

COMMITTEE ON PERSONNEL/INSURANCE

February 11, 1997

6:30 PM

Chairman Reiniger called the meeting to order.

The Clerk called the roll.

Present: Aldermen Reiniger, Domaingue, Cashin, Robert, and Hirschmann

Messrs.: H. Ntapalis, D. Hodgen, K. Clougherty, R. Girard, B. Gagnon,
R. Gibbons, H. Moran, P. Karas,

Chairman Reiniger addressed item 3 of the agenda:

PERSONNEL - Brief presentation from Northern New England Trust.

Mr. Hodgen stated we are here tonight because as the Board and the Committee knows, we are attempting to negotiate new agreements with a lot of the employee groups in the City, one of the point of resistance we have met is in the area of health insurance. The Teamsters local 633 represents three of the employee groups here in the City, and predominantly we are trying to reach an agreement with two of them, the Police Department support staff group and the Airport bargaining group. We, with those negotiations, as with a lot of others, are wrestling with the health insurance issue and we are currently exploring the possibility that we can solve that problem in a way that would be advantageous to the employees and to the City by agreeing to enroll them in what I would call the Teamsters health insurance program which is called Northern New England Benefit Trust. I am here tonight to ask these folks that are affiliated with that trust to make themselves familiar to you and give a brief explanation as to what their health insurance plan entails and answer any questions you may have. To my left is Bruce Gagnon who is the president of the Teamsters local 633, he is my counterpart, serving as the Chief Negotiator for the Police Department support staff and the Airport. To my far left is Bob Gibbons who is the fund director for Northern New England Benefit Trust.

Mr. Gibbons stated what I am going to try to do is not get into boring insurance details, we are very competitive to Blue Choice and there is a packet you can look at and you will probably find that there is very few things that we do not cover as good as others. One thing a lot of people don't know is that Northern New England Benefit Trust started in 1966, we have about 32 million in liquid assets right now, with 5,000 families serviced in Maine, New Hampshire, Vermont and Massachusetts. It is a Teamster fund in the sense that it is a Taft Hartley Trust and non-profit. We are self-funded, and provide a dental benefit, the Teamsters helped start Delta Dental and about four years ago we left them because we felt they were too high administratively, and we now have our own program. What we are looking to do is offer some alternatives. I happen to be a Bedford resident but I work in Manchester and know there is a lot of budget restraints. We probably have eighteen or twenty municipalities right now. We are competitive but must be a little selective because we have people knocking on the door. We know that the unions are bucking the high cost of the J-W plans. We went into managed care a few years ago, and we are offering a point of service product which is like an HMO except there is more freedom of choice. We have health club reimbursement, vision care, dental and prescription, mail order prescription service. Rather than me ramble on about what we do I would rather answer any questions you might have.

Alderman Robert asked if Mr. Ntapalis had met with the representatives of Northern New England Benefit Trust.

Mr. Ntapalis answered I had an opportunity about six months ago to look at the product and ask questions. It is quite a competitive product.

Alderman Robert asked would you be able to make some sort of report as to how this would fit into the big picture of what we are trying to do.

Mr. Ntapalis answered the only concerns with a report would be that you are not really comparing to Blue Cross Blue Shield or the indemnity plans. Managed care is a different product like Blue Choice. This plan is a two tiered plan. Hearing them tonight and with the information before you, this is a managed care plan that has been tailor made to broaden coverage beyond what your average HMO would offer. I have two concerns, one is for the retirees, how the program would play out for employees that find themselves in a time of need situation, and the network of providers in this area that our employees and or retirees could access. In terms of coverage they are quite competitive.

Alderman Robert stated in other words you would like to look at this further.

Mr. Ntapolis answered unless they have an answer to those two questions.

Mr. Gibbons answered I can address that. First of all we have an administrative services only contract in the City of Manchester with Healthsource. We have their entire network. The network that Healthsource has is as good as any in New Hampshire. It was in all the studies we did. I can leave with you some information on the network. We have not had a problem with access to our networks. All the UPS drivers in northern New England are in our plan, Anheuser Busch is in our plan. As far as the retirees are concerned I would like to take a look at it. We do have a retirement program now, but I will see what we can do through the Trust.

Mr. Ntapolis stated the reason I raised those concerns is because most of the individuals that have worked for the city, whether they leave at 65 or beyond, or before, retirement would not conclude their ability to access insurance. At 65 then they are in MediComp III or access to Medicare and secondary is our insurance. They are going to need to know that sort of information if indeed there is a wait period. The network has always been a critical bone of contention and probably the most serious issue this Board and the negotiating team has had in promoting Blue Choice. The percentage of doctors in the are is important to the employees.

Mr. Gagnon stated in the last session we had with the Manchester Police Support Staff people, that issue came up. Mr. Gibbons brought them a list of providers and we were glad to hear they were able to find their doctors on that list. I believe the employees would be pleased with the providers.

