HEALTH BENEFITS COMMITTEE

The Health Benefits Committee meeting was held on August 16, 2011 at 3:06 p.m. with Mrs. Hawkins (Human Resources Director) presiding. Members present were Councilman Leary, Mrs. Mitchell (Controller/Treasurer), Mr. Koenig (Interim City Manager - ex-officio), Mr. Clendaniel (IUE/CWA Representative), Mr. Enss (Non-Bargaining Representative), Mr. Hudson (Retiree Representative), Mr. Newberry (IBEW Representative), and Mr. Roswell (FOP Representative). Councilwoman Williams was absent.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was approved, as presented.

Mrs. Kimberly Hawkins, Human Resources Director, introduced two (2) new members to the Committee, as follows: 1) Mr. Scott Koenig, Interim City Manager, and 2) Mr. Stephen Newberry, who replaced Mr. Paul Simon as the IBEW Local #1238 Representative.

Mrs. Hawkins also noted that Mr. Robert (Ernie) Roswell was representing the FOP, in the absence of Mr. David Spicer.

Public Comment

Mrs. Fran Hettinger, 63 Sackarackin Avenue, stated that she is a retired City of Dover employee and felt that the elimination of Medicare Part B reimbursement should be limited to new hires rather than to current employees who were hired with this benefit. She noted that the State of Delaware recently made changes to their benefits through House Bill No. 81 ***(Attachment #1)*** which were applied to new hires only and suggested that the City take the same approach.

Mr. James Hosfelt, Police Chief, stated that during the Legislative, Finance, and Administration Committee meeting of June 13, 2011, employees from the City of Dover Police Department submitted written comments pertaining to the elimination of Medicare Part B reimbursement for current non-bargaining employees. He requested that those comments be provided to members ***(Attachment #2)***.

Elimination of Medicare Part B Reimbursement for Current Non-Bargaining Employees

Mrs. Kimberly Hawkins, Human Resources Director, advised members that during the Legislative, Finance, and Administration Committee meeting of June 27, 2011, members recommended that the proposal to eliminate Medicare Part B reimbursement for current non-bargaining employees be referred to the Health Benefits Committee for their review and consideration by September 1, 2011 and subsequently be brought back to the Legislative, Finance and Administration Committee for a recommendation.

Mrs. Hawkins reviewed the History and Projection for Medicare Part B Premiums for the last 37 years. Referring to Page 1, she stated that the projections were based on a percentage change of 8.6% (Historical Average Annual Increase) and 5.6% (Last Five (5) Year Average Annual Increase). In reference to Page 2, Mrs. Hawkins explained that Mrs. Donna Mitchell, Controller/Treasurer, prepared an analysis projecting the number of employees eligible to receive Medicare Part B reimbursements assuming a 5.6% premium inflation rate each year from 2011 through 2053. She noted that, per the Internal Revenue Service (IRS), mortality ages are 75 for males and 78 for

females; however, a mortality age of 83 was used for both males and females as many of the City's current retirees exceed the IRS mortality rate. In addition, non-bargaining vested and non-vested employees were listed separately as a result of suggestions made by members of the Legislative, Finance, and Administration Committee to eliminate Medicare Part B reimbursement for non-vested, non-bargaining employees. Mrs. Hawkins explained that if changes are not made, the projected cost for Medicare Part B reimbursements will be approximately $9.8M.

Mrs. Mitchell noted that the projected cost of $9.8M included only up to the year 2053, when the final employees would be eligible to receive Medicare Part B, and did not include when those employees would reach mortality; therefore the costs would continue.

Referring to Page 3, Mrs. Hawkins explained that if a $200 cap was placed on Medicare Part B premium reimbursements, the City's cost would be approximately $3.5M, resulting in a savings of approximately $6.3M.

Mrs. Mitchell advised members that the analysis of placing a cap on Medicare Part B Premium reimbursement was prepared to demonstrate that the City would receive greater savings using this approach versus eliminating this benefit for non-vested, non-bargaining employees.

Mrs. Hawkins also noted that many employees had expressed concerns regarding the elimination of Medicare Part B for non-bargaining, non-vested employees based upon a specified date.

In response to Mr. Enss, Mrs. Mitchell stated that the Committee's recommendations would only affect eligible employees and not those who were hired after July 27, 2009.

Mr. Scott Koenig, Interim City Manager, stated that as a non-bargaining employee, he would prefer that the Medicare Part B reimbursement remain untouched; however, he realized that there was a significant cost associated with this benefit. He suggested that, rather than having the benefit completely expunged, employees compromise by recommending that a $200 cap be placed on the Medicare Part B premium. He explained that union members present negotiated the Medicare Part B reimbursement away through union contracts and received something in return. Mr. Koenig felt that employees who have worked for a number of years with the City have earned a portion of this benefit and, in some cases, this benefit will not be realized for several years, if at all. He noted that the highlighted projections listed on Page 1 indicate when the City may hit the $200 threshold in the future and, in his opinion, placing a $200 cap on the Medicare Part B premium would demonstrate a good faith offer from non-bargaining employees to reduce long-term liability from $9.8M to $3.5M. Mr. Koenig also felt that eliminating this benefit for non-vested employees would create friction between those employees who are vested and those who are not; therefore, he stated that the institution of a the cap was the best approach.

