

## COMMITTEE ON HUMAN RESOURCES/INSURANCE

**May 1, 2007**  
**Aldermen Gatsas, Shea,**  
**Garrity, Pinard, Duval**

**6:15 PM**  
**Aldermanic Chambers**  
**City Hall (3<sup>rd</sup> Floor)**

Chairman Gatsas called the meeting to order.

The Clerk called the roll.

Present: Aldermen Gatsas, Shea, Garrity, Pinard Duval

Messrs.: Virginia Lamberton, Gerard Fleury, Bill Sanders, John Sharry

Chairman Gatsas addressed item3 of the agenda:

3. Discussion relating to division of retirement assets when a divorce occurs as it pertains to the Manchester Employees' Contributory Retirement System and potential legislation.

Chairman Gatsas stated since this issue has come to light I've now gotten two more calls from people wanting to know why we at the City level can't do the same thing that the state is doing because the two retirement systems are basically the same, it's not...

Mr. Gerard Fleury, Executive Director of the Manchester Employee's Retirement System, stated that's correct, Alderman. It is possible for City Retirement to implement qualified domestic relation's orders...it's at what cost and for what benefit that we would do that. The system installed an administrative pension software program about five years ago at a cost of over \$200,000...that program is not capable of handling qualified domestic relations order so if we were going to move to implement that I'd be looking at a minimum of \$100,000 in software upgrade and probably six months of implementation time in order to be able to hit the switch and go with it. In addition to that where there are qualified domestic relations orders in pension funds very frequently they end up adding significantly to legal expenses for both the individual who's a member for the soon to be estranged spouse and for the retirement system and the reason for that is that these things tend to be very complicated...there are entanglements with the federal tax laws, on the taxability of those divisions...

Chairman Gatsas interjected let me stop you for a second because the state is doing it. So the entanglements that you're talking about...

Mr. Fleury stated they exist there.

Chairman Gatsas stated they may exist there but the State's taking care of it and they're moving along because they're doing them.

Mr. Fleury stated they have an individual that does nothing but that and it they also have in-house legal counsel to handle it. So in our case where we might be able to handle the administrative side of it we would still end up having to farm out those expenses that would have to go to counsel to handle those quadros.

Chairman Gatsas in reference to the quadros asked how often do you get a request for one?

Mr. Fleury replied we probably get anywhere between 8 and 10 a year where we are contacted because there's a divorce settlement and what the party wants to know is what is the present value of that. I would like to point out that for the last 32 years City Retirement has had to deal with these issues and has done so rather effectively with the existing legislation. What we do is we provide that member with a couple of different numbers and everybody gets treated differently which is why it is so complex. If somebody just came to work for the city and they're not vested and they have less than five years the value of the plan in a breakup is little more than what they pay in plus the interest...there's no guarantee and no way that you can ascertain what it would be if in fact they retain their employment and affiliation with the plan beyond the vesting mark. So depending upon how long a member's been in the plan you've got a different answer that you have to formulate. What we do at the present time is if the individual's been with the City for less than five years we look at that and we tell their attorneys if they quit their job today and withdrew their funds which is the only way they can get access to that money this is what the value would be. Now, if the individual has been with the City for a long time and they qualify under existing regulations for early retirement they could come in and see me tomorrow and say I'm all done in a month...we could tell them what that benefit would be and we provide that information to their attorney because under the division of assets there's some other asset generally speaking that's going to compensate for that...the member is allowed to keep their pension but they sacrifice something else in the division. It does become problematic when the only thing they have to divide is that pension.

So, there are times where there's no good answer to that but the thing that we are concerned about is that if we implement this that it will be a considerable expense for the system on-going and don't forget that both of these parties are paying billable hours to their attorneys to negotiate these quadros.

Chairman Gatsas asked do you have any information or do you have any enabling legislation that we can put up in Concord that would make this enabling because right now even if this Board decided to do it we can't do it my understanding is.

Mr. Fleury stated my suggestion would be since we've gone the last 32 years without this if you think we really need it we should look at this very closely and make sure that we are not rushing into bad legislation. The conventional wisdom is that we need to do this, we look at the cost with our eyes wide open so yes let's do this...let's write the bill and put it in in 2008.