Mr. Gibbons stated I think the key to managed care is education. We explain to people the benefits of managed care. If your doctor is not on the managed care program, you will not like the program initially, but that is what managed care is all about. If every doctor was on the program it would not be managed care anymore. What we do is, we do not skirt around those issues with the employees, we tell them there is some give and take here. The reason for the \$5.00 co-pay, and the reason sports physicals are only \$5.00 instead of \$60.00 is because we have managed care. By the same token, under a self-funded trust, we make the decision. It is not like going to an HMO where it is black and white, the trust has an appeal process. I agree with you that if your doctor of 15 years is not with a plan, you will not be happy initially. The benefits usually outweigh the limitations. Normally once they are in the program they do not want to get out. We have to figure out ways to balance out the dollars better and I think we have accomplished it.

Alderman Cashin asked when we talk about Blue Choice, where are we as far as premiums go?

Mr. Hodgen answered I understand that Mr. Ntapalis is probably going to talk to you later this evening because we have received a preliminary quote from Blue Cross Blue Shield and we know that the Blue Choice premium is going up.

Alderman Cashin asked what is Blue Choice costing?

Mr. Ntapalis answered it is costing the City for a two person rate, \$389.13 per month, a family \$525.33.

Alderman Cashin asked how does this plan compare?

Mr. Gagnon answered it depends on what you want in our plan, our plan includes not only medical and prescription, it also includes dental, vision, and life and accidental death insurance. Our price is \$536.80 without dental and vision, for a family.

Mr. Ntapalis stated with the dental plan we have now you would add another \$55.12.

Brief discussion ensued regarding percentages and coverage involved.

Mr. Gibbons stated we did not really plan to lay all of that out tonight, but would be happy to whenever you want us to.

Alderman Cashin stated I would like to.

Mr. Hodgen stated what we are trying to do is structure this so that the City would not be paying any more to Northern New England Benefit Trust than we would to Blue Choice.

Alderman Hirschmann asked in the past year we have had Healthsource come in, the Municipal Association. When Healthsource came in wasn't there a big problem with administration because it was going to split things up in your office?

Mr. Ntapalis answered we were concerned about splitting the risk pool. What I am hearing tonight is that this program is really close to the one we already have. Their intent is to split the risk pool as a shared HMO would do but to add enhanced benefits with the hopes that somehow the rates could be negotiated less than what we are paying in combination between Blue Choice and Delta Dental.

Administratively one of the issues I had raised was something we could factor into another plan.

Alderman Hirschmann stated there are other unions out there too, if we make this move is the product available to other unions?

Mr. Gagnon answered in order for us to offer this insurance to someone, the employer would have to be a contributing employer to the Trust. The supervisory people whether they be union or non union would be eligible.

Alderman Hirschmann stated so the answer is it would not be inclusive to one bargaining unit?

Mr. Gagnon stated we are not here to try to sell the City, technically the Trust could take all the employees in the City of Manchester.

Alderman Hirschmann stated so our action would be it would include everybody.

Mr. Ntapalis stated if this was offered, for example to the Airport, say another group wanted to be included, the Trust would be willing to negotiate with them as well.

Mr. Gagnon answered maybe negotiate is not a good word. Let's assume the Firemen wanted to join after the Police Department did, I cannot say we could match the plan. We would have to look risk wise, if it would be a good idea. We are not restricted from doing other groups.

Alderman Hirschmann stated Healthsource stated they would take the whole city.

Mr. Gibbons stated I think we are running here when we should be walking. I posed similar issues to this City over a year ago, at that point in time no one was receptive. The real fact of the matter is, and don't take this the wrong way, this issue clearly has been a thorn in everyone's side for many months. All we are trying to do, we are not here pitching insurance to you. Whether the Airport Group or another comes into our health fund means nothing to us financially, it does not benefit our fund. We are trying to do two things here, make it better for my members, and to get the door open, so there will be a union in this City that can say to you, managed care is not a dirty word because we can do it right and make it palatable to our members. That is all. I know you want to run but we should walk.

Alderman Domaingue stated I think some of us may not have, your approach is geared towards a membership that is compatible with your union. Are you limiting it to Teamsters?

Mr. Gagnon answered no but I don't bargain for anyone other than the Teamsters union within the confines of this City.

Alderman Domaingue stated maybe at a future meeting we need a clearer understanding from Mr. Ntapalis regarding this offer.

Alderman Cashin stated if this is going to help us in any way to resolve some of the contracts we ought to look into it. Where do we go from here?

Mr. Gibbons answered one of the key elements is Mr. Gagnon and I need to iron out the details and bring it back before this committee.

Alderman Robert stated I would like to see the Risk Manager and the Chief Negotiator look these over and see what can be done. I would like to know how it all fits together.

