

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING NOTICE AND AGENDA
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, December 15, 2020 10:00 AM – 12:00 PM

Meeting Location: This meeting will be telephonic only. Meeting materials may be accessed at the following website: <https://portal.ct.gov/OPM/Marb/West-Haven-Committee-Meetings-and-Materials>

Call-In Instructions: Meeting participants may use the following telephone number and access code

Telephone Number: (860) 840-2075

Meeting ID: 756 648 271

Agenda

- I. Call to Order & Opening Remarks
- II. Approval of minutes:
 - a. November 17, 2020
- III. Update: Board of Education Health Insurance Analysis
- IV. Update: Corrective Action Plan FY 2019 Audit Findings
- V. Update: Status of FY 2020 Close and Audit Process
- VI. Update: ADP Implementation
- VII. Adjourn

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STATE OF CONNECTICUT
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REGULAR MEETING MINUTES
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Call-In Instructions:

Telephone Number: (860) 840-2075

Meeting ID: 329 602 61

Members in Attendance: Kimberly Kennison (OPM Secretary designee), Christine Shaw (State Treasurer designee), Stephen Falcigno, Thomas Hamilton, Robert White

City Officials in Attendance: Mayor Rossi, Frank Cieplinski, Matthew Cavallaro, Chief Esposito (Allingtown Fire District), Chief O'Brien (First Fire Tax District), Chief Scaffariello (West Shore Fire District), Council Member Bruneau (and chair of West Shore Fire District), Commissioner Carew (First Fire Tax District), Deputy Chief Sweeney (First Fire Tax District), Jennifer Castelhana (Consulting Actuary)

OPM Staff in Attendance: Mike Walsh, William Plummer, Julian Freund

I. Call to Order & Opening Remarks

The meeting was called to order at 10:05 AM.

II. Approval of minutes:

a. September 22, 2020

A motion was made by Mr. Hamilton, with a second by Mr. White to approve the minutes. All voted in favor.

b. October 20, 2020

A motion was made by Mr. White, with a second by Ms. Shaw to approve the minutes. The motion passed with Mr. Hamilton abstaining.

III. Discussion: Fire District Pension and OPEB Valuations

Jennifer Castelhana, of Milliman, provided an overview of the pension valuation for each of the fire districts and the OPEB valuation for the First Fire Tax District and West Shore Fire District. The OPEB valuation for the Allingtown Fire District is currently in process. The projected growth in pension assets and projected benefits payments for the First Fire Tax District were highlighted. The District has historically not been making the actuarially determined contributions to the pension fund. Several scenarios comparing pre-funding pension

benefits to continued underfunding of the plan were explained. The Subcommittee discussed possible options for the First Fire Tax District, including the possibility of lengthening the amortization period which would reduce the actuarially determined contribution levels. Several members expressed a preference for fully funding contributions using an increased amortization period to continued underfunding of the plan based on the current amortization period of about 15 years. The valuation for the West Shore Fire District pension plan does not calculate an actuarially determined contribution. The report provides two cash flow scenarios that depict level contributions plans for funding of benefits. The Allingtown Fire District has been making its actuarially determined contributions. The OPEB plans for each of the districts are essentially unfunded at this point.

IV. Update: Status of Tri-District MOU

Chief O'Brien reported that some revisions have been made to the MOU and the expectation is that each of the districts will be approving it at their next meetings.

V. Update: Corrective Action Plan FY 2019 Audit Findings

Mr. Cieplinski reported that there have been no changes to the status of any of the items since the prior meeting. Open items include the hiring of the Procurement Manager. The City plans to fill the position effective January 1, 2021. Mr. Cavallaro reported that Education accruals have been closely reviewed to ensure all payables are booked in the proper year. Allingtown Fire District has submitted their asset list which is being reviewed by Finance staff currently. The Board of Education expects to select software to acquire for the Student Activities Fund within the next week or so.

VI. Update: Status of FY 2020 Close and Audit Process

Mr. Cieplinski reported that the books are closed and trial balances have been provided to the auditor. He indicated that obtaining necessary documentation from third parties tends to be the most significant challenge for the City in completing the audit.

VII. Update: Status of HR Corrective Action Plan and ADP Implementation

Mr. Cieplinski reported that the recently hired temp has been designated as the change agent for the ADP project. Testing of the data has begun. A payroll/benefits position has been posted for hiring and approximately 80 applications have been received. Ms. Kennison offered to participate in the selection process. Ms. Kennison indicated that the missed deadlines on the project status report are likely attributable to having the vacant position. The overall H.R. Action Plan which addresses the 19 recommendations in the HRCG report is being updated by Mr. Milone to reflect the current status of several items.

VIII. Adjourn

Mr. Falcigno made a motion, with a second by Mr. Hamilton to adjourn. The meeting adjourned at 11:32 AM.

To: Municipal Accountability Review Board
From: Michael Milone, OPM Liaison
Date: December 11, 2020
Subject: West Haven Board of Education Health Insurance

Background:

The City and Board of Education have been evaluating the potential health insurance expense savings from shifting from an Anthem self-insured plan design to enrolling covered members in the State Partnership health plan. Active City employees, except for the Firefighters union, were transitioned to the Partnership Plan in January 2020 which generated savings of at least \$625,000 annually. Members of the Firefighters union, all Board of Education employees and all retirees (City and BOE) have continued to be insured through the City’s Anthem self-insurance plan. An analysis of Board of Education employees and retirees projects significant savings would result from transitioning certain members to the Partnership Plan.