Chairman Gatsas stated let me clarify it because enabling legislation still allows this board to do what it wants, it just allows us to have that ability to make that decision.

Mr. Fleury stated we would have to amend a present portion of the legislation for the Retirement System, which essentially exempts us from qualified domestic relation's orders.

Chairman Gatsas asked so is there a clear understanding that I need that wording because I want to make it enabling and we can do that right now and then this Board can make a decision on what they want to do because if we still listen to 32 years we could be still riding around in a horse and buggy...not that that's bad with the price of gas but it's certainly an alternative.

Mr. Fleury stated I can't quote the particular chapter...I believe it's 218:22 that would have to be amended which essentially shields the Retirement System members from any form of attachment so there would have to be amendments to that written in. I would certainly urge that if you're going to try to do something through an attachment there's going to be some serious fiscal impact to that and the thing that worries me is that with the end of the session coming up in a short time I don't know how quickly we can get accurate fiscal impact to that bill.

Chairman Gatsas stated there is no impact...if it's enabling legislation there would be no impact until this Board made that decision.

Mr. Fleury stated I'm not sure I understand your position on that.

Chairman Gatsas stated enabling legislation allows this Board to make the decision...we can change the law in Concord...that recommendation would still have to come from this Board after we analyze what the cost would be.

Alderman Shea asked if there were a cost or a considerable cost who bears that cost?

Mr. Fleury replied it would be paid by the System as an administrative expense but to the extent that administrative expenses rise it becomes a burden on the Plan in general and would have some kind of effect on the employer's contribution rate because the member's not going to pay for it so the employer ends up being the pocket of last resort.

Alderman Shea stated so in essence if it were amended and there would be legislation covering this then the City as a contributor would be responsible for additional monies to pay for whatever the cost would be plus employees...am I reading it correctly.

Mr. Fleury stated I think that's a fair assessment yes.

Alderman Shea stated it wouldn't come out of any kind of investments or anything like that would be accrued in the money that you invest.

Mr. Fleury stated even if the Plan were doing double digit returns all of the time what that would do is it would lower the City's cost. So anytime when you're doing anything that takes away from the net earnings you're passing that reduction over to the City. So no matter how much the System gets in return is it going to affect the City's rate...yes it will.

Alderman Shea stated when you handle individual cases have you had any repercussions from that since you've been involved.

Mr. Fleury stated repercussions no I've been subpoenaed to court on a number of occasions to testify as to the present value of those assets and the matters have always been resolved.

Alderman Shea stated so there's been no negativity involved as far as you're concerned.

Mr. Fleury stated there's always a lot of ill will between parties but nothing in the form of a liability to the City or anything like that.

Alderman Shea stated you say that in the past that you've been involved... normally you have 8 to 10 inquiries per year.

Mr. Fleury stated that's true but I'm concerned that that might be a little understated because the word is out there and it's understood by a lot of people and a lot of the attorneys in the City that this is not an attachable benefit and so if they've already been that route with our office they're not going to call up and ask us the question again. So I think if we change it...the frequency with which we're contacted for such things could conceivably go up. As of right now anywhere between 8 to a dozen.

Chairman Gatsas asked are there any other questions. There were none.

Mr. Fleury stated just to be clear is there anything expected of our office on this?

Chairman Gatsas replied no it will be taken care of.

### **NEW BUSINESS**

Chairman Gatsas stated we've got a health insurance contract that is here before us. Ginny, if you'd be so kind to talk about it.

Ms. Virginia Lamberton, Human Resources Director, stated maybe Jack and Bill could sit up there so if there are any questions that might be helpful. As you know we put the health insurance out to bid...this is the third time in five years that we've put it out to bid and obviously the goal was to get the best bang for the buck and this time we had six companies bid...two of them Anthem and CIGNA were pretty much close to each other in their bidding and so Alderman Gatsas, myself and Jack Sharry initially met with CIGNA and Anthem to discuss what their financial arrangements would be with us and then at the tail end Bill Sanders came into the picture from a financial perspective and also he wasn't working here when we first started this process and so if you'll see the letter here in front of you today we the Committee are recommending that the City change providers to go to CIGNA. CIGNA would provide the same benefits that we currently have and their list of providers is the same as we currently have...this would be a 3-year contract and the administrative fees would be the same for the first and second year of the contract and the third year the administrative fee could not exceed 3.5% so it couldn't be more than that, that's the most it could be. We have a rebate program that we started a couple of years ago. This past year we received \$137,000 from Anthem, CIGNA offered a \$150,000 rebate up front. There's a thing that CIGNA calls a performance guarantee and what that is is that as we