Mr. Girard stated I have a question for Mr. Ntapalis, you made a passing reference to the risk pool and what would happen if we were to have Healthsource, and indicated there was a difference between an HMO and a point of service provider. If the Teamster units that these gentlemen represent were to go with this health plan, that would mean that the rest of the risk pool that is on Blue Choice or other plans would be smaller and therefore would not have as stable rates, is that accurate?

Mr. Ntapalis answered with the product they are working with they are centering towards the local they represent. Some of those individuals, whether they are a high risk or a low risk, if the product is sold to them, I don't think that would affect the risk pool. The reason why on the HMO's, you would be opening up to the City an elective option, where you could have the healthier employees through many departments access an HMO saving money to themselves, yet you could make a planned assumption that the J plans or those that were also offered, that are more expensive, you may have those that have a tendency to use or access that, still driving our cost up.

Mr. Girard stated basically what you are saying is that because the groups that these gentlemen represent are as small as they are, it does not impact the risk pool.

Mr. Ntapalis answered correct.

Mr. Girard stated the reason why I raised that point is one of the driving reasons for going to Blue Choice is to aggregate what is a very broken risk pool. My question to Mr. Gibbons is, if this City were to move any of its bargaining units into your health plan, would those bargaining units be treated separately, in other words, would the experience of each bargaining group be unto itself alone or would it be aggregated into a larger risk pool that the Trust represents.

Mr. Gibbons answered our municipal rates are based on all the municipalities we represent.

Mr. Girard stated so every city and town that you represent would be the risk pool that Manchester would be serviced.

Mr. Gibbons answered yes.

Mr. Girard asked how big is your municipal risk pool?

Mr. Gibbons answered about 900 families.

Chairman Reiniger thanked Mr. Gibbons and Mr. Gagnon for their presentation.

Chairman Reiniger addressed item 4 of the agenda:

PERSONNEL - New Ordinance on vacant positions.

Chairman Reiniger advised that there had been a change to paragraph (f), the change being substituted "Board of Mayor and Aldermen" for "Personnel Committee".

Alderman Hirschmann stated according to Alderman Wihby, somebody on this committee had a problem with the prior ordinance, maybe that person should express what it is and why they feel this is better.

Alderman Robert stated I introduced the original change and it was based on the need to streamline the system. I was chairman of the committee last term, and it seems to me that we were running real hard and not getting anywhere. There are certain things that have to get done, and I am not saying we are getting to them any quicker, but it did seem to me to be a more efficient program. I guess what bothers me about the whole personnel process is when a request by a department head comes in to fill a position that has been budgeted for, that a person has left

because, say they have retired, we are working under the assumption that the position is necessary. That it is needed and if it is not filled it will create some problems within the department. It seems to be unnecessary and long, but I would like to speak frankly about the potential for abuse of the system. It is one of the major reasons I recommended the change. This presents and opportunity for we, as people on this committee, other people, to abuse the process, anybody that has been here for more than one term knows that the process has been and is abused. I can't point fingers in any particular direction because I can't substantiate anything, but I think all anyone really has to do is look at the A-100 payroll report and look at the names.

Alderman Domaingue stated you are talking in abstracts, could you be more specific?

Alderman Robert stated I will speak how I may, you can take my objections afterward, I have the floor.

Alderman Domaingue stated I apologize, I am just trying to understand what you are saying.

Alderman Robert stated my feeling is that unless we are ready to examine the need on a more specific basis, because of the potential for abuse, I think this step by the personnel committee should be negated. I see no reason to subject most of the workforce, every department head to come here and ask for permission to rehire somebody just because somebody quit. It is not a position they should have to be in, it is not good government. That is not what I am about. I will surrender the floor.

Alderman Cashin asked what is the change between what you handed out and what we have in the packet?

Mr. Moran answered the one major change is that the final report of everything that has been accomplished will be submitted to the Board of Mayor and Aldermen rather than the Personnel Committee. In reality it is not a change, it is a fact that I addressed the letter of what I have approved over a month to the Personnel Committee and informationally the remainder of the Board. The other change is the requirement that the Personnel Committee, within three days, advise the Personnel Director if they have any objection to filling the position, and if the majority of the Committee has an objection then the matter will be taken up by the full committee.

Alderman Hirschmann stated what I would like to speak to is our revenue forecast for the City, when we put our budget together, right now I have the budget sheet from Mr. Clougherty because I am on the Committee on Accounts. There is 89 revenues under-performing in the City. Of those 89 revenues, we are thinking of repealing auto registration, we are thinking of repealing mechanical devices, and also the kindergarten has not come through with \$528,000. If these things happen there could be extreme budgetary impacts in the coming months, and what this effort was to do, as a policy revision, was geared to controlling hiring practices within the city so that if these revenues don't track out like they should, and the departments suffer because positions are not filled, that the Aldermen would have some say in filling positions. I see some very bumpy roads ahead in the next four or five months, a lot of people do not want to admit it, they are living in denial. I am sitting here and I am not afraid to tell you that I spoke to Alderman Wihby about this, and I am not the only one, and I am not afraid to be conservative and pull the reins in on things. Do I know what I am doing all the time? No, but in an attempt to get some control and some debate going, did I irritate a few people, yes, but we are talking about it. That is where I am going to leave it.

