

May 31, 2023

MEMORANDUM TO: Honorable Mayor and City Council

THRU: Charles P. Potucek, City Manager
Victoria Yarbrough, Assistant City Manager

FROM: Barbara L. Fleming, CHRO

SUBJECT: REQUEST FOR AGENDA ITEM PLACEMENT
RESOLUTION 2023-045
Retiree Health Insurance Benefit

RECOMMENDATION:

The City Manager recommends approval
The CHRO recommends approval

INITIATED BY:

Barbara Fleming, CHRO

BACKGROUND:

In recent years, the City has faced numerous recruitment and retention challenges in all departments but most heavily in Public Safety. It has become apparent that the City needs to offer more incentives to prospective new hires to entice them to come work for the City and to retain the current and future employees to reduce recruitment efforts.

In the past, one method of retention was to offer retiree health insurance for those employees who met a 'normal' retirement with Public Safety Personnel Retirement System (PSPRS) or Arizona State Retirement System (ASRS) by allowing them to remain on the City's health plan until Medicare eligible. This worked extremely well but was discontinued for any new employees hired as of July 1, 2012 due to budget concerns.

Implementing a similar plan at this time of recruitment and retention challenges would afford the City a more competitive edge over other employers. This plan would be designed the same as the previous plan however, instead of remaining on the City's health plan at retirement, the City would pay for the employee's premium on the State Health Insurance Plan. This would be comparable in cost for the premiums expensed but, the claims would not be charged against the City's health plan and therefore would not be an added liability.

The attached resolution would allow current employees hired on or after July 1, 2012, and any new employees hired in the future to have retiree health care coverage for themselves and the opportunity to cover their dependents at their own expense.

RESOLUTION 2023-045

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SIERRA VISTA, COCHISE COUNTY, ARIZONA; ESTABLISHING A POLICY FOR RETIRED CITY EMPLOYEE RETIREE HEALTH COVERAGE AND AUTHORIZING AND DIRECTING THE CITY MANAGER, CITY CLERK, CITY ATTORNEY OR THEIR DULY AUTHORIZED OFFICERS AND AGENTS TO TAKE ALL STEPS NECESSARY TO CARRY OUT THE PURPOSES AND INTENT OF THIS RESOLUTION.

WHEREAS, the City has faced numerous recruitment and retention challenges in all departments in recent years and most heavily in Public Safety, and

WHEREAS, the City offered a retiree health benefit in the past that terminated on July 1, 2012 for any new hires but grandfathered in those hired prior, and

WHEREAS, the City wishes to offer full time employees hired on or after July 1, 2012 a retiree health benefit incentive to help the City with recruitment and employee retention,

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SIERRA VISTA, ARIZONA AS FOLLOWS:

SECTION 1

That a policy be established for full time employees hired on or after July 1, 2012 allowing enrollment in Arizona State's health insurance plan upon retirement from the City with a 'normal' retirement with either Arizona State Retirement System (ASRS) or Public Safety Personnel Retirement System (PSPRS). After twenty (20) years of continuous City employment from July 1, 2012, the City will reimburse the retired employee for the out of pocket premium deducted from their pension payment upon submission of the retiree's direct deposit statement(s). Once an employee reaches Medicare eligibility, there is no further benefit. There is no benefit for the retired employees' dependents.

City employees reaching a 'normal' retirement with either ASRS or PSPRS who have less than twenty (20) years of City service but have ten (10) or more years of City service since July 1, 2012 who retire from the City must pay a pro-rated share of the premium. The City will reimburse five (5) percent per year worked based on years of City service with 20 years being 100%.

SECTION 2

No payments will be made to any retired employee who enrolls in a health plan other than the plan offered by the State of Arizona through 'normal' retirement with ASRS or PSPRS regardless of the number of years of City service.

SECTION 3

Since the objective is employee retention, any employee who is eligible under this retiree health plan who leaves the City and is later rehired will not retain eligibility under this plan. This is a one-time benefit.

SECTION 4

This policy will sunset on June 30, 2028 unless it is rescinded earlier or extended by resolution. Should the policy be rescinded, or when the policy sunsets, those employees who are still employed who were hired prior to the policy expiration date will be grandfathered and will receive the benefit upon their retirement.

SECTION 5

That the City Manager, City Clerk, City Attorney and Chief Human Resources Officer or their duly authorized officers and agents are hereby authorized and directed to take all steps necessary to carry out the purposes and intent of this resolution.

PASSED AND ADOPTED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SIERRA VISTA, ARIZONA THIS 8TH DAY OF JUNE 2023.

CLEA McCAA
Mayor

APPROVED AS TO FORM:

ATTEST:

NATHAN J. WILLIAMS
City Attorney

JILL ADAMS
City Clerk

PREPARED BY:
Shanna Melanson
Human Resources Management Analyst