implement the changeover from Anthem to CIGNA if there's any complications or any problems at all they would give the City \$50,000...no questions asked like a self-punishment for not doing things perfectly. For three years they're offering each year of the contract a \$40,000 stipend in the form of a wellness program and what that would do is they go into the claims and look to see what types of medical issues are employees have primarily and recommend wellness programs to help our employees change whatever it is to get themselves better and not continue to have those problems any more which in theory makes the employee healthy and it also reduces our costs. CIGNA also would include a \$55,000 performance guarantee what would be on-going for the duration of the contract (three years) each year and if there's any problems with the call centers or claims processing or just the overall account management then CIGNA will give us a check for \$55,000 for that. Just by the way we don't have that right now with Anthem we don't have any of these items that I've just been telling you about. This one...I'm going to read it to you but I'm not sure exactly, precisely what it means "CIGNA" has placed it's average discounts of 39.8% in the risk of the form of a guarantee. As such their discount falls below the 39.8% they will pay a penalty to the City"...now I'm sure Jack Sharry can explain that in greater detail. If you look at the Mayor's proposed budget that came out a month ago the Mayor had proposed \$10.617 million in general funds...that's what we're talking about today...general funds for health insurance. The projection for contracting with CIGNA is \$8,181,535 for the first year. This would appear to be a savings of \$2.4 million, however, it doesn't cover what we call the run out and so we would need to take at least \$1.1 million and put that aside out of the \$2 million for the run out of claims during the months of July and August of 2008. The net savings to converting to or contracting with CIGNA versus Anthem to the City would be \$1,335,590. It just seemed to the Committee that since the benefits are the same, the providers are the same and we also get a wellness program, we get performance guarantees and we get a larger rebate that it's in the best interest to the city and to the employees to convert to CIGNA and if you look at the next page that has colors in it the top part of the page talks about what currently costs are for the employer as well as the employee for health insurance on a monthly basis and so if you look right now under our current plan for a single person under the point of service plan Blue Choice the employer contributes \$69.11 a month towards their share of the health insurance...going to CIGNA which is the bottom half of the page which is in yellow the employee's contribution would be \$59.10 so it's like \$10.00 cheaper just for a single person and obviously that goes up as we look towards the different types of plans that we have.

Chairman Gatsas stated let me make that clear...the employees saves \$10/month on a single plan, \$20/month on a two-person plan and close to \$40/month on a family plan...about \$27/month on a family plan.

Ms. Lamberton stated under Blue Choice yes.

Chairman Gatsas stated under the HMO complement a single employee would save about \$2/month, a couple would save somewhere around \$5/month and a family would save about \$7/month.

Ms. Lamberton stated that's correct.

Chairman Gatsas stated that's on a monthly basis.

Ms. Lamberton stated that's correct.

Chairman Gatsas stated so the saving is not only added onto the City side but also the employee gets.

Ms. Lamberton stated yes the employee reaps the benefits of the savings as well.

Chairman Gatsas stated the benefits that have been and maybe Jack can talk to this but the benefits that have been negotiated are comparable or better than what is currently in the plan.

Ms. Lamberton stated that's correct. They have to be. In order to submit a bid they have to minimally offer the same benefits that we currently get under Anthem otherwise it's not a good bid.

Mr. Jack Sharry, CEO, Group Benefits Strategies, stated to address that point a little bit further for the comfort of the City is that CIGNA has placed in writing the fact is that the benefits that they offer either match or are better than the Anthem benefits and there's one other caveat that is more important is that anytime you have a change of this significance there's apt to be something that slips between the cracks and we addressed that with CIGNA and CIGNA has put in writing that if there is something within the benefit structure that they have missed and it's called to their attention no questions asked that will be added to the benefit package without any additional costs. I don't expect that to happen but it's always a possibility that we wanted to make sure that we had not only the written guarantee that the benefits were equal to or better than in the unlikely event something might have been missed it will be covered.