Alderman Cashin stated I don't see why you would have to apologize for talking to Alderman Wihby, that is your prerogative, you have the right to do that.

Alderman Robert, you have made some remarks that this is being taken advantage of, and by looking at a report you can figure that out. What are you talking about, really, let's lay it out. Are there names on that report that got their job by political influence? Is that what you are saying?

Alderman Robert replied it may lead one to believe that, yes.

Alderman Cashin stated so let's assume it is, so what? How else are they going to get the jobs? At the hospital, people come to me all the time and say "will you recommend so and so", we do it all the time. Don't people come to you for recommendations where you work? What is wrong with it? I don't understand

what your hang-up is, and you have not explained it, Alderman Domaingue was right, you are talking in generalities but you are not actually saying anything. What do you actually mean? Say what you mean so we understand what you are talking about. I honestly don't know what you are referring to, honest to God I don't. I have been here 28 years, and have I helped people get a job with the City of Manchester, you bet your sweet life I have. I don't apologize for that. I don't care how you change the system, Alderman are still going to do the same thing, and there is nothing wrong with it.

Alderman Robert stated I certainly disagree with that. I came here with the idea that I not only make government more efficient, but clean up the club like atmosphere that I perceive the City has.

Alderman Cashin stated when I recommend someone for city government, I tell Mr. Moran that I would like to recommend someone, now my neck is stuck out, and if that person doesn't make it.

Alderman Robert stated I am not going to talk about something I cannot substantiate. You have been around for 28 years, I have been around for almost six, I know what is going on, you know what is going on. We have very different ideas about what is right and what is wrong.

Alderman Cashin asked what do you feel is wrong? You haven't told me.

Alderman Robert stated bad practice, the twisting of people's arms, the wheeling and dealing on whether to fill a position or not.

Alderman Cashin stated you are saying people are twisting other people's arms? I have never twisted other people's arms.

Alderman Domaingue stated I thought we were talking about the policy of the personnel committee and not the overall observations of any individual of hiring practices. I have had a conversation not only in the presence of Alderman Hirschmann in response to a question from Alderman Wihby regarding personnel policy, but I have also had a lengthy conversation with the Mayor. I would be happy to tell the personnel Committee that I am very concerned about the manner in which the policy we all supported on behalf of the Mayor, because we agreed it was a good direction to go, may well not be working out to the best advantage of the city. The prime example I can use for that is the recent hiring, or approval of hiring, of eight firefighter positions. That did not come before this committee, and under the old policy it would have. During the summer the fire department not only, with eight less men, ran through their busiest overtime season without

having to fill those positions. They kept their overtime down to record numbers all through the months. So I went to the Mayor about a month ago and told him I would like him to hesitate before filling those positions because of the concerns that had already begun to be raised with respect to whether revenue was in question. His choice was to approve the eight positions. I can't reclaim that money now, and if I attempted to raise that issue now, with respect to this revisit on this policy, I could not do it. We have just encumbered \$343,000 of additional expense that we may have been able to halt in a time when we are not sure we are doing so well in the revenue department. That is why I suggested we take a second look at this policy. Because at time when we need to look at revenue, I need this policy for this committee to be the final block for the Board of Mayor and Aldermen to be able to say we are on a good course, or we are short on revenue.

Alderman Robert stated with all due respect, this is opening up a can of worms. There are other ways to address matters of concern. This is the first I have heard of that. I would prefer other ways of approaching these.

Mr. Girard stated the Mayor has some very definite opinions on this matter. Before I share those I will incorporate some of what the Mayor would like the committee to know. First of all, with respect to the hiring of the firefighters, Alderman Domaingue is correct that they are filling eight vacancies. The Chief has a total of twelve at this point, and is only filling eight. As to their overtime, and why it has been running low, as you are aware, engine one, Central Fire Station, has been out, truck 6, the ladder truck, at Amory Street station has been out for the entire year. The Chief put those under repair and out for budget reasons. As a result of putting those pieces out of service, he has been able to take the crews that would normally man those, which amounts to eight shifts a week, and deploy them to the other units to cut his overtime. Those units are coming back up on line shortly, and he will need the additional funds, and his peak vacation season runs from the middle of April to the beginning of August, which is coming now. It is not unusual for the Fire Department, at full staff, or even as it is staffed now, to rack up 20 to 22,000 a week in overtime. If the Chief's peak vacation season hits, and he has twelve vacancies, he is going to have a very big overtime problem. Whether or not it is going to help the Board with its budgetary concerns remains to be seen, unless the chief is forced to put more units out of service. As to the difficulty with the budget, I think we agree there are some revenue questions here. While it might serve a purpose to have the personnel committee review the vacancy requests to determine whether or not the funding is available, it is probably more appropriate for the Board of Mayor and Aldermen to act as a body and issue a hiring freeze directed to its departments. The aldermen receive monthly and quarterly finance reports which detail the city's condition. If