Mr. Enss reminded members that during the January 12, 2009 Regular City Council meeting, members approved a number of staff's recommendations for benefit parity for non-bargaining employees and stated that the unions negotiated the Medicare Part B reimbursement away and received something else in return. In addition, he stated that union members received salary increases this year, while non-bargaining employees did not. Mr. Enss suggested that the value of

the salary increases that were not received by non-bargaining employees be considered when formulating a recommendation regarding the Medicare Part B premium.

It was Mr. Leary's feeling that the percentage changes of 5.6% and 8.6% were fair. He also felt that increasing the mortality age to 83 was a good idea actuarially and noted that, for financial planning purposes, many firms use 84 or 85 as the age of mortality. In regard to reaching a compromise, Mr. Leary concurred with Mr. Koenig and thought that placing a cap on the Medicare Part B premium would be the best approach.

Councilman Lynn stated that he would encourage all non-bargaining employees not to compromise on this issue. He explained that bargaining employees received something in exchange for giving up the Medicare Part B reimbursement, while there is no proposal to grant the non-bargaining employees any benefit in return. Mr. Lynn suggested that the Committee inform City Council members that they would like this benefit to remain untouched. It was his feeling that the current City Council is attempting to put ten (10) years of unsound economic policy on the backs of City employees and he did not agree with this approach.

Concurring with Councilman Lynn, Mrs. Fran Hettinger, reiterated her opposition to the elimination of Medicare Part B reimbursements for current employees. She stated that the City made a commitment when this benefit was promised to employees, some who have been employed with the City for 15 to 25 years. Mrs. Hettinger acknowledged that the City is facing very difficult times; however, she suggested that the City consider mirroring the amendments made to employee benefits by the State of Delaware in House Bill No. 81.

In response to Mrs. Hettinger, Mrs. Hawkins stated that, as a result of House Bill No. 81, State of Delaware employees will have to contribute 5% to their health care beginning in 2012. She also explained that she did not believe that the State of Delaware provides Medicare Part B reimbursement.

Chief Hosfelt advised members that non-bargaining employees did not receive a salary increase this year and most likely would not next year and felt that penalizing these employees even further was unjust. He stated that, unlike bargaining employees, non-bargaining employees are not able to negotiate and that the City made a promise to provide benefits to employees upon offering employment. Chief Hosfelt reiterated Councilman Lynn's comments and felt that placing the previous City Council members' financial irresponsibilities on the backs of the employees was unfair.

Mr. Enss moved to recommend that the Medicare Part B reimbursements for non-bargaining employees remain unchanged. The motion was seconded by Mr. Hudson and carried by a vote of five (5) yes, three (3) no (Mrs. Hawkins, Mr. Koenig, and Mrs. Mitchell), one (1) abstention (Mr. Clendaniel), and one (1) absent (Mrs. Williams).

Mrs. Hawkins noted that the Committee's recommendation will be forwarded to members of City Council for their consideration on September 12, 2011. *(City Clerk's Office Note: Consideration of this matter by City Council has been postponed until a later date.)*

Review of Health Care Alternatives

Mrs. Hawkins reviewed the list of Health Care Alternatives and reminded members that these suggestions were discussed during the January 19, 2011 Health Benefits Committee meeting. She noted that the list currently consists of 12 alternatives and stated it would be quite expensive to have the actuary perform a cost analysis on all 12. As a result, Mrs. Hawkins suggested that members narrow the list down by selecting their top five (5) choices to further explore and noted that the City would potentially be implementing these items depending on the results of the cost analysis.

Mr. Enss questioned the elimination of additional suggestions that members made during their meeting of January 19, 2011, specifically the idea of providing a monetary incentive (Item #14) that would encourage employees who are eligible to retire to stay longer, which would reduce health care and pension costs. In response, Mrs. Hawkins stated that the bullet points listed on Page 5 represented some of the suggestions made by members which include promoting a health and wellness program, the installation of additional red light cameras, and a modest tax increase over the next ten (10) years. She also stated that some items were eliminated because they were redundant and/or a cost analysis could not be performed by the actuary.