Alderman Shea stated from a personal point of view...I have been down to the executive house and I take part in that program...is that still going to be part of it...if you go down and if you perform 39 times they give you...

Ms. Lamberton stated yes.

Alderman Shea asked could you distinguish between those of us now that have the one plan versus the other. In other words some people have Matthew Thornton Blue and the other, etc...how is this going to be done for the benefit of those that have different situations.

Ms. Lamberton stated it's the same plan it's just going to be called something different...it will be CIGNA Point of Service and then CIGNA HMO rather than Mathew Thornton HMO.

Alderman Shea stated so those people that go to the Dartmouth Hitchcock or whatever that's still the same.

Ms. Lamberton stated no problem.

Alderman Shea stated we will be issued cards later on that would indicate that.

Ms. Lamberton stated yes. Everybody will have new cards, new identification cards yes.

Alderman Garrity stated the question is probably going to come up with a few phone calls to me...any time an employer changes an insurance provider usually the spouses...do we get to keep the same doctor, I guess it's a simple question.

Mr. Sharry stated a simple question, the most important question and the answer is absolutely yes...total transparency...no change in doctors or hospitals. A very good question and one that's most asked anytime there's a change.

Alderman Lopez stated the difference between the two companies...the savings is still there the \$1,335,590 is a difference from the savings from the other party.

Mr. William Sanders, Finance Officer, stated the savings if we selected Anthem there would still be a significant savings but it will be slightly less than the \$1.355 million...I don't have the backup sheet here but I think it's about \$30,000 or \$40,000 less.

Alderman Lopez stated \$30,000 or \$40,000 less but Ms. Lamberton you said that we're getting more.

Ms. Lamberton stated good question. If all we talked about today was the basic health insurance...if you take Anthem's last proposal and you take CIGNA'S last proposal...Anthem is \$40,000 more just in the basic health insurance. However, CIGNA has...right from the beginning...offered guarantees, they've offered wellness program, they've offered penalties if they don't do what they say they're going to do and so that adds up to a lot more money than Anthem has proposed and Anthem has not proposed that and Anthem does...because I've dealt with Anthem for many years...I've nothing against Anthem they're a good company but they charge for things like wellness programs whereas CIGNA is not charging us for a wellness program and those are important things for our employees.

Alderman Lopez stated nothing changes for the employee whatsoever other than they get a new card.

Ms. Lamberton stated they get a new card...they have to fill out the new enrollment forms because we're converting to a new company...that's okay, we do that every so often anyhow and then we get the enrollment forms, we send them to CIGNA, CIGNA gets them the cards...they'll get the cards in the mail and it's also good because we'll have updated addresses for all the employees, etc. and then they'll have all that so before July 1<sup>st</sup> they'll have a new card in their pocket...July 1<sup>st</sup> they go to whoever they go to and they show their new card and get the same benefits they've had.

Alderman Shea stated when you say there's going to be a new benefit with wellness what do you mean.

Ms. Lamberton stated you're thinking of the health clubs. I'm talking about special programs.

Alderman Shea asked who's going to conduct those special programs?

Ms. Lamberton replied CIGNA will provide those programs for us. Let me give you an example. If you look at what we pay for prescriptions...the most we pay in prescriptions is for cholesterol type of problems and so if you see that then why don't we do something about that and offer the employee some educational programs or something...some guidance to help them not have these cholesterol problems and maybe even hopefully get off of cholesterol medication...that's the type of things we're talking about for wellness. Like last summer Mayor Guinta I don't know if you recall or not but he wanted to have some type of a heart program because his father had had a heart problem and so we got a few dollars together and we had a program in the summer and fall to get people to walk, to get people to weigh themselves, blood pressure and all this other stuff and we had

some success with that but if we had a wellness program we could continue the program...this was just a 10-week program and it's over and I'm sure people aren't walking because they don't have their little pedometers anymore...it's just the natural thing but if we keep active with the employees and making them aware of wellness issues that helps people get better. CIGNA actually watches claims and if they see that an employee's having problems they'll contact that employee and voluntarily say to them I see you have this, this and that would you like to do something about it. If the employee says no that's it. If the employee says yes they say well this is what we'd like to offer you to help you out.