there are any concerns that Aldermen see in those reports, it is entirely appropriate to bring them to the Board and broach the topic of a hiring freeze on a policy level. To have this situation where the Personnel Committee would approve the filling of budgeted vacancies, where departments have appropriate funding, is a step back towards micromanagement. I guess the Mayor's reaction, I was unaware of the meeting regarding the firemen, the original ordinance had the Mayor as the final authority to fill vacancies. There was some protest to that and the Board removed that language leaving the authority to fill vacancies entirely in the hands of the Personnel Office, which would be done subject to certification from the Finance Officer that there were appropriate funds in the department. Inasmuch as the Board passed an ordinance that did not give the Mayor the authority to approve or disapprove the filling of vacancies, I don't understand the point in asking him to that because he is legally not able to. For the record I think that needs to be know, had the ordinance been passed as originally proposed and written, then the Alderman's concerns could have been addressed by the Mayor.

Alderman Domaingue stated I don't think this City can wait any longer to see how we are going to go about the revenue. I am very concerned in light of the fact that what we have done with the policy we adopted shortly after we began as a Board. If this were not to be adopted, or we get it to the Board level and we don't adopt it there, and what is in place now stands, my reaction is going to be to cut those departments. I will know as an Alderman that is the only vehicle I have to ensure that I don't spend money in the middle of the year when I might need it most, because I suddenly get a surprise on revenues, or the office of Civil Rights walks in the door, or Special Education legal fees get out of control, or a myriad of other reasons. That is micromanaging, saying to a department, I am going to do the thinking for you, at budget time, and regardless of how justified these positions are, I am going to cut thirty percent of them because I know you have the money in there somewhere. That is micromanaging, I don't think what this does micromanages. I think it adds a layer of oversight, and I don't think that is harmful.

On motion of Alderman Domaingue, duly seconded by Alderman Cashin, it was voted to approve the ordinance as amended. Alderman Robert was opposed.

Chairman Reiniger addressed item 5 of the agenda:

PERSONNEL - Health insurance for Joseph Acorace.

Chairman Reiniger advised that a telephone poll was conducted regarding this request, and Mr. Ntapolis had drafted a proposed policy regarding such requests.

Mr. Ntapalis stated I have drafted a policy which captures the essential items if it is the desire of the Committee to have a policy in effect to deal with situations similar to this. Basically what the Committee has done in the past and during my tenure regarding the reinstatement of health benefits to pensioners, we could not find a policy. It has pretty much been an administrative practice by the Insurance Committee. Mr. Acorace directed a letter to the Insurance Committee requesting reinstatement. The proposed policy includes the elements for people that are pre-sixty five years of age, people who have gone elsewhere but continued with the type of policy they departed with, come full circle and want to be reinstated because either an employer that they have gone to has terminated their employment and they are facing the possibility of having no insurance.

Chairman Reiniger asked would you suggest that this Committee vote separately on the Acorace situation and the policy.

Mr. Ntapalis stated I had it listed as a topic of discussion, I notice Mr. Acorace's issue was referred back from the full Board as a Personnel Committee issue.

Chairman Reiniger stated we had taken a phone poll which apparently was unanimous to approve Mr. Acorace's request.

Alderman Robert stated I was one of the people contacted and I did vote in favor. I have since had some second thoughts. Thinking about the request I want to be fair, but am concerned by the precedent being set and what the cost might be. I'd like to ask Mr. Ntapalis for the record and maybe Mr. Moran could respond, are we opening up something here that we may get snowed under with other people who used to work for the City that may find themselves in a tough situation, to come back and want to be on the City's medical program?

Mr. Ntapalis answered it is a valid concern that you raise, one that our office wrestled with in the past. There was no way then nor is there now to gauge just how many individuals might be in a situation other than to give you a body count of how many have retired and how many have insurance. How many to anticipate would avail themselves of coming back, we would not be able to give a figure. It may be one or two periodically as has been the case, it may be several.

Alderman Robert stated for example, say forty or fifty people who retired from the city and did not put in their twenty or thirty years, what if all of a sudden they decide they want to be insured by the city, what happens then?

Mr. Ntapalis answered if the two most recent situations come to pass and similar situations arise, and you do have that forty or fifty people come back, I think you would be hard pressed to do something inconsistent without opening the city up to some liability.

Alderman Hirschmann stated Mr. Ntapalis keeps making reference to a prior case, so a precedent has already been set, so this Acorace thing is just an addition to what has already happened. People that are paying 100% to join are pool are making our pool bigger, and it is not costing us anything.