In response to Mr. Koenig, Mrs. Hawkins stated that the first suggestion listed on Page 1, demonstrates the cost to employees who choose the PPO Plan versus the HMO Plan. She explained that employees would be responsible for the difference in the premium between the HMO Plan and the PPO Plan. Mrs. Hawkins stated that the State of Delaware uses First State Basic as their base rate rather than an HMO. She noted that First State Basic costs are slightly lower and that the State of Delaware has legislation that mandates provision of free coverage to their employees. Mrs. Hawkins felt that the Blue Cross Blue Shield (BCBS) HMO is a very good plan and that the majority of City employees are enrolled in the BCBS PPO Plan. She explained that the PPO Plan allows employees to see the provider of their choice without a referral, which is the primary reason why many employees opt for this Plan over the HMO Plan. Mrs. Hawkins noted that BCBS is a large network and that most physicians are participating providers. She explained that this change would encourage consumers to be more aware of their health care choices.

Responding to Mr. Koenig regarding the second suggestion listed on Page 2, Mrs. Hawkins stated that a Health Reimbursement Account (HRA) is an account to which the City would contribute funds to be used for medical expenses. She explained that all unused funds are carried over at the end of the year and that HRAs remain with the originating employer and do not follow an employee to new employment; however, retirees would have continued access to unused HRA funds. Mrs. Hawkins noted that the HRA would be managed by the City, similar to the 457 Plan, and that there are fees associated with management of the plan.

In response to Mr. Koenig, Mrs. Hawkins stated that the prescription plan is attached to health insurance.

In reference to the vesting schedule listed on Page 4, Mrs. Hawkins stated that the State of Delaware uses a similar schedule. Responding to Mrs. Mitchell, Mrs. Hawkins explained that the State's percentage of share for employees hired after 1991 is as follows:

YEARS OF SERVICE		PERCENTAGE OF SHARE
Less than 10 years	-	0%
10 - 15 years	-	50%
15 - 20 years	-	75%
20 plus years	-	100%

Mr. Enss noted that State of Delaware House Bill No. 81 changes the number of years it takes for employees to vest for the State share of retiree health care. He stated that pursuant to this bill, employees hired on or after January 1, 2007 would vest for 50% of the State share at 15 years of service, 75% of the State share at 17½ years of service, and 100% of the State share at 20 years of service.

Mr. Zachery Carter, Director of Parks and Recreation, stated his opposition to the percentage of City share listed on Page 4, and suggested that the City implement the percentage of share that is utilized by the State. Responding, Mrs. Mitchell stated that the City could modify their percentages and have the actuary perform an analysis based on the percentages that are agreed upon.

Mr. Newberry questioned why the City's percentages were approximately 5% higher than the State of Delaware. In response, Mrs. Hawkins stated that the State charges the City 5%, plus a fee of $2.70 per contract for each month for premium coverage and an administration fee. Mrs. Hawkins also noted that the State is self insured.

Responding to Mr. Clendaniel, Mrs. Hawkins stated that the 80 point system used by the City relates to retirement.

Mr. Enss explained that health care is also part of the 80 points.

It was Mr. Clendaniel's feeling that the health care alternatives suggested during the January 19, 2011 Health Benefits Committee were to be submitted to the actuary. Responding, Mrs. Mitchell stated that the suggestions were submitted to the actuary to determine whether an analysis could be performed for the specific options.

Responding to Mr. Roswell, Mrs. Hawkins stated that any suggestions presented by the Committee must be collectively bargained with the unions. She also noted that it would be more manageable to focus on five (5) items, rather than 12, when entering negotiations.

In response to Mr. Enss, Mrs. Hawkins stated that all health care alternatives provided to members would affect retirees as well, unless it were stated that retirees are excluded.

Responding to Mr. Enss, Mrs. Hawkins stated that once retirees are eligible for Medicare, at age 65, they do not have the option of choosing between a HMO Plan or a PPO Plan but must enter into a PPO Plan. Mr. Enss noted that retirees are on a fixed income, while other active employees are not, and suggested that they remain covered at 100%, regardless of age. In response, Mrs. Hawkins noted that this was something that could be considered and stated that many of the suggestions are condensed and would need to be further refined.

Mr. Enss questioned whether current City of Dover retirees would be affected if the City opted to create a vesting schedule similar to the State of Delaware. He explained that some employees have retired with less than 20 years of service and are likely receiving 100% of their health care. Responding, Mrs. Hawkins stated that the City of Dover does not track employees' years of service and suggested that the City could set a date in the future, similar to that provided in House Bill No. 81. She also noted that the IUE Union used this method when they opted to eliminate Medicare Part B.

Responding to Mr. Roswell, Mr. Koenig stated that the revenue generated from the red light cameras must go toward specified costs in accordance with the City's contract and could not be dedicated toward funding the Other Post Employment (OPEB) liability. He noted that a portion of the revenue is applied to police costs.

Chief Hosfelt noted that 60% of the revenue generated from the red light cameras goes to public safety and the remainder goes toward traffic, street improvements, etc.

