



MEMORANDUM

DATE: March 3, 2008

TO: City of Tucson Employees

FROM: Mike Hein
City Manager

SUBJECT: Retiree Health Insurance Premium Subsidy

In April 2006, City of Tucson employees received notice through the Manager's Message of the proposed change in the amount of retiree health care premium the city is going to subsidize. The change was from a percentage subsidy to a flat dollar subsidy for retiree health insurance premiums after January 2009. When my office gave a final notice to employees regarding the implementation of the change in retiree health subsidy in December 2007, I discovered that inaccurate information had been provided to employees by city staff in the interim period. I also have come to understand that some employees have legitimately been confused and that my office did not adequately communicate. After discussion with employees and staff, I recognize that providing inaccurate information has created confusion and may have impact on our employees when making a financial/retirement decision. Additional concerns regarding the need for a subsidy change to address family coverage situations has also been brought to my attention.

As a result, I am making the follow changes to the subsidy for retiree health insurance premiums, as follows.

City of Tucson employees retiring, beginning participation in the Deferred Retirement Option Plan (DROP) under Public Safety Personnel Retirement System program (PSPRS) or beginning participation in the End of Service (EOS) program on or before December 31, 2010, will be eligible to receive a retiree health subsidy that is no change from the level of benefit a retired employee will receive today.

City of Tucson employees retiring, entering a DROP program, or entering an EOS program on or after January 1, 2011, will be eligible to receive a maximum retiree health subsidy as follows:

Single Retiree	\$200 monthly subsidy until age 65
Retiree plus one Dependent	\$375 monthly subsidy until age 65
Retiree with more than one Dependent	\$475 monthly subsidy until age 65

Several employee meetings have already been scheduled to discuss retiree health premium subsidies and the impact the new accounting standards will have on our overall budget. I will communicate these changes through a memorandum to all employees, by meeting with the Labor Council and during employee meetings over the next two months.

I apologize for any confusion that may have occurred.