Permanent Benefit Increase (PBI) for Ten Years
- Employer and Employee Rate 11.35% for FY16
- Total Unfunded Liability \$9,903,897,264
- Funding Level 76.9%

Questions ?

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Questions?