

City of Miami Beach

Projected Impact of Allowing Retirees to Leave Health Plan at Retirement and Return Later and Still Receive City Subsidy

Key Assumptions

Average cost and contributions based on most recent GASB 75 valuation

45 eligible retirements per year

Annual medical inflation of 5%

Assumed Average Ages Leaving and Returning to Plan

Age Leaving	55	58	58	55
Age Returning	65	65	62	62
Distribution	20%	30%	20%	30%

Summary of Assumed Elections at Retirement

Decision	Class	Assumed % of Retirees	Impact to City
Would have stayed on the plan anyway and still stay on the plan	1	50%	None
Would have stayed on the plan but now leave and return for the subsidy	2	20%	City saves cost while retiree is no on plan
Would have left the plan and never come back - now come back for subsidy	3	15%	City pays cost of coverage after return
Would have left the plan and come back without subsidy - now get subsidy	4	0%	City pays cost of subsidy
Would have left the plan and never come back and still do not come back	5	15%	None

Projected Annual Impact to City

Year	Estimated Savings/ (Cost) to City
1	\$100,476
2	\$210,999
3	\$332,324
4	\$465,254
5	\$546,528
6	\$634,766
7	\$730,462
8	\$740,811
9	\$750,369
10	\$759,031
11	\$732,845
12	\$702,143
13	\$666,539
14	\$625,618
15	\$578,940
16	\$526,029
17	\$466,380
18	\$399,451
19	\$324,664
20	\$241,398
21	\$148,995
22	\$46,748
23	(\$66,097)
24	(\$190,342)
25	(\$326,847)

Caveat: *These values are very sensitive to the assumptions used and even small changes in the assumptions will cause material changes in the results. We are confident that the City would see lower costs in early years but would take on more expense in later years. Our best estimate is that the early savings will more than offset later expense.*