Responding to Mr. Hudson in regard to his request to leave the health care benefits unchanged, Mrs. Hawkins stated the purpose of the Committee was to move forward with health care alternatives. She reminded members that the OPEB liability is an issue that must be addressed and that if the City chooses not to make changes, a time may come when funding is not available to pay for health care. Mrs. Hawkins stated that the Committee as a whole must be proactive today, either through revenue enhancements or reducing costs, to protect employees' and retirees' future health care.

Setting of Future Meeting Dates and Times

Mr. Clendaniel noted that, as the IUE Representative, he would like to have an opportunity to present the alternatives to union members to determine their position prior to selecting the top five (5) alternatives. He also felt that there were other members representing bargaining and non-bargaining employees who were in the same position.

In response to Mrs. Hawkins, Mr. Clendaniel felt that it would be appropriate to allow a month for non-bargaining and bargaining representatives to determine which alternatives employees would recommend that the Committee explore further.

Concurring with Mr. Clendaniel, Mr. Enss felt that a month would be ample time to consult with employees.

Mrs. Hawkins moved to recommend that the next Health Benefits Committee meeting be scheduled for September 13, 2011 at 3:00 p.m. and that members return with their top five (5) suggestions for health care alternatives. The motion was seconded by Mr. Koenig and unanimously carried.

In response to Mr. Koenig, Mrs. Hawkins stated that the 12 health care alternatives would affect current employees and/or retirees. She advised members that if they wanted to exclude retirees from alternatives, members would need to indicate that during their next meeting.

Mr. Enss moved for adjournment, seconded by Mrs. Mitchell and unanimously carried.

Meeting adjourned at 4:13 P.M.

Kim Hawkins, Human Resources Director

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Attachments
Attachment #1 - House Bill No. 81
Attachment #2 - Correspondence from Employees of the City of Dover Police Department

SPONSOR: Rep. Longhurst & Sen. Blevins & Rep. Hudson & Sen. Bonini & Rep. Scott
Reps. Barbieri, Jaques, J. Johnson, Keeley, Mitchell, Schooley, Schwartzkopf, B. Short; Sens. Bushweller, Ennis, Henry, Sokola, Sorenson

HOUSE OF REPRESENTATIVES
146th GENERAL ASSEMBLY

HOUSE BILL NO. 81

AN ACT TO AMEND TITLE 29 OF THE DELAWARE CODE RELATING TO THE PUBLIC OFFICERS AND EMPLOYEES HEALTH CARE INSURANCE PROGRAM AND STATE EMPLOYEES PENSION PLAN.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

Section 1. Amend § 5202 (a), Title 29 of the Delaware Code by deleting from the first sentence the words "the following whichever is applicable" and inserting the words "a regular officer or employee and eligible spouse and child dependents not eligible for federal Medicare as follows", and by deleting existing paragraphs (1), (2), (3) and (4) and inserting new paragraphs (1), (2), (3), (4) and (5) to read as follows:

"(1) Ninety-six percent of the total cost of the basic individual, individual and spouse, individual and child, or family health care insurance plan as set forth in Section 5203 of Title 29;

(2) Ninety-five percent of the total cost of a Consumer-Directed Health plan for individual, individual and spouse, individual and child, or family;

(3) Ninety-three and one-half percent of the total cost of a HMO plan for individual, individual and spouse, individual and child, or family;

(4) Eight-six and three-quarter percent of the total cost of a Comprehensive PPO plan for individual, individual and spouse, individual and child, or family; or

(5) Beginning January 1, 2006, employees identified under Title 14 who are receiving a short-term disability benefit for a period greater than 90 days pursuant to § 5253(b) of this title and have exhausted all of their paid leave, an amount equivalent to that provided under paragraphs (1), (2), (3) or (4) of Section 5202 (a).".

Section 2. Amend § 5202 (b)(1), Title 29 of the Delaware Code by inserting after the word "pensioners" the words "not eligible for federal Medicare and their eligible dependents" and by deleting existing subparagraphs a., b., c. and d., and inserting new subparagraphs a., b., c. and d. to read as follows:

"a. Ninety-six percent of the total cost of the basic individual, individual and spouse, individual and child, or family health care insurance plan as set forth in Section 5203 of Title 29;

b. Ninety-five percent of the total cost of a Consumer-Directed Health plan for individual, individual and spouse, individual and child, or family;

c. Ninety-three and one-half percent of the total cost of a HMO plan for individual, individual and spouse, individual and child, or family; or

d. Eighty-six and three-quarter percent of the total cost of a Comprehensive PPO plan for individual, individual and spouse, individual and child, or family.".