Mr. Ntapalis answered the only argument had been, in the previous case, he was on an HMO where the city pays a premium to a commercial carrier, it is not part of the self administered funds that are tied up in Blue Cross where Mr. Acorace had been. It is community rated so not only would the previous pensioner be paying the 100% premium, his experience, if it were bad, would not be assessed against that pool. Those of us that would be involved as retirees on the Blue Cross Blue Shield programs, they are self funded and they are experience rated with the active employees, so the assumption that if you opened it up to many retirees, who had bad loss experience, it could up the rates come renewal time.

Alderman Domaingue asked does private industry do this type of practice? When someone retires from Nynex or a major insurance company or whatever, do they open up the opportunity for those retirees to come back after they have left the company and access the insurance.

Mr. Ntapalis stated to the best of my knowledge, some of the larger companies do offer the employees for life the continuation of benefits at a group rate, some of them also subsidize to some degree. Once they leave employment and opt not to carry the insurance with the company, that question I have not raised with individuals or other communities.

Alderman Cashin asked if this individual had retired, he could have gone right into the plan that the City provides for everybody. The only problem here is that he left the plan, got another job, went into another plan, now that job is over, he wants to come back into the plan, right?

Mr. Ntapalis answered that is correct.

Alderman Cashin stated I guess it is a two headed coin, you could say that this individual has saved the City some money, and every employee is offered the same option, right? So we are not really talking about that many people.

Mr. Ntapalis answered not really, because the vast majority avail themselves at the time of retirement to take advantage of the insurance to the degree they can afford it. The only thing that has been unique about these two individuals but they had not lapsed the coverage's that the city would have allowed them to continue on the group rate as retirees. Something that may help, I asked for classification from Blue Cross, by the time I got it was not in time for the meeting, but it is a position of the insurance company on this issue. Their policy is as long as the products are the same there is no prohibition with retirement status and that has been part of our contractual arrangement with the provider. In those instances for the sake of clarity, if someone opted to leave and came to our office and told us they know they are allowed to continue with the group rate but do not want to, and they go off and purchase a different insurance, then come back some years later and want to reinstate, then it has been the practice not only of the City to disallow them to return, but both Matthew Thornton and Blue Cross and Blue Shield. If they had continued with that product under another employer, then there is no reluctance on the part of the two insurers to deal with them.

On motion of Alderman Hirschmann, duly seconded by Alderman Cashin, it was voted to approve the request. Alderman Domaingue and Alderman Robert were opposed.

Chairman Reiniger addressed item 6 of the agenda:

THE RISK MANAGER HAS REQUESTED TO DISCUSS THE FOLLOWING ITEMS:

- (a) Status update on RFP's for the City's third party claims administration service.

Mr. Ntapalis stated we changed from Scott Wetzel services, who administered the workers comp and general liability. We did it under emergency reason, the labor department had ordered that it be done and we complied. Comp Sigma has been handling the claims and doing a very good job, but it in May, just to let you know I will be putting this out to bid as the procurement code requires.

- (b) Briefing on the proposed FY 98 actuarial studies as recommended in the City audit for self-funded programs.

Mr. Ntapalis stated as you know, the auditors came in and presented you with the updated audit along with an excerpt. I apologize for it not being included in your packet for tonight, I received it too late to do so. All I wanted to draw your

attention to is I would like to let the committee know that in my budget this year I will be asking for actuarial funds, so when you see that \$50,000 amount beefing up my budget, you will know I am just trying to comply with the management letter and audit.

- (c) Rate renewal status update for employee benefits for FY 98 contract period.

Mr. Ntapalis stated I did want to share with you, we have gotten all the rates being proposed for health insurance for the city. Matthew Thornton is not going up, Delta Dental is going up another 8.5%, Blue Cross is going up on all their J plans 2%, Blue Choice is going up 8%. What does this all translate to, probably on the health insurance line about a million dollars increase.

- (d) Update on the planned bid process for the City's commercially-insured lines of coverage for FY 98.

Mr. Ntapalis stated the only thing I wanted to bring into focus here is my operating budget will go up by \$10,000 for consulting fees. I don't use consulting fees as a rule of thumb and haven't for the past five years. But when we go out every four or five years on a very critical piece of commercial insurance it is probably the best money you could spend, and we have not gone out because the market has been soft on our property coverage, etc. In 1998 we need to go out again, the market is making a swing and I think we should go out again.

- (e) Discussion of proposed policy for health insurance reinstatement for pensioners.

Mr. Ntapalis stated I wrote the policy and tried to include the elements to be consistent with the issues surrounding pre-sixty five year olds that have retired because when we go beyond sixty five there is a Medicare issue. The elements that they need to be eligible for benefits, that indeed they have the understanding that they are paying the 100% and all rate increased, and if there is anything else you feel should be added.

