

*City of Alexandria, Virginia*

MEMORANDUM

DATE: MARCH 7, 2014

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: RASHAD M. YOUNG, CITY MANAGER 

FROM: NELSIE L. SMITH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET 

SUBJECT: BUDGET MEMO #3: RETIREE LIFE INSURANCE

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One of the reductions in the City Manager's Proposed FY 2015 Budget shifts the cost of Retiree Life Insurance Premiums from the City to the retiree. The coverage itself is not impacted by this proposal. The reduction option is similar to initiatives from prior years that have shifted costs from the employer to the employee, such as health insurance premiums and retirement plan costs. In total, the reduction provided \$0.26 million of resources to meet the City's budgetary gap.

The bullets below provide some statistical information on the City's Retiree Life Insurance:

- There are currently 1,043 retirees covered by the City's Group Life Insurance Policy.
- Approximately \$91 million of coverage, or an average of \$87,000 of benefit coverage, is provided.
- At age 65, the benefit and premium is reduced by 25%, then by 10% per year until the participant reaches age 70, at which time, the total coverage is 25% of the original. This calculation remains unchanged from the current administration of the benefit.
- The total monthly cost to the City to provide this coverage is \$22,111.
- The average cost per retiree is \$21 per month and ranges from a low of \$0.48 per month to a high of \$88.57 per month.
  - Just over 26% of the retirees are under the age of 60. The weighted average cost for retirees under the age of 60 is approximately \$36 per month.
  - Nearly 74% of the retirees are over the age of 60. The weighted average cost for retirees over the age of 60 is approximately \$16 per month.
- The annual cost to the City to provide this benefit, at the current level and at no cost to the retirees, is \$264,598.

Since January 1, 2014, two-hundred-three (203) Medicare eligible retirees and their dependents have chosen a new Medicare Advantage health plan the City negotiated with United Health Care. Those retirees and their dependents will save between \$3,132 and \$9,132 annually in health care premiums depending on their plan and tier. They will also save up to \$400 per individual and \$800 for an employee and spouse or family because the new Medicare Advantage Plan has no deductibles. Kaiser has offered a Medicare Plus plan with comparable premiums for a number of years.

Both the health premium savings from the Medicare Advantage health plan and the changes to life insurance premiums for retirees reflect our commitment to provide sustainable and fair retirement benefits for all of our former employees.