Section 3. Amend § 5202 (b)(2), Title 29 of the Delaware Code by redesignating such section as Section 5202 (b)(3); by inserting the words "and before January 1, 2007" after the date "July 1, 1991"; by inserting the words "and (b)(2)" after the words "paragraph (b)(1)" in subparagraphs a., b., and c.; and by inserting a new Section 5202(b)(2) to read as follows:

"(2) For eligible pensioners who are eligible for federal Medicare:

a. who retire before July 1, 2012, or who are receiving a disability pension or primary survivors receiving a survivor's pension under § 8372(a) of Title 11, due to death in the line of duty of the employee, the State shall pay 100% of the premium or subscription charges for the coverage provided, unless they are subject to the schedule based on years of service, as set forth in paragraph (b)(3) of this Section.

b. who retire after July 1, 2012, the State shall pay 95% of the premium or subscription charges for the coverage provided, unless they are subject to the schedules based on years of service, as set forth in paragraphs (b)(3) and (b)(4) of this Section.".

Section 4. Amend § 5202 (b), Title 29 of the Delaware Code by adding a new Section 5202 (b)(4) to read as follows:

"(4) For eligible pensioners who were first employed by the State on or after January 1, 2007, the State shall pay premium and subscription charges as follows:

a. For eligible pensioners employed by the State for at least 15 but less than 17.5 years at the time of retirement, 50 percent of premium or subscription charges paid for by the state as set forth in paragraph (b)(1) and (b)(2) of this section;

b. For eligible pensioners employed by the State for at least 17.5 but less than 20 years at the time of retirement, 75 percent of the premium or subscription charges as set forth in paragraph (b)(1) and (b)(2) of this section; or

c. For eligible pensioners employed by the State for 20 or more years at the time of retirement, 100 percent of the premium or subscription charges as set forth in paragraph (b)(1) and (b)(2) of this section.".

Section 5. Amend § 5202(d), Title 29 of the Delaware Code by inserting after the words and punctuation "For the purposes of this chapter," in the first sentence the words, numbers and punctuation "eligible employees who were each first employed as a regular officer or employee by the State on or before December 31, 2011", and by inserting after the word "wife" in the first sentence the words, numbers and punctuation "legally married on or before December 31, 2011"; by redesignating paragraph (d)(4) as paragraph (d)(5), and by inserting a new paragraph (d)(4) to read as follows:

"(d)(4) If the 2 employees enroll under an employee and spouse or family contract, there shall be a $25 per month charge to the employee who enrolls for the coverage. If the employees choose to enroll in separate plans, employee only and employee and children contracts, a $25 per month charge shall apply to both contracts."

Section 6. Amend § 5203(a), Title 29 of the Delaware Code by deleting the words "be equivalent to the "Standard 80" hospital and surgical/medical plan currently offered by Blue Cross and Blue Shield of Delaware, Incorporated" and inserting the words "shall be equivalent to the "minimum creditable coverage" as defined by applicable federal law".

Section 7. Amend § 5203(b), Title 29 of the Delaware Code by deleting the words ""Delaware-65" hospital and surgical/medical plan for full-time employees and" and inserting the words "a plan which is supplemental to Medicare parts A and B, or constructed as a plan under Medicare part C, for".

Section 8. It is the intent of the Delaware General Assembly to address the issue of voluntary overtime being used to inflate final pension calculations. Conversely, in order to protect the health and safety of employees and the people they serve, it is imperative that mandatory overtime also not be over utilized by management. Therefore, all Executive Branch Agencies with employees who are eligible to receive overtime shall devise a written policy establishing reasonable limits on employees' overtime. Such policy shall take into account the health and safety of employees, and shall establish reasonable limitations on mandatory and voluntary overtime. Cabinet Secretaries for each of the Executive Branch Agencies with overtime eligible employees shall submit such plan to the Director of Office of Management and Budget via their certified bargaining representative where applicable and to the General Assembly on or before June 30, 2012 on the substance of their written policy and on the use of overtime in their Agency.

Section 9. Amend §5501, Title 29 of the Delaware Code by redesignating subsection (g), (h), and (i) as (h), (i), and (j) respectively and inserting a new subsection (g) as follows:

(g) "Final average compensation" for Post-2011 employees shall include;

(1) 1/36 of the compensation, minus overtime payments, paid to an employee during any period of 36 consecutive months or any 36 months comprised of 3 periods of 12 consecutive months in that employee's years of service credited under paragraphs (d)(1), (2) and (3) of this section in which that employee's compensation was highest, or the average

monthly compensation paid to an employee during the period of that employee's service credited under paragraphs (d)(1), (2) and (3) of this section if such period is less than 36 months; plus

(2) Teachers who receive awards under the "Teacher of the Year" program under § 8903 of Title 14 and Merit System employees who receive awards under the "Delaware Award for Excellence and Commitment in State Service" program shall have added to their compensation the dollar amount of such awards, granted during their employment, in determining the final average compensation to be used in the computation of their pension; plus

(3) Employees that receive a final lagged payment for credited service as defined under § 2712 of this title shall have added to their creditable compensation the amount of lag pay that is received in determining the final average compensation to be used in the computation of their pension."

