

City of Pittsburgh

**Inter-Governmental Cooperation Authority
for Cities of the Second Class**

Health and Welfare Benefit Plan Review

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1 ● Executive Summary

The Inter-Governmental Cooperation Authority for Cities of the Second Class engaged Aon Consulting to perform a health and welfare benefit plan review for the City of Pittsburgh. Aon Consulting has agreed to provide consulting services to the Inter-Governmental Cooperation Authority for Cities of the Second Class for the purpose of:

- Evaluating the current employee benefits program offered by the City of Pittsburgh;
- Determining the need for alternative plan designs, contribution strategies, and cost savings; and
- Providing a financial analysis for the non-union employee's benefit programs and providing savings estimations for the union employees based on the proposed benefits program.

This study will determine if the City's program is cost effective given the current financial position of the City's budget. Recommendations will be provided according to baseline benchmarking studies.

Aon Consulting's approach to this project was to thoroughly understand the City of Pittsburgh's programs and to provide recommendations, which are responsive to the current financial issues.

A total evaluation of the current benefits was performed. From a financial prospective, the City of Pittsburgh can reduce benefit costs by incorporating various changes to the current plans.

Data that is necessary to complete a thorough examination of the City of Pittsburgh's health and welfare program was identified. The City of Pittsburgh was unable to provide all of the necessary data required for the study, including participation files and complete retiree census information. The City of Pittsburgh indicated that they are currently unable to combine all the necessary information for a complete census into one report. In addition, they indicated that they do not maintain retiree information in the City's Human Resources Department. In order to perform the study, assumptions were made based on information that was available to us.

In order to gain a complete understanding of the City of Pittsburgh's health and welfare program, a comprehensive plan review was performed. We examined all contracts, including union contracts, employee communications, plan renewals, current experience reports, employee contribution structures, written and unwritten policies, general system and administration issues, and employee and retiree census for the programs sponsored by City of Pittsburgh.

1 ● Executive Summary

In order to understand the City of Pittsburgh's population, an extensive demographic analysis was performed. From the census information provided, we were able to determine the number of employees in each group. Non-bargaining employees make up 16% of the total population, while bargaining employees make up 84% of the total population. Union 02 has the largest population, followed by Union 03, and the non-bargaining group. The ratio of males to females is equal for non-bargaining employees, but for the bargaining employees males make up 78% of the population versus 22% for females. 58% of the population is single, while 37% of the population is married. The overall average age is 47 for non-bargaining employees and 46 for bargaining employees. It is interesting to note that there are 22 age 70 to 81 full-time non-bargaining employees, and 9 age 70 to 76 full-time bargaining employees. There are 88 employees that are over the age of 65, and 250 employees within 5 years of the normal retirement age. The average length of service for non-bargaining employees is 14 years, and 15 years for bargaining employees.

Each union contract was analyzed. All benefits including eligibility rules, contributions, and plan designs were studied. A plan summary for each group of employees was created and charted for comparison purposes. Next, a benchmarking analysis was performed. The current plans for the City of Pittsburgh were compared to all industries. The 2003 Hay Benefits Report, and the 2003/2004 Watson Wyatt Survey Report on Employee Benefits were referenced for the study. Data that is of special interest or concern is highlighted in yellow in the Benchmarking Section of the report. Based on our benchmarking analysis, it appears the City has not kept pace with cost saving standards/initiatives, realizing restrictions exist with the union employees.

Each benefit offered by the City of Pittsburgh was analyzed, and recommendations for cost saving alternatives were made. The estimated savings was calculated for all provided recommendations. Our recommendations range from conservative to aggressive. The estimated savings was provided for the non-bargaining population, the bargaining population, and the total population.

From a financial prospective, a substantial savings can be obtained by making modifications to the current level of benefits. Savings are shown in the report for modifications that can be made to the plans covering the non-bargaining employees as well as the plans covering the bargaining employees. The City of Pittsburgh could realize an estimated annual savings from \$10,676 by changing the long-term disability plan definition of disability from own occupation to age 65 to own occupation for two years for the non-bargaining employees; to an annual savings of \$9,532, 190 by offering an 80/60 PPO Medical plan with plan modifications and employee contributions of 20% for individual coverage and 25% for family coverage for the entire population.

