



THE CITY OF MOBILE, ALABAMA  
OFFICE OF THE MAYOR

August 28, 2015

Dear Retiree,

In recent years, all across America, almost EVERY individual, business, industry, as well as every governmental agency has had to make adjustments due to the rising cost of medical insurance. In most cases, when retirees reach the age of 65 and become Medicare eligible, their employer transfers them off their plan. However, employers will occasionally continue to assist their former employees by making a monetary contribution to the cost of supplemental coverage or assist them in getting a new supplemental plan.

For years, the City of Mobile has allowed its Medicare eligible retirees to stay on the City's plan at a nominal cost while other cities and governmental agencies have either eliminated coverage or charged very high monthly premiums. This costs the City approximately \$2.5 million each year, when it could cost the City only \$1.0 million while giving comparable coverage to the retirees.

Last year, after sitting in a City Council meeting listening to false accusations and watching a few retirees browbeat the City Council over continuing coverage, we sought a pathway that would be a WIN-WIN solution. In our minds, WIN-WIN would be to find a replacement plan for our retirees that would be as good as or better than what they have; cost them the same amount as they are currently paying; and one that would save the City the \$1.5 million.

For over six months, we worked diligently to find the right plan and the right provider. After a bidding process and comprehensive analysis and comparison, Humana was selected as the provider. Over the last three months, we met with leadership associated with the retirees explaining the plan and seeking their buy-in. As a result of these meetings, Humana, working with the City administration, was able to address and satisfactorily resolve the primary concern of the retirees. Along the way, we met with the City Council and apprised them of the discussions and interaction and responded to their suggestions and requests. This process has been completely transparent and collaborative – at every step.

Some retirees have accused my administration of “breaking a promise.” This is categorically untrue. Since as far back as 1984, health insurance documentation given to City employees has pointedly said that benefits are not guaranteed and that the City of Mobile reserves the right to change, modify and terminate all benefits at their sole discretion. On multiple occasions over the last two decades, information has been distributed to employees refuting the promise they talk about, thus, making it an “urban legend,” not a promise or a contractual obligation.

Some retirees say this plan isn’t fair. That begs the question, “Fair as compared to what?” To set the record straight, this administration is offering a medical plan that is equal to or better than their current plan, and it costs them no more than they are currently paying. And since there is no legal obligation to do so, the taxpayers are truly giving a gift to the retirees via the plan.

This is a very generous offer comparatively. The City of Tuscaloosa provides NO coverage for their Medicare eligible retirees. The City of Huntsville provides NO coverage. Mobile County provides NONE. MAWSS provides NONE. In Birmingham, their Medicare eligible retirees pay up to \$1,000 per month for coverage. In Montgomery, their retirees pay up to \$900 per month for coverage. Mobile’s will pay a \$72 this year for single coverage, and \$188 for family coverage.

Is it fair? Absolutely! And, it’s the best offer we have. And, it is the last offer we will make. If it is not approved by the City Council, there will be NO coverage and the City of Mobile will join the multitude of others who provide NO coverage, and it will be solely because of RETIREE persuasion of the City Council to not support the resolution before them.

Such an outcome could be characterized as LOSE – LOSE – WIN. The current Medicare eligible retirees LOSE because there will be NO plan, and they will not receive any assistance from the City. The current City retirees who hope to be Medicare eligible one day LOSE because there will be NO plan once they reach age 65, and they will receive no supplemental assistance from the City. Conceivably, the citizens of Mobile could be declared winners because the City will have a minimum of \$1,000,000 to spend on other pressing needs.

Please understand this process. The health care coverage is an administrative function and the City council has no responsibility in the arena of designing benefits or cost sharing requirements, but merely has the right to approve contracts for third party coverage. Therefore, if this resolution fails to pass, it will be solely up to the mayor to decide what health care coverage will look like in 2016.

When running for office, I often said that career politicians struggle with making difficult decisions, especially those whose livelihood depends upon their political office. I further said that I would be different – that I would be willing to make tough decisions, knowing that everyone wouldn’t be pleased. I ran to fix the broken things in the City – the finances, the infrastructure – and to improve the level of service to the citizens.

During the campaign, a group of first responders wanted to meet with me to determine how I would treat them. My responses to their questions were too numerous to repeat here, but the primary point I made was that unless someone in City government got a handle on the City finances their pensions would be in jeopardy, just like Prichard's and they would be getting 30 cents on the dollar of their retirement benefits.

Where most administrations are budgeting for the next 12 months, we are budgeting three years out and thinking 10 years out. As of September 30, 2013, the City had future unfunded liabilities for post-employment benefits of \$304,313,000. Additionally, we presently have direct debt of \$270,000,000. In this year's budget, approximately \$21 million will go to pay into our retiree's pension plan. Because of an agreement made by a previous administration to "kick the can down the road" the payment to the Police and Fire Pension Fund to satisfy and unfunded liability calculated in 1996 escalates 4% per year.

Yes, this will be another mayor's concern, not mine. We recognize the anxiety felt by retirees, many of whom live on a fixed income. But if we are not willing to embrace WIN-WIN changes, a future mayor will not be able to meet our City's future retiree financial obligations without gutting every program and service in the City.

It is with this in mind, that I repeat, the current offer from Humana is the best offer we have. And, it is the last offer we will make. I'm hoping you will embrace it. We will work diligently with every retiree to make the transition as smooth as possible.

Sincerely,



William S. Stimpson  
Mayor