Section 10. Amend § 5501, Title 29 of the Delaware Code by adding a new subsection (k) to read as follows:

"(k) "Post-2011 employee" shall mean an employee, as defined in Section 5501(e) of this Chapter, who is first employed by the State on or after January 1, 2012.".

Section 11. Amend § 5522, Title 29 of the Delaware Code by adding new subsections (e), (f) and (g) to read as follows:

"(e) A Post-2011 employee shall become eligible to receive a service pension, beginning with the month after the employee has terminated employment, if:

(1) The employee has 10 years of credited service, exclusive of service credited under § 5501(d) (12) of this title, and has attained age 65;

(2) The employee has 20 years of credited service, exclusive of service credited under § 5501(d) (12) of this title, and has attained age 60; or

(3) The employee has 30 years of credited service.

(f) A Post-2011 employee shall become eligible to receive a reduced service pension, beginning with the month after he or she has terminated employment, if:

(1) He or she has 15 years of credited service, exclusive of service credited under § 5501(d) (12) of this title, and has attained age 55; the amount of the service pension payable to such an employee shall be reduced by 4/10 percent of each month the employee is under age 60; or

(2) He or she has 25 years of credited service, exclusive of service credited under § 5501(d)(12) of this title, regardless of age; the amount of the service pension payable to such an employee shall be reduced by 4/10 percent of each month the employee has less than 30 years.

(g) A former Post-2011 employee with a vested right to a service pension shall become eligible to receive such pension, computed in accordance with this chapter beginning with the first month after his or her attainment of age 65 if credited service is equal to or greater than 10 years.".

Section 12. Amend § 5523(a), Title 29 of the Delaware Code by inserting after "employee" and before "who has 5 years" the phrase "who is not a Post-2011 employee and", and adding to the end of said subsection a new sentence to read as follows:

"A Post-2011 employee who has 10 years of credited service exclusive of service under § 5501(d)(12) of this title shall have a vested right to a pension.".

Section 13. Amend §5527(d)(1), Title 29 of the Delaware Code by deleting the sentence that begins with "An elected official shall be eligible" and replacing it with the following: "An elected official elected prior to January 1, 2012 shall be eligible to receive a pension beginning with the first month after the attainment of age 60, provided that he or she shall have served at least 5 years at the time of his or her termination of service as an elected official, or beginning with the first month after attainment of age 55, provided that he or she shall have served at least 10 years at the time of his or her termination of service as an elected official. An elected official elected on or after January 1, 2012 shall be eligible to receive a pension beginning with the first month after the attainment of age 60, provided that he or she shall have served at least 20 years at the time of his or her termination of service as an elected official, or beginning with the first month after attainment of age 65, provided that he or she shall have served at least 10 years at the time of his or her termination of service as an elected official."

Section 14. Amend § 5543(a), Title 29 of the Delaware Code by inserting between "$6,000" and "." in the first sentence the words "provided, however, that Post-2011 employees will pay an employee contribution rate of 5% of total annual compensation in excess of $6,000".

Section 15. If any provision of this Act or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Act which can be given effect without the invalid provision or application; and, to that end, the provisions of this Act are declared to be severable.

Section 16. Sections 1, 2, 3 and 5 of this Act shall be effective as of July 1, 2012. Sections 4 ,9, 10, 11, 12, 13, 14 and 15 of this Act shall be effective as of January 1, 2012. Sections 6, 7 and 8 of this Act shall be effective upon enactment.

Ssynopsis

Sections 1 and 2 of the Bill establish a fixed cost share effective July 1, 2012 for the different health insurance

plans offered by the State for regular officers or employees of the State and their dependents, and a fixed cost share for pensioners and their dependents who are not eligible for federal Medicare. For the basic health care insurance plan, as set forth in Section 5203 of Title 29, the State will pay 96% of the total cost of the plan. For the Consumer-Directed Health plan, the State will pay 95% of the total cost of the plan. The State will pay 93.5% of the total cost of the HMO plan, and the State will pay 86.75% of the total cost of the PPO plan.

The expected rate impact to eligible employees effective July 1, 2012 based on 2011 rates is as follows: This Bill eliminates the offer of a free plan, and as a result, a single employee in the State's basic plan would now be paying approximately $20.58 per month, and an eligible employee enrolled in the family plan will be paying $53.23 per month. There are currently only 447 active employees and 132 retirees enrolled in the State's basic plan. A single employee who is enrolled in the Blue Cross HMO Basic plan will be paying approximately $11.85 more per month, and a family in that same plan will be paying approximately $5.39 more per month. A single employee who is enrolled in the Aetna HMO plan will be paying approximately $12.26 more per month, and a family in that same plan will be paying approximately $9.42 more per month. Finally, a single employee who is enrolled in the PPO plan will be paying approximately $4.94 more per month, and a family in that same plan will be paying approximately $8.81 more per month.

