



DEPARTMENT OF ADMINISTRATION & FINANCE
FINANCE DIVISION

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February 26, 2015

The Honorable Mayor Dan Devine
and Members of the Common Council
7525 W. Greenfield Avenue
West Allis WI 53214

RE: Effective Date of New Retiree Insurance Premium

Dear Mayor Devine and Common Council Members:

As you are aware, the City delayed the open enrollment period for retirees as we waited for updated suggested premium level information regarding the splitting of active and retiree premium rates.

Now that rates have been approved, the Human Resource and Finance Departments are preparing for retiree open enrollment and the process of billing for premiums. Due to the delay in the open enrollment process, it is estimated that we will be about two months behind in billing the new premiums for retiree plan members. Because we bill in advance, and because we need to wait for the reenrollment process to play out, we estimate the first billing of the new higher premium would be in April for May. Retirees would continue to pay their current premiums until that April billing.

I am asking the Administration & Finance Committee for guidance regarding what to do about this delay in billing the new premium amount. It is estimated that the delay may forego approximately \$57,375 in the deference between the old and new premiums. In a fund of more than \$15 million, this seems a de minimis amount--less than 1% of plan cost (.38%).

From a Finance perspective, I offer three options:

1. We could make the effective date of the new retiree premium May 1 for 2015 only and consider this foregone premium a "phase in" cost of the new split-rate premium structure.
2. We could back bill. This would be onerous on staff and administratively difficult but could be accomplished.
3. We could spread the cost of the new premium over 10 months rather than 12. This would have additional adverse impact on retirees who are already absorbing a 3% higher rate increase. It would also add some potential administrative difficulty but, again, could be done.

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My recommendation would be that we consider this a cost of business and begin billing retirees in April for May premium. The retirees will still have been paying the 2014 premium rate in the meantime. Of course, Finance will undertake whichever remedy the Committee endorses.

I will be present to answer any questions.

Sincerely,

A handwritten signature in cursive script that reads "Mark".

Mark Wyss,
City Comptroller

MW:jfw
cc: Rebecca Grill

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