Alderman Shea stated so in other words the wellness program would be like if you contract out these services through either one of the hospitals or something like that for the benefit of people who may have problems...that's really what you're saying rather than encouraging people to go to the health places and take advantage of that. In other words those people would not benefit necessarily. In other words my wife and I go to the Executive Health Club...we pay quite a bit to go every month, every year...that doesn't concern this wellness program.

Ms. Lamberton stated no that has nothing to do with that.

Alderman Shea stated that's what I'm saying it concerns people who have medical problems who want to take advantage of different types of programs that would be presented through either your office that would be contracted out to a certain place with expertise in these areas...that's what you're saying.

Ms. Lamberton stated yes totally separate from health clubs.

Mr. Sharry stated Mr. Chairman I think I'd like to be quite blunt having been a health insurance consultant not a broker. In New England I represent over 300 municipalities. I strongly believe in competition. I believe that three or four years ago this city went through a competitive process...Alderman Shea was part of the committee that reviewed what we were doing...the end result is that we ended up staying with the incumbent carrier Anthem. This year the process with a tremendous amount of time and effort from Alderman Gatsas helping us along the way...when the initial RFP responses came in it was clear that this was going to be a two company race...one the incumbent Anthem and two CIGNA. The difference was when the bids were in CIGNA right from the get go came in with a very strong, aggressive proposal that included performance guarantees and included without being part of the RFP process they put their network discount at risk. They told us what their discount on claims were in this area and they said if we don't meet this we'll pay a penalty. Their administrative costs over a 3-year period were over \$800,000 less than the incumbent. The incumbent was rocked

when they saw the response from CIGNA and understandably so their response was reactionary...they came back in and said well we'll do this and we'll do that and we'll do the other thing. The truth of the matter is had there not been a process and even in the administrative charges alone Anthem was looking for a 12% increase in the administrative charges. The process drove them, the process led by this committee and led with the Aldermen assistance led Anthem to go from a 12% increase in administrative charges to a 28% decrease...a swing of 40%. Well you know what that's a little bit too late...that is money that they were willing to take from you at a time when just like any other municipality you've got tough problems to deal with and this process put their backs to the wall and at the last minute they said oh we'll drop it and it's important for you to know that CIGNA, in my opinion, CIGNA has better discounts than Anthem does so the combination of the aggressive response by CIGNA, the guarantees they put to their benefit package, the performance guarantees and other areas they've put at risk told this consultant and told this committee that this is the company that we should move to. So, I think you've got some real hard dollars that would have gone south had this process not taken place and they didn't go south and those dollars are going no where but back into the City coffers.

Alderman Garrity moved to recommend that the City contract with CIGNA for health insurance coverage, effective July 1, 2007 based on responses to an RFP process and financial analysis. Alderman Pinard duly seconded the motion. There being none opposed, the motion carried.

Ms. Lamberton stated I would ask as stated in the last part of my letter if we can bring it to the full Board tonight because unless we do it tonight it's going to be impossible to implement by July 1<sup>st</sup>.

Chairman Gatsas stated that can be done.

### **TABLED ITEM**

Alderman Garrity stated I don't see the tabled items on the agenda this evening specifically the VISTA Coordinator. I would move that the Human Resources Director perform a desk audit of the position so that we can all be on the same page.

Ms. Lamberton stated I believe I've already done one.

On motion of Alderman Garrity, duly seconded by Alderman Pinard it was voted to remove the following item from the table for discussion.

Communication from Virginia Lamberton, Human Resources Director, requesting that the Grants Coordinator position be reclassified to a new title of VISTA Project Administrator, salary grade 20.  
*(Tabled 10/03/2006)*

Alderman Shea duly seconded the motion. There being none opposed, the motion carried.

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

A True Record. Attest.

Clerk of Committee