Section 3 of the Bill would require pensioners who retire after July 1, 2012 and who become eligible for Medicare to pay 5% of the Medicare supplement offered by the State. For each Medicare-eligible retiree or dependent who receives the Medicare supplement, the expected cost impact is approximately $20 per month.

Section 4 of the Bill would change the number of years it takes for employees hired after January 1, 2007 to vest for the State share of retiree healthcare. Under current law, State employees vest for 50% of the State share at 10 years of service, 75% of the State share at 15 years of service, and 100% of the State share at 20 years of service. Pursuant to this Bill, employees who were hired on or after January 1, 2007 would vest for 50% of the State share at 15 years, 75% of the State share at 17.5 years of service, and 100% of the State share at 20 years of service.

Section 5 of the Bill would eliminate double state share for new hires who are employed after December 31, 2011 as well as for current employees who become benefit eligible, and legally married after December 31, 2011. In addition, Section 5 establishes a $25 per month charge for current employees who are Double State Share eligible, effective July 1, 2012.

Section 6 of the Bill would delete the reference to the "Standard 80" health care plan offered by Blue Cross Blue Shield, as the reference to the "Standard 80 plan" is an antiquated reference that is not indicative of the plan features provided for in the State's basic health care plan. In addition, Section 6 would establish a floor of coverage the State will provide as mandated by federal law.

Section 7 of the Bill would also delete an antiquated reference to the "Delaware 65" plan, which is no longer indicative of the supplemental Medicare coverage offered by the State.

Section 8 of the Bill declares the intent of the General Assembly to prevent the limited abuse of the State Employee's Pension Plan when employees voluntarily work overtime in order to inflate their final pension calculation. In addition, this Section recognizes that to protect the health and safety of employees and the citizens they serve, Agency management should also reasonably limit the assignment of mandatory overtime. This Section would require every Cabinet Secretary in each of the Executive Branch Agencies to devise a written policy by June 30, 2012 that would reasonably limit the use of mandatory and voluntary overtime.

Section 9 of the Bill would redefine "final average compensation" such that for employees hired on or after January 1, 2012 overtime payments will no longer be included in the definition of "final average compensation".

Section 10 of the Bill differentiates employees for purposes of applying the State's pension benefits: individuals first employed by the State before January 1, 2012, and individuals first employed by the State on or after January 1, 2012, who will be called "Post-2011 employees".

Section 11 of the Bill would change the normal retirement age for employees hired on or after January 1, 2012. Under current law, employees are eligible to retire at age 62 with five years of service, at age 60 with 15 years of service, or at any age with 30 years of service. Pursuant to this Bill, Post-2011 employees would be eligible to retire at age 65 with 10 years of service, at age 60 with 20 years of service, and at any age with 30 years of service.

This Section would also increase the early retirement reduction factor for employees who retire prior to the normal retirement age as set forth above. Under current law, at age 55 and 15 years of service an employee may retire early, but the employee's pension would be reduced by $2/10^{th}$ of a percent for each month the employee is under the age of 60. Pursuant to this Bill, the employee's pension would be reduced by $4/10^{th}$ of a percent for each month the employee is under the age of 60.

Section 12 of the Bill changes the number of years it takes employees hired on or after January 1, 2012 to vest for a pension, from 5 years to 10 years.

Section 13 of the Bill would change the number of years it would take an elected official elected on or after January 1, 2012 to vest for a pension, from 5 years to 10 years. In addition this Section changes the normal retirement age for elected officials elected on or after January 1, 2012 to conform to the changes to the normal retirement age for employees referenced in Section 10 of the Bill.

Section 14 of the Bill would increase the employee contribution to the Pension Fund from 3% to 5% of annual compensation after the first $6,000for employees hired on or after January 1, 2012.

Legislative & Finance Committee

June 13, 2011

Good evening Committee members my name is James Hosfelt. I am a city resident, my address is 303 Pebble Valley Place, Dover, Delaware. I am the Chief of Police and in this position I oversee the employment of 124 employees. The large percentage of my workforce is represented by two unions, but there are eight members who are considered "non-bargaining" status, six civilians and two officers.

After reviewing the paperless packets last week I was surprised to see "Medi-Care B" on this committee's agenda. As you well know, non-bargaining employees do not work under the protection of a union and its contract. We do not have the ability to negotiate the loss of a benefit such as Medi-Care B for a change in rank structure and pay increase, such as the case a few years ago with the Fraternal Order of Police. The eight non-bargaining employees of the Dover Police Department have a combined 159 years of service with the City of Dover. My junior employee, for lack of a better term, has 12 years of service and my most senior employee is set to retire as early as September of this year. When they began it was known to them that Medi-Care B was a

benefit they would be able to retire with, but now it appears this may be in question. On behalf of my employees and the others classified as non-bargaining throughout the city, I urge you to vote against any change in benefits regarding Medi-Care B. If for no other reason, simply put, it is not the right thing to do.

