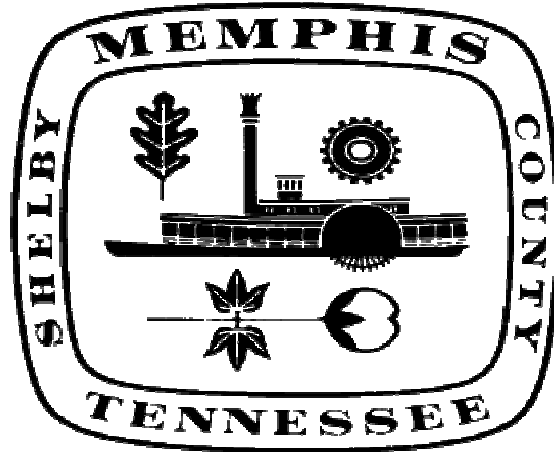


OPEB Benefits Reform



OPEB Recommendation Summary

April 11, 2014

Quintin Robinson, Director of Human Resources

Access Only Medical Coverage

(Estimated Financial Impact: \$27M savings in FY15)

- Total of 4,000 retirees in City of Memphis medical plan
 - ~1,500 Post-65 retirees with Medicare Coverage (**Move to Access Only**)
 - ~1,100 Post-65 retirees without Medicare (**Grandfather**)
 - ~1,400 Pre-65 Medicare retirees (**Move to Access Only**)
- “**Access Only**” - retirees to pay 100% of the premium versus the 30% share they currently pay.
- Based on current premiums, a move to “access only” retirees would pay from \$517 to \$674 per month for single coverage and \$921 to \$1,335 for family coverage.
- In order to break-even and recover previous deficit, the retiree “access only” rate effective 1/1/2015 will range from \$1,155 to \$1,358 for single coverage and \$2,425 to \$2,694 for family coverage.
- Post-65 retirees with Medicare coverage can pay an extra *\$150 per month for Medigap insurance (covers expenses not paid by the primary Medicare plan) and Medicare Part D prescription drug coverage to replace city coverage. They currently pay \$104 monthly for Medicare Part B coverage.
- City’s changes would create a special enrollment event that would allow pre-65 retirees to seek coverage through a current employer, enroll in a working spouse’s plan or seek replacement coverage through the federal exchange with monthly premiums of approximately \$300 to \$600.
- PwC has conducted an impact analysis that shows moving to Access Only coverage would reduce the OPEB unfunded liability from \$1.3B to approximately **\$300M**.
- “**Grandfather**” – retirees would continue City’s coverage under the current 70/30 cost share arrangement.

*estimated based on Medicare.gov calculator using zip code 38112