The Board of Education currently provides health insurance benefits to 899 members as follows:

Group	Lives	Third Party Administrator
Active BOE employees	603	Anthem
Retirees: Pre-65 and Non-Medicare eligible	70	Anthem
Post-65 Medicare eligible	226	Zenith
Total	899	

Analysis:

The table below compares the current cost of insuring BOE active employees and retirees in the current self-insured Anthem plan to the cost of insuring those members in the Partnership Plan using the existing rates from this fiscal year.

Group	Net Cost to BOE:		
	Anthem Self-Insured	State Partnership Plan	Projected Savings/(Cost)
Active BOE employees	\$12,109,801	\$10,742,056	\$1,367,745
Retirees: Pre-65 and Non-Medicare eligible	\$710,545	\$969,940	(\$259,395)
Total	\$12,820,346	\$11,711,996	\$1,108,350

** Note: Post-65 Medicare eligible retirees in the Zenith plan were not included in the above comparison. Further analysis is needed to determine if the Partnership’s Medicare Advantage Plan is comparable to or better than the current Medicare benefit provided through the Zenith Plan.*

As the table illustrates, significant health insurance cost savings are achievable if active BOE employees are moved to the Partnership. Similar to the situation with City retirees, however, the impact of moving BOE retirees to the Partnership is far less certain. Based on this assumption, a direct comparison of the Anthem renewal rates to the Partnership rates for this group suggests the Partnership would be a more costly option. However, additional analysis is needed to estimate the potential impact on Anthem renewal rates in a scenario in which the self-insured plan consists solely of retired members. In the event that it is more costly to leave retirees in the Anthem self-insured plan, consideration may be given to moving retirees to the Partnership as well as active employees. Anthem is currently developing a cost estimate of this scenario, leaving retirees in the self-insured plan, but is not expected to be completed for a few more weeks.

At this time, the Board of Education is considering transitioning active employees to the Partnership Plan effective July 1, 2021. This transition of active employees is expected to save the BOE approximately \$1.367 million annually in health insurance expenses.

In the first year following the transition, the savings would be offset largely by the IBNR expense shown below for active employees. The possibility of transitioning retirees to the Partnership Plan will be evaluated once Anthem completes its cost estimate for the redesigned retiree plan.

The estimated incurred but not reported (IBNR) costs associated with paying the remaining self-insured claims after June 30, 2021 and moving to a fully insured plan for each group is estimated as follows:

Group	Anthem Estimated IBNR	Anthem Estimated Processing Fee	Total
Active BOE employees	\$968,539	\$193,708	\$1,162,247
Retirees: Pre-65 and Non-Medicare eligible	\$124,165	\$24,833	\$148,998
Total	\$1,092,704	\$218,541	\$1,311,245

Next Steps:

The processes of preparing for a transition of active employees to the Partnership in July, and of evaluating the options for retirees include the following:

- Receive final cost estimates for redesigned Anthem retiree groups, including both City and BOE retirees
- Completion of legal review of collective bargaining agreements
- Outreach and information to unions
- Collaboration with the State Partnership
- Documentation and submittals to Partnership

12/11/2020 9:15

SUMMARY OF RATE COMPARISONS- ANTHEM/SPP

REVISED DEC. 10

BOE ACTIVE & RETIREES

ANTHEM ONLY RETIREES(DOES NOT INCLUDE ZENITH RETIREES)

FISCAL YEAR 2020-2021

		<u>LIVES</u>	<u>ANTHEM</u>	<u>STATE PARTNERSHIP PLAN</u>	<u>VARIANCE \$</u>	<u>VARIANCE %</u>
I	<u>GROSS EXPENSES</u>					
A	ACTIVE EMPLOYEES	603	14,065,660	13,125,447	-940,212	-6.68%
B	H.S.A. CONTR.		731,000	0	-731,000	
	SUB TOTAL		14,796,660	13,125,447	-1,671,212	-11.29%
C	PRE-65 RETIREES	28	531,117	550,062	18,945	3.57%
D	POST-65 RETIREES (NON-MED.)	42	759,563	1,389,460	629,897	82.93%
	TOTAL	673	16,087,340	15,064,970	-1,022,370	-6.36%
II	<u>NET EXPENSES</u>					
A	ACTIVE EMPLOYEES					
	GROSS COST	603	14,796,660	13,125,447	-1,671,212	-11.29%
	EMPLOYEE CONT.*		2,686,859	2,383,391 *		
	NET COST		12,109,801	10,742,056	-1,367,745	-11.29%
B	PRE-65 RETIREES					
	GROSS COST	28	531,117	550,062	18,945	3.57%
	RETIREE CONT.*		115,486	119,605 *		
	NET COST		415,631	430,457	14,826	3.57%
C	POST-65 RETIREES (NON-MED.)					
	GROSS COST	42	759,563	1,389,460	629,897	82.93%
	RETIREE CONT.*		464,649	849,977 *		
	NET COST		294,914	539,483	244,569	82.93%
	TOTAL		12,820,346	11,711,996	-1,108,350	-8.65%
III	<u>I.B.N.R.</u>					
A	ACTIVE EMPLOYEES		968,539			
B	PRE-65 RETIREES		15,170			
C	POST-65 RETIREES (NON-MED.)		108,995			
	TOTAL		1,092,704			
*	EMPLOYEE CONTRIBUTIONS FOR THE STATE PARTNERSHIP PLAN ARE ESTIMATED BASED ON THE SAME PROPORTION OF THE ANTHEM PLAN					