If this is a benefit you wish to take away from those you hire in the future I can't argue with that and it is a cost saving measure I can support. I am sure there are other options on the table such only taking it from those who are not vested, but to take this away from those employees who have already invested so much time with the city is something I cannot support as a department head, city resident and property owner.

Thank you for your time and attention to these comments.

Personal Memorandum

To: The Members of Dover City Council

From: Donna M. Mills

Date: June 9, 2011

Re: Medicare Part B

Members of the Dover City Council, I am writing to you today in reference to the proposal that has been placed before you about Medicare Part B. Please humor me while I give you some personal background. My name is Donna M. Mills and I have been an employee of the City of Dover for over 24 years. All of them have been served at the Dover Police Department. I was hired as a Clerk Typist I and have worked my way up to the position of Secretary to the Chief of Police (Administrative Assistant). I am a dedicated employee and I have always strived to give 110% while doing my job. I have been offered many other jobs over the 24 years, at times for more pay, but I have always turned them down, noting more than once that I wanted to stay in a job that would have benefits for when I retire.

Now I would like to address the Medicare Part B options that are before you. First let me say that I understand about hard times and having to tighten belts. I understand that as a member of Council you are charged with making the best decisions for the City. I also understand that by cutting Medicare Part B to the non-bargaining employees that money would be saved. But I would like first like to remind you that the unions bargained this benefit away, if you chose to discontinue it to the non-bargaining employees, you would be taking a benefit away without giving anything in return. I would also like to address the comment made in the Delaware State News by Councilman McGlumphy "we are talking about employee fairness and the non-bargaining employees need to share the pain", "this has turned into a one big "me too" for everybody" I believe that Councilman McGlumphy is ill informed. What fairness? What me too? I believe that the non-bargaining employees should be asking those questions. I did my part when it came to taking the furlough dates during the last fiscal year. I also understand not getting a pay raise (though I am not happy about it, as the cost of living has gone up), once again there is a question of being fair, the unions are getting a pay raise and you are choosing to take away a benefit from me. Seems to me you are going to punish the non-bargaining employees for not being part of a union.

As someone who is very close to retirement, there isn't any way that I could save enough funds to cover these new fees. How can the City state that they have an excellent benefit package if they can take away benefits whenever the economy gets tough? Shouldn't it be the responsibility of the City Manager & Finance Director to make sure that there are funds to pay into these accounts? Why should I suffer for something that I have had no control over? I am at your mercy in regards to whatever you decide. Please take a minute and put yourself in my shoes. I thank you in advance for your attention to this matter and I hope that you will decide not to take this important benefit away from the non-bargaining employees.

Sincerely,

Donna M. Mills

Cc: Mayor Carey
City Clerks Office

Christina Kober
June 13, 2011
Legislative, Finance and Administration Committee

Good evening. Thank you for allowing me to speak regarding Medicare Part B for non-bargaining employees. My name is Christina Kober. I have been with the City of Dover for 22 years. My first 10 years was served as an unioned police dispatcher and the remaining 12 years I have served as the 911 Manager. I am a part of a group of the non-bargaining employees.

I accepted employment with the City of Dover due to the health benefits. I have been dedicated and loyal to my responsibilities as a City of Dover employee but I do not feel that my voice has been heard or that my opinion matters to Council.

The city budget for 2012 has already been passed and all non bargaining employees will receive no pay increase. I also became aware last week that City Council is seeking to eliminate Medicare Part B from all non bargaining employees. Although I understand that financial times may be difficult, I believe that looking for a way to balance the city budget on the backs of employees shouldn't rest solely with non bargaining employees. I would like to remind you that, as part of non-bargaining management, I as well as other non-bargaining employees did our part and took furloughs days in 2009/2010 in order to assist the city in its financial hardship. Again, the furlough days were taken by all city employees – bargaining and non-bargaining.

Every union group had the right to negotiate Medicare Part B and subsequently received compensation for it. As a non-bargaining employee, the same respect has not been afforded to non-bargaining employees.

- The IUE-CWA received additional vacation days per year and retirement health care.
- The IBEW received additional vacation days per year and salary step increases.
- The FOP received a rank increase of MCPL.
- All of these have been above and beyond their contractual pay increases.

The compensation that these union members received far exceeds the monthly cost for Medicare Part B. Yet this council wants to take Medicare Part B away from non-bargaining employees and offer no compensation what so ever. This is a reason why unions form. I feel this is unfair and appreciate your attention to this matter. Thank you.