2 • Demographic Analysis

City of Pittsburgh Identifier Codes

Non-Union/Union Codes	Description	Name	Contract Dates
01	Non-Union	City of Pittsburgh Non-Union Employees	N/A
02	Police	The Fraternal Order of Police – Fort Pitt Lodge No. 1	01/01/03 – 12/31/04
03	Fire Fighters	Pittsburgh Fire Fighters – Local No. 1	01/01/97 – 12/31/04
04	PJCBC	Pittsburgh Joint Collective Bargaining Committee (PJCBC)	01/01/03 – 12/31/06
05	Teamsters	Animal Control, City Refuse, Rodent Control Teamsters Local 249	01/01/99 – 12/31/03
06	Foreman	American Federation of State, County, and Municipal Employees (AFSCME) AFL-CLO Local 2037	01/01/01 – 12/31/04
07	Recreation Teachers	Service Employees International Union – Local 585 Parks and Recreation Department Pittsburgh Recreation Union	01/01/01 – 12/31/04
08	School Guards	Service Employees International Union Local 192-B	01/01/01 – 12/31/03
09	White Collar	American Federation of State, County, and Municipal Employees (AFSCME) District Council 84 – Local 2719	01/01/01 – 12/31/04
10	Paramedics	The Fraternal Association of Professional Paramedics (FAPP)	01/01/01 – 12/31/05

2 • Demographic Analysis

City of Pittsburgh – Active Census Statistics

Number of Employees – Active Employees							
Code	Non-Bargaining Number of Employees	Bargaining Number of Employees	% of Total Population	Number of Full-Time Employees	Number of Part-Time Employees	Number of Temporary Employees	% of Non-Union vs. Union
01	609		15.95%	495	84	30	15.95%
02		902	23.63%	902	0	0	
03		816	21.37%	816	0	0	
04		401	10.50%	401	0	0	
05		200	5.24%	200	0	0	
06		56	1.47%	56	0	0	84.05%
07		28	0.73%	28	0	0	
08		168	4.40%	166	2	0	
09		471	12.34%	426	45	0	
10		167	4.37%	167	0	0	
Total	609	3209	100%	3657	131	30	

Gender Analysis – Active Employees

Gender	Non-Bargaining		Bargaining		Combined	
	Number	Percentage	Number	Percentage	Number	Percentage
Males	304	49.9%	2494	77.7%	2798	73.3%
Females	305	51.1%	715	22.3%	1020	26.7%
Totals	609	100%	3209	100%	3818	100%

2 • Demographic Analysis

Marital Status Analysis – Active Employees						
Gender	Non-Bargaining		Bargaining		Combined	
	Number	Percentage	Number	Percentage	Number	Percentage
Single	354	58.1%	1876	58.5%	2230	58.4%
Married	204	33.5%	1193	37.2%	1397	36.6%
Unknown	51	8.4%	140	4.3%	191	5.0%
Total	609	100%	3209	100%	3818	100%

Average Age Analysis – Active Employees		
Type	Non-Bargaining	Bargaining
Overall	47	46
Full-Time	52	46
Part-Time	31	25
Temporary	22	N/A

Notes:

- Non-Bargaining Employees – There are 22 age 70 – 81 Full-time employees
- Bargaining Employees – There are 9 age 70 – 76 Full-time employees

Age Analysis – Active Employees		
Type	Number of Employees ≥ NRD (65)	Number of Employees within 5 yrs. of NRD (59 – 64)
Non-Bargaining	37	47
Bargaining	51	203
Total	88	250
Percentage	2.3%	6.5%

2 • Demographic Analysis

Average Salary Analysis – Active Employees		
Type	Non-Bargaining	Bargaining
Overall	\$42,565	\$43,178
Full-Time	\$47,052	\$43,462
Part-Time	\$25,107	\$24,104
Temporary	\$17,406	N/A

Salary Range - Active Employees		
Type	Non-Bargaining	Bargaining
Full-Time	\$19,622 - \$94,157	\$12,063 - \$80,327
Part-Time	\$16,640 - \$50,896	\$12,036 - \$29,451
Temporary	\$13,520 - \$22,752	N/A

Note: Base Salary Only - Salaries do not include bonus and overtime pay.

2 • Demographic Analysis

Years of Service Analysis – Active Employees			
Number of Years	Non-Bargaining	Bargaining	Total
45	1	0	1
40 - 44	3	1	4
35 - 39	21	57	78
30 - 34	22	183	205
25 - 29	87	428	720
20 - 24	70	367	437
15 - 19	75	561	636
10 - 14	62	631	693
5 - 9	101	477	578
1 - 4	155	483	638
0	0	9	9
Unknown/Temporary	12	12	24
Total	609	3209	3818
Average Length of Service			
	14 years	15 years	

