




HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

April 14, 2011

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator 
Shirley Harmon, Human Resources Director

SUBJECT: Sunset clause extension for retiree health insurance option

Purpose:

The purpose of this memorandum is to present information to the Board of Mayor and Aldermen (BOMA) to consider an extension to the current sunset clause for retiree health insurance coverage under the Special Early Retirement Option. With current sunset clause of June 30, 2011, this plan applies to eligible employees under the age of 62 who have both attained the age of 55 and completed 30 years of credited service on the date of their retirement.

Background:

The City of Franklin currently has in place three health insurance options available to qualified retiring employees. The insurance option offered at the time of retirement is based on the retiree's completed years of service with the City and his/her age at retirement. Coverage is available to qualified retirees and their eligible dependents until they reach the age of 65.

The original retiree insurance plan offers medical benefits to employees who have attained the age of 62 and completed twenty (20) years of service (**Normal Early Retirement**). These individuals may continue their same coverage at the employee rate, so the premiums may increase or decrease accordingly.

In 2001, the Board of Mayor and Aldermen amended the Employee Benefit Plan to offer insurance benefits to special early retirees who have both attained the age of 55 and completed 30 years of credited service. The City pays the first \$207.75 toward the single premium and the first \$535.50 toward the family premium. The retiree portion of the premium may change due to an increase or decrease in renewal cost. This **Special Early Retirement** option was established with a sunset clause making the plan available to qualifying employees who retire on or before June 30, 2011.

The Option II high deductible group health plan was introduced in 2006. At that time, the City began offering this **Alternative Retirement Insurance Plan** to those who retired after 25 years of service regardless of age. The City pays a fixed amount of \$125.00 for single coverage per month and \$275.00 for family coverage per month. The retiree portion of the premium may increase or decrease depending on the renewal cost.

The original **Normal Early Retirement** plan will go forward and the **Alternative Retirement Insurance Plan** will be reviewed this year; however, the **Special Early Retirement** option will sunset on June 30, 2011 and no longer be available to employees retiring after that date.

Staff is currently working with an Employee Benefits Consultant to establish long-term goals for all benefits and would like to request three additional months to review alternative retiree insurance plans as part of this long-term strategy.

Financial Impact:

There are currently six employees who are eligible to retire with the Special Early Retirement Option prior to June 30, 2011. There will be no further financial impact if the sunset clause is extended to September 30, 2011 as no additional employees will qualify during this three-month period.

Options:

1. Allow the **Special Early Retirement Option** to sunset on June 30, 2011.
2. Extend the sunset date for the **Special Early Retirement Option** to September 30, 2011 to allow time for further review.

Recommendation:

Staff recommends that the City extend the sunset clause for the Special Early Retirement option to September 30, 2011.