Alderman Hirschmann stated I do not think this is a bad policy, I just could think of other examples, somebody like Chief Favreau that worked for the Police Department his whole life, now he is working for the State, in a few years he could decide to come back to the City and we would have this policy, and as long as he is sixty four, we would have to give him his policy.

Mr. Ntapalis stated the Alderman makes a good point, if someone does opt to come back, with this policy if it were adopted, it would open the door for someone under sixty five to avail themselves. The only difference is the policy would only lock out, for example a firefighter or policeman, the likelihood were that they retired with the benefit being offered through their retirement system, there is a subsidy for them. This would really affect those that remain in the new contributory retirement system.

Alderman Cashin stated this is going to make it consistent, right?

On motion of Alderman Cashin, duly seconded by Alderman Hirschmann, it was voted to approve the proposed policy and refer it to the full Board for ratification. Alderman Domaingue and Alderman Robert were opposed.

THE FOLLOWING ITEM REMAINED TABLED

HIGHWAY - Reclassification of Highway Superintendent Position.
(tabled February 13, 1996 PC 1)

Note: Available for viewing in the Personnel Department.

On motion of Alderman Cashin, duly seconded by Alderman Domaingue, it was voted to remove the following item from the table.

FINANCE - Deferred Compensation Provider. The Finance Director and representatives from Hartford ITT, the current compensation contractor, shall present a brief review of the Deferred Compensation Program. If approved by the Personnel Committee, the Personnel Director will distribute a marketing letter.

(tabled September 23, 1996 PC 6)

Mr. Karas stated I am the regional manager and I handle 457 plans throughout New England for ITT Hartford. Thank you for allowing me the time to speak today. I would like to spend some time going over the history of the relationship between the City and the Hartford and bring you up to date on some of the changes we have made to our plan, and to get your approval for the usual informational payroll letter and to go over the educational material that is available at the City's disposal. Back in 1983 the Hartford began handling the 457 plan for the City after the former provider did a less than comfortable job with the plan. I was involved with the plan at that time and the Hartford's legal staff, along with the City spent about a year or so cleaning up the old plan and getting the plan assets transferred over to the Hartford. Since that time we have restored employee confidence in the plan and we have made ourselves available to the employees to

educate them on the plan's benefits. Currently the plan enjoys a strong participation rate as well as a satisfied group of participants. We have also, over the years, kept close contact with the City administration handling the plan and have made many adjustments based on the strong rapport we have built with them. The City of Manchester is a very important account to us and we have committed a great deal of energy to ensure the needs of the employees are met. The Hartford is a major 457 provider for plans and over the years we have brought your employees a very competitive program. The selection the City made in 1983 was a strong one, and that still holds true today. I think if you take a close look at the product and services that the Hartford has offered, you will find the plan to be an extremely cost effective benefit for your employees. We offer them a fixed interest account with the current rate, annual contributions of 6.3% as well as 18 mutual funds which are managed by companies such as Wellington, 20th Century, Caliber and Fidelity. In 1995 we reduced some of our plans' fees and in 1996 we reduced our fees once again. I would now like to review with you the fee reductions we have made. We have eliminated our \$15 per year policy fee, we have eliminated all the participant level withdrawal charges so employees are now able, when they retire, to take their money out in a lump sum if they choose. We have also reduced our variable account fees by 20%. We have also made some changes in our interest rate crediting where we review our rate on a quarterly basis and we change it accordingly and that rate is guaranteed through December 31 of that year. The current rate is 6.3% and considering that CD's are running at about 5% right now, I think you will find that to be an extremely competitive rate. About 60% of the City of Manchester participants are currently taking advantage of the general interest account. Over all if you take a detailed look at the product, you will find it to be an extremely competitive piece in today's market. If you combine that with our administrative capabilities which include making sure that the plan remains in compliance with all the IRS rules, I think you will agree that the plan is very strong. The last area that I would like to address is the education of the employees. The first item would be getting your approval for the distribution of a normal payroll letter, which will be handed out now. As in the past, it is about this time of year that we normally send this letter out, and it has proven to be a strong method for employees to become aware of this benefit. As I stated it has been routine in the past, and I think this is an important part of keeping employees abreast of the benefit available to them. The last item in the area of education, is that retirement planning has become a very major part of ensuring that employees will be prepared for their retirement years. This has become a very complicated area, one in which most employees are undereducated on. As a result they find themselves very under-funded when it comes time to leave employment. The Hartford has addressed this issue by offering plan participants a three part educational seminar dedicated to retirement planning and common issues which are associated with retirement planning. The first part

