



## Conroe adjusts retirement benefits for employees

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Conroe city employees will retain their retirement medical benefits, although the method to calculate eligibility will change slightly.

After months of study, the Conroe City Council has approved new eligibility criteria and a new funding method for retiree health benefits.

“Under the proposal, qualified retirees will not incur any out of pocket expenses,” said Lee Ann Espinola, the city’s human resources director. “I researched it and we do have a rich plan compared to others.”

Faced with escalating insurance costs, a growing number of retirees and changes to public accounting standards, Conroe was forced to take another look at the medical benefits offered to its retirees. By 2018, the city is expected to carry coverage on 150 retirees at a cost of about \$3 million.

To combat the long-term effects of the benefits, the city decided to fund half of the medical benefits through an irrevocable trust and half on the annual cost of the program. This will allow the city to control escalating costs over a longer period of time, said Steve Williams, director of finance for the city.

The city council also changed the method by which employees become eligible for retirement. While the city currently offers retirement benefits strictly based on years of service, it now will use the Rule of 80 to determine when workers can retire. The rule of 80 is a formula based on the age when workers started with the city and years of service.

Conroe is one of the few cities in Montgomery County to offer medical benefits for its employees. When the issue surfaced at council meeting earlier this year, the city council chamber was packed with workers concerned about their retirement benefits.

Under the current system, employees become eligible for retirement benefits after 10 years of service, and it is based on the number of years employed with the city. For example, a worker with 10 to 14 years with the city would get 55 percent of health insurance benefits paid by the city, while those with more than 25 years of service have all health care costs paid. Employees can retire under the current structure through December 2011, although the years of service will be calculated based on the new Rule of 80.

That formula, which adds up to 80, includes the age when the employees first began working for the city and the years of service divided by two. For example, a worker than began at age 20 would need 30 years of service before he or she is eligible for retirement.

Any employee with more than 25 years of service to the city automatically can retire and

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The city currently pays about \$800,000 in retiree medical benefits each year. Medical benefits for all employees, which amounted to \$3.3 million in 2007-2008, are paid annually by the city and account for more than 6 percent of the city's budget.

The city was also facing changes to the public accounting system, which frowned on its current practice and would have left to bad marks or future audits.

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