

**SUBJECT: GROUP INSURANCE PLANS FOR NON-CONTRACT,
AFSCME, AND EXPO EMPLOYEES**

ACTION: RENEW GROUP INSURANCE POLICIES

RECOMMENDATION

Authorize the Chief Executive Officer to renew group insurance policies covering Non-Contract, AFSCME, and EXPO employees for a one-year period beginning January 1, 2008; the new monthly premiums are shown on Attachment 1.

RATIONALE

A comprehensive flexible benefits package is necessary to attract, motivate, and retain qualified employees. To that end, Metro, including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that are both cost effective for the company and our employees, promote efficient use of health resources, and are competitive with other local public agencies.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 95% of the employees covered by the medical, dental, and vision benefits are PTSC employees and the funding for the benefits is budgeted in the PTSC budget for FY08. In October 2005, EXPO proposed utilizing Metro's group insurance plans as a cost effective means of providing benefits to its employees and staff negotiated with the insurance carriers to include EXPO at no additional cost to Metro.

On an annual basis, employees may choose the medical, dental, vision, life, accidental death and dismemberment, and long-term disability plans that meet their needs. Alternatively employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit.

Generally, each element of the plan contains provisions for the insurers to update premiums annually based on our loss experience and current market conditions. Mercer Human Resources Consulting is responsible for marketing the group insurance contracts with qualified insurance carriers and negotiating annual renewal premium proposals. Overall, total premiums increased 6.3% over calendar year 2007. This includes a negotiated reduction in the initial quote for medical premiums of \$531,000.

Effective January 1, 2008, Delta Dental DMO will utilize an alternative schedule that covers 44 additional procedures and reduces limitations in place under the current schedule. This benefit improvement was accomplished with no increase in cost.

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY 2008 budget and on the balance sheet for accrued retiree medical liabilities. Increases in medical and dental premiums are consistent with the assumptions used to develop the FY 2008 budget. Based on the current participation by plan, costs are expected to be within the adopted budget. All full-time regular Non-Contract and AFSCME employees will contribute 10% of the actual premium, for each medical and dental plan selected as previously established by the Chief Executive Officer. EXPO employees pay a maximum \$50 per month for medical and dental coverage as established by the EXPO Board.

The average monthly company cost for participants covered under the Non-Contract and AFSCME medical/dental plans was \$781 for FY 2007. For FY 2008, the average monthly company cost is estimated at \$824 per participant.

The current labor agreements provide for FY 2008 monthly contributions of \$937 for UTU actives, \$1052 for the ATU actives and \$972 for the TCU active employees. Union employees contribute less than 10% of the premium for the coverage they select.

ALTERNATIVES CONSIDERED

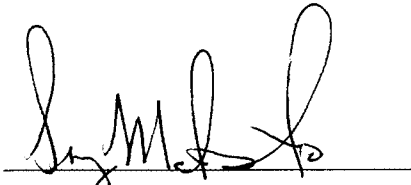
All medical and dental plans were reviewed to assess potential cost savings that could be derived from decreasing plan benefit levels. Reducing plan benefit levels is not recommended since overall premium increases for calendar year 2008 are lower than anticipated and projected expenses are within the FY 2008 budget.

Metro could self-fund and/or self-administer health benefits. This alternative is not recommended because of the resources required to establish the medical expertise and operational infrastructure necessary to review and process claims, as well as the fiduciary liability Metro would assume.

ATTACHMENTS

1. Monthly Premium Rates
2. Monthly Employee Contribution

Prepared by: Donna Mills, Assistant Treasurer
Jan Olsen, Supervisor, Pensions and Benefits

A handwritten signature in black ink, appearing to read 'Terry Matsumoto', is written over a horizontal line.

Terry Matsumoto
Chief Financial Officer

ATTACHMENT 1

MONTHLY PREMIUM RATES

PROVIDER		CY 2007	CY 2008	AVG. % INC.	EST. # EMP 1/01/08
Blue Cross (PPO)	Single	\$464.47	\$521.46	12.3%	242
	Couple	\$934.98	\$1,049.70	12.3%	315
	Family	\$1,254.07	\$1,407.94	12.3%	266
Blue Cross (HMO)	Single	\$363.95	\$408.61	12.3%	89
	Couple	\$764.29	\$858.08	12.3%	105
	Family	\$1,091.77	\$1,225.74	12.3%	164
Kaiser (HMO)	Single	\$381.03	\$381.03	0.0%	169
	Couple	\$762.06	\$762.06	0.0%	225
	Family	\$1,078.31	\$1078.31	0.0%	326
Delta Dental (PPO)	Single	\$46.53	\$46.53	0.0%	365
	Couple	\$80.87	\$80.87	0.0%	536
	Family	\$121.53	\$121.53	0.0%	534
Deltacare (DHMO)	Single	\$18.31	\$18.31	0.0%	57
	Couple	\$33.24	\$33.24	0.0%	52
	Family	\$49.20	\$49.20	0.0%	125
Dental Health Services (DHMO)	Single	\$15.69	\$16.15	7.4%	74
	Couple	\$29.04	\$31.35	7.4%	85
	Family	\$43.73	\$47.25	7.4%	123
Vision Service Plan	Single	\$8.85	\$8.85	0.0%	331
	Couple	\$12.80	\$12.80	0.0%	420
	Family	\$22.93	\$22.93	0.0%	430

Waive Medical \$124.00 month (130 employees)

Waive Dental \$18.00 month (80 employees)

ATTACHMENT 2

MONTHLY EMPLOYEE CONTRIBUTIONS

PROVIDER		CURRENT N/C & AFSCME	PROPOSED N/C & AFSCME (a)
Blue Cross (PPO)	Single	\$46.00	\$52.00
	Two Party	\$94.00	\$105.00
	Family	\$126.00	\$141.00
Blue Cross (HMO)	Single	\$36.00	\$41.00
	Two Party	\$77.00	\$86.00
	Family	\$109.00	\$123.00
Kaiser (HMO)	Single	\$38.00	\$38.00
	Two Party	\$76.00	\$76.00
	Family	\$108.00	\$108.00
Delta Dental (PPO)	Single	\$5.00	\$5.00
	Two Party	\$8.00	\$8.00
	Family	\$12.00	\$12.00
Delta Care (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$5.00	\$5.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$4.00	\$5.00
Vision Service Plan	Single	\$1.00	\$1.00
	Two Party	\$1.00	\$1.00
	Family	\$2.00	\$2.00

(a) Non-Contract and AFSCME employees contribute 10% of actual medical and dental costs.