covers the starting out stage of retirement planning and is a basic education of the concepts and philosophies behind retirement planning. The second part is a more in depth look at investment principals. The third portion is committed to those who are close to retirement and it is suitably titled the Home Stretch. I have enclosed in a handout packet a copy of each of the three parts of this program. This program has been implemented at a number of our accounts and as a result it has proven to be helpful to employees. We have had no employees that have told us they did not want us to do that type of presentation. This type of education is in demand by employers, they want to have employees be prepared for retirement and the 457 plan, you have the ability to educate your employees without the large costs that are usually associated with these type of seminars. One of the letters handed out is a sample letter which we would like to run in September announcing meetings at various locations and times. The seminars will allow employees to attend, ask questions, find out more about the plan, but they are directed at more than simply plan items. What I would like to do now is show you some of the slides outlining the most frequently asked questions. The slides cover what the employees will need for retirement, approximately 80% to 90% of their income, the places that type of material would come from, such as deferred compensation, social security and pensions are the tools. We would also want them to be more informed about the pretax aspects of the program. We go over the different asset groups of the different types of mutual funds, because what we find is people that are not aware of them tend to flock towards a general fixed interest account, and as a result they are not keeping a good hedge on inflation over time. We go on further to explain dollar cost averaging, which is one of the main concepts involved in deferred compensation. Then we go over some of the risk factors, we like to try to educate on some of the differences in the markets between stocks, bonds and money market type instruments, and then we define risk further. We try to help them define an investment strategy covering the main points which apply to that, the number of years until a person retires, their age at retirement, their activity at retirement, investment goals, comfort zone, which is probably the most important factor when it comes to retirement planning. That is just a few of the points covered in the seminar. What I have included in your packets is a ratings issue, safety is always an important factor and the Hartford has a very strong track record in that arena. A summary of the plan, a semi annual report on the mutual funds. As well, something that we utilize, newsletters go out to employees quarterly with their statements. We try to cover different retirement planning topics at that time. Then we have a retirement planning workbook that employees can go through on their own time. Basically retirement planning is the thrust of employers these days and what they have discovered is that education is the most important aspect involved in that. We have designed this program to be efficient from a time perspective for the employees and to be efficient in covering the topics that need to be reviewed to be prepared for retirement. Generally that is

the presentation I wanted to give you, time is always a factor but I would like to open the floor to any questions you may have on deferred compensation.

Mr. Clougherty stated I handed out earlier a copy of an excerpt from the Hartford's information which explains what the deferred compensation program is in Manchester. We are talking about 8.2 million dollars in assets that are under consideration here. The company is well rated and we check with the Insurance Commissioner each year to verify the rating. We do that at the request of the Personnel Director. The company is providing a broader array of opportunities for people to invest in different vehicle than they have in the past. One of the things that I would submit to you that we have talked about is the plan for the deferred compensation program goes back to the 1980's. Over the next year I would like to come before this committee with some recommended changes. One in particular, the way the plan is currently structured, people can withdraw the money if they have a hardship. The only person in the City under the current plan that determines that hardship is the Finance Officer. I don't think that is the right way to do it. I think you should have a broader range than just having one person have that control over an employees' situation. In other communities where they have deferred comp plans they have a committee that would do that type of decision making. Those types of housecleaning things will be the subject of discussions over the next year with respect to this plan. I am just alerting you to that as we get some recommended language I will bring it forward. Obviously in any market with any product there are other companies that would be interested in providing the service that the Hartford is currently providing. As I have written to you over the last year or so, that does not mean the Hartford has not done a good job. If others are expressing an interest, maybe it should be looked at.

Mr. Karas commented one of the items we have discussed in the past is the hardship scenario. The Hartford does offer the ability as an amendment to the current administrative services agreement that you have, to provide for you a hardship amendment to the ASA, which would allow you to send, at will, hardship requests.

Mr. Moran stated it has been appropriate over the last several years, that the insurance committee grant approval for the distribution of this letter, and I would ask for the support of the committee at this point to allow them to distribute their marketing request.

Alderman Cashin asked have there been any complaints from the employees?

Mr. Moran answered I have had no complaints from the employees.

Mr. Clougherty added I have not had one phone call on this program in five years.

On motion of Alderman Cashin, duly seconded by Alderman Hirschmann, it was voted to approve the request of the Hartford to distribute their marketing letter with the employees pay checks.

THE FOLLOWING ITEMS REMAINED TABLED

PERSONNEL - Information Support Specialist Positions.
(tabled September 23, 1996 PC 6)

Note: The Personnel Director recommends that the positions at the Airport, Fire, Police, Finance and Water Works be established as Sr. Information Support Specialist, Grade 22. The Library Technician position is to be established at Grade 20.

PERSONNEL COMMITTEE - Department Head Merit System Responses.
(tabled September 23, 1996 PC 6)

Note: Available for viewing in the Personnel Department.

POLICE - Request from Alderman Hirschmann to examine existing Personnel Policy for Police Officers.
(tabled January 27, 1997 PC 1)

There being no further business to come before the Committee, on motion of Alderman Cashin, duly seconded by Alderman Robert, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee