

STUDY & FORMULATING COMMITTEE

Final Report

Cleophis D. Rucker, Chairperson

Richard Chapman, Vice-Chairperson

Nick Brassell

Trish Holliday (member from 2/18/2020-11/16/2020)

M. Kimberly Stagg, Esq.

February 17, 2021

REPORT

The Study and Formulating Committee is established by Section 13.06 of the Metropolitan Charter as a five-member panel appointed by the Mayor and confirmed by the Council at least every five years. The Charter directs this committee to “study benefits, contributions, extent of coverage, actuarial soundness and related matters in connection with the system of benefit plans and submit to the employee benefits board such amendments as such study may indicate as necessary.” The Committee has looked at aspects of the benefit programs, including medical care, retiree health insurance, pensions, the In Line of Duty Program (IOD) and related matters. The Committee’s term appointment concludes **February 2021**.

It is appropriate to note that this has been an unprecedented year for all and this Committee has been equally challenged. The Committee faced the pandemic, uncertainty surrounding budget challenges and the loss of the Committee chairperson. In addition, although the Committee was formed in February, the first meeting did not transpire until August due to the pandemic. Despite these many challenges the Committee did formulate well thought out and educated recommendations. The recommendations adhere to the strong values and belief systems that the city has created in support of its great employees and is balanced with the fiduciary responsibility and consideration to our constituents and taxpayers.

The Committee did receive initial guidance from Kevin Crumbo, Director of Finance and Kristin Wilson, Chief of Operations & Performance. The initial guidance was delivered at our September 25th meeting and was captured on the Study & Formulating Committee memo. (See Addendum A) We believe we have addressed the issues that were proposed to us and have come to sound recommendations as a result of this comprehensive process. All supporting documents considered by the Committee in making the recommendations are available at the following link: <https://www.nashville.gov/Government/Boards-and-Committees/Committee-Information/ID/67/Employee-Benefits-Study-Formulating-Committee.aspx>

The current Committee was appointed by Mayor John Cooper and confirmed by the Metropolitan Council in the **winter of 2020**. The Committee convened for our first meeting on **August 28, 2020** and selected Trish Holliday as Chairperson on **September 25, 2020**. After Ms. Holliday was unable to complete her one-year term on the Committee, the Committee elected Cleophis D. Rucker as Chairperson on **December 1, 2020**. The Committee members represent an array of experience in government, law, employee and labor relations, and employee benefits and consultation services. The Study and Formulating Committee members are:

Cleophis Rucker

Senior Director of HR Consulting, Employee and Labor Relations, Vanderbilt University

Mr. Rucker has 18 years of Human Resources experience, including 9 years of negotiating benefits for over 12,000 employees. He has reviewed and crafted specific plan document language for the district's self-insured negotiation plan as a Labor Relations Attorney for Milwaukee Public Schools. He currently advises management and employees on all aspects of benefits. He has a B.A. English, University of Wisconsin, Milwaukee, 2000 J.D., University of Wisconsin, 2003 M.A. Religion, Trevecca, Dec 2019.

Nick Brassell

Third Party Administrator/Consultant, Southern Benefit Administrators, Inc.

Mr. Brassell has 14 years experience providing third party administration and consultation services for Taft-Hartley Multi-Employer Benefit Health and Retirement Plans. He works daily with collectively bargained multi-employer benefit plans, including a number of plans whose local jurisdictions cover Nashville. He has a Bachelor of Business Administration-Management, Lipscomb University, 2006.

Richard Chapman

Retired from The State of Tennessee

Mr. Chapman has 25 years of hands on experience in the development and management of large scale public sector employee health benefits and life insurance plans and is familiar the operation of defined benefit and defined contribution retirement plans. He received a BA from Marietta College, 1970 and earned a Master of Regional Planning from the Pennsylvania State University, 1972.

M. Kimberly Stagg, Esq.

Attorney, Dickinson Wright PLLC

Ms. Stagg is an attorney with the law firm of Dickinson Wright PLLC and serves as its Automotive and Autonomous Vehicles Practice Group Chair. Nashville has been her home since 1996, and she has extensive experience working with manufacturing companies, principally in the global automotive industry. Ms. Stagg also is the General Counsel of Crux Strategies, an affiliate of Dickinson Wright PLLC, and is a member of the Board of Directors of the TriState Minority Supplier Development Council. Further information can be found at www.dickinsonwright.com.

Trish Holliday

Human Resources Consultant, Holliday/Kenning

Ms. Holliday's professional career reflects over 28 years of leadership development including human resources and talent management. She thrives in innovative and creative environments and has an excellent reputation for facilitating strategic business planning and developing change strategies and action plans. She helps organizational leaders focus on what is truly important, inspires continuous improvement, and motivates people to immediate action. From her days in fulltime ministry, in the Appalachian missionary field, and her work in government, private sector, and education, she has found enormous joy in helping people become their best selves and organizations to reach optimal performance. She has a Doctor of Education (Ed.D.) from Lipscomb University (Emphasis in Learning Organizations and Strategic Change, 2015 Scarritt College Master of Arts (M.A.) (Emphasis in Christian Education), 1998 Tennessee Technological University Bachelor of Science (B.S.) in Sociology, 1985 Associate of Science (A.D.) in Criminal Justice.

Meetings and Communications

This Study and Formulating Committee conducted meetings on the following dates:

- August 28, 2020
- September 11, 2020
- September 25, 2020
- October 15, 2020
- October 30, 2020
- November 12, 2020
- December 14, 2020
- January 7, 2021
- January 22, 2021
- February 4, 2021
- February 10, 2021

All meetings were open to the public and representatives of the Employee Benefit Board, Fraternal Order of Police, International Association of Fire Fighters, Service Employees International Union, and others attended and participated in these meetings.

The proposed items for which the Committee deliberated were presented by these union groups, the Director of Finance and Committee members.

Recommendations

The Committee carefully considered and made recommendations on all proposed items presented for study and review. The Committee appreciates the input from the union groups and other parties for their support, in particular Findley, a Division of USI, for their actuarial support and Deloitte Consulting for their consulting guidance. The Committee found that the Metropolitan Government of Nashville and Davidson County has made prudent decisions regarding pension and benefit plans. Therefore, our recommendations address medical care, other post-employment benefits (OPEB), and the Fire & Police pension plan that warranted changes in the system.

The goal of the Committee was to carefully balance financial resources as funded by the citizens of Davidson County with the need to provide a strong system of benefits for the Metropolitan Government's employees and pensioners. Our recommendations address specific concepts and theory of the issues that were addressed. We realize that funding may not be available to fully implement some recommendations and that revisions may be necessary. More detailed information about the issues is outlined within the summary reports attached.

A summary of the proposed issues are as follows:

Issue #1: The Employee Workforce Insight Assessment Survey surfaced a desire for a lower cost employee health care option that delivered substantive health & wellness benefits for our employees, e.g. preventative care-oriented high-deductible plans.

Issue #2: Examine and make recommendations regarding migrating our retiree health plan options to plans that better maximize the Federal provision of healthcare to those 65 and older, e.g., Medicare Advantage plans.

Issue #3: Examine and make recommendations regarding Department of Emergency Communications (DEC) personnel alignment to the Public Safety Pension plan.

Issue #4: Review IOD programs versus best practice to reduce associated costs and identify opportunities for improved outcomes for our employees. These may include IOD policies, provider management and consistency of IOD expenditures with healthcare plans.

Issue #5: Review current pension practices versus best practices for similar local governments, including governance, oversight, and investment policies and management and any related recommendations the Committee deems fit.

STUDY & FORMULATING COMMITTEE RECOMMENDATIONS

Area: Medical Care

Issue #1:

The Employee Workforce Insight Assessment Survey surfaced a desire for a lower cost employee health care option that delivered substantive health & wellness benefits for our employees, e.g. preventative care-oriented high-deductible plans.

Studies / References / Resources Provided

- Offering a lower cost plan option is currently being considered by the Metropolitan Employee Benefit Board (MEBB) based on presentations by Deloitte to the MEBB at the October and November Study Sessions.
- Hypothetical PPO plan design changes and associated costs presented to the Committee by Findley on 1/7/2021. (See Addendum B)
- Additional information provided by Metro Legal in Staff Report regarding possible recommendation on 1/22/2021. (See Addendum C)

Recommendation:

With the exception of the PPO plan, Metro Code Section 3.08.110(E) authorizes the Benefit Board to adopt self-insured plans following actuarial determinations, subject to approval of the Metro Council by resolution. The Study and Formulating Committee recommends that the Benefit Board be provided the authority to adopt all self-insured plans, subject to approval of the Metro Council by resolution. The Committee recommends that Section 3.08.110(E) be amended to remove the description of the PPO plan, including the co-insurance and out-of-pocket maximums set forth in the Code. The Ordinance amending Section 3.08.110(E) should specify that the PPO plan description in the Code that is in effect as of January 1, 2021, including the co-insurance and out-of-pocket maximums, may be modified by the Benefit Board only following actuarial determinations and approval of the Metro Council by resolution.

(Recommendation approved by the Committee on 1/22/2021)

Expected Results

- Cost savings of moving to a \$2000/\$5000 OOP Max would be 1%. Cost savings of moving to \$3000/\$6000 OOP Max would be 1.7%. If OOP Max stays at \$1000/\$2000 with copays going towards OOP, cost would increase by 3%.
- Moving to a 3 Tier Rx Design would be a plan savings 0.2-0.3%.
- Moving to a 4 Tier Rx Design would be a plan savings of 0.3-0.5

Area: Medical Care

Issue #2:

Examine and make recommendations regarding migrating our retiree health plan options to plans that better maximize the Federal provision of healthcare to those 65 and older, e.g., Medicare Advantage plans.

Studies / References / Resources Provided

- Presentation by Deloitte on 11/12/2020 & 12/1/2020. (See Addendum D)
- Additional Information presented to the Committee by Findley on 1/7/2021. (See Addendum B)

Recommendation:

Offer Metro pensioners a Group Medicare Advantage plan as their only option. Pensioners and their dependents must be Medicare eligible.

Remove the Employer Group Waiver Plan language from the Metro Code (Code clean up).

(Recommendation approved by the Committee 1/22/2021)

Expected Results

- An OPEB liability reduction of \$1.1B would be realized, based on current rates.
- Annual cash savings to Metro would be \$14-21M in the initial year.

Area: Department of Emergency

Issue #3:

Examine and make recommendations regarding Department of Emergency Communications (DEC) personnel alignment to the Public Safety Pension plan.

Studies / References / Resources Provided

- Presentation by Director Martini and Councilmember (CM) Sharon Hurt on 12/14/2020 (See Addendum E)
- Additional information was presented on 1/7/2021 by Director Martini ~~that will be~~ comprised of third-party research identifying the psychological and physical impact of working as a 9-1-1 telecommunicator over time. (See Addendum F)
- Estimated cost increases presented to the Committee by Findley on 1/7/2021. (See Addendum G)

Recommendation:

The Department of Emergency (DEC) personnel be aligned to the Public Safety Pension Plan.

(Recommendation approved by the Committee 1/22/2021)

Expected Results

- Increase in Plan Liability would be \$11.2M (0.3%)
- Increase in Recommended Rate would be \$1.1M (1.4%)
- Recommended Rate for FY 2020-2021 would be 12.057%
- Impact of Proposed Plan Change 0.172%
- Adjusted Recommended Rate would be 12.229%.

Area: In Line of Duty Program (IOD)

Issue #4:

Review IOD programs versus best practice to reduce associated costs and identify opportunities for improved outcomes for our employees. These may include IOD policies, provider management and consistency of IOD expenditures with healthcare plans.

Studies / References / Resources Provided

- Verbal presentation by HR and Union representatives on 9/25/2020
- Additional information provided by Stephen Cain (HR) on 2/4/2021 (See Addendum H)

Recommendation:

N/A

Area: Pension funding and contribution rate setting

Issue #5:

Review current pension practices versus best practices for similar local governments, including governance, oversight, and investment policies and management and any related recommendations the Committee deems fit.

Studies / References / Resources Provided

- Presentation by Findley on 11/12/2020 (See Addendum I)

Recommendation:

No recommendation at this time. Metro's pension plan is well funded at more than 90% for the last several years and Metro's actuarial strategy is sound. Metro's Pension plan should be the subject of the next Study & Formulating Committee and it is recommended that such Committee should be convened sooner than five (5) years from the previous Committee.

(Recommendation approved by the Committee 1/22/2021)

The Committee appreciates the opportunity to serve the employees, pensioners, and community through this appointment. We wish to thank Mayor Cooper and the Metro Council for this opportunity.

Submitted this 17th day of February 2021.

Cleophis D. Rucker, Chairperson

Nicholas Brassell

Richard Chapman

Kimberly Stagg

