



recovery. And basically in 2014 the city found itself in a financial crisis.

Marianne

Wow.

Shirley

So part of this was looking at how can we reform some of these very important initiatives and create sustainability and restore some of the stewardship and the financial structure and stability for the city. OPEB was extremely important at that time and I think in 2014 our OPEB costs, the cost incurred because we are self-funded was \$50 million dollars in one year. Obviously the premiums from the retirees was not anywhere near enough to cover that type of cost. The philosophy became that the active employees are paying for the retiree employees. So we were having huge draws from our healthcare plan, huge draws from our general fund plan just to pay the claims incurred.

Marianne

So when did the city start looking to move to the individual Medicare marketplace?

Shirley

We started looking at other models of ways that we could try to contain the cost and still provide a good benefit for the retirees. And the last thing you want to do is pull a benefit that they've become reliant upon. But the reality of that is if we didn't do something, we weren't going to have a plan for them to rely upon. So in 2016 we started looking at alternative ways of handling the retiree healthcare. And along came the individual marketplace solution, which I think was a win-win situation for the city of Memphis.

Marianne

So you say it was a win-win. Let's talk first about how is it a win for the retirees.

Shirley

The reality of that became that that not only was it expensive for us, it was expensive for our retirees too. So to find a bridge that we could help them find a plan that suited their needs as best we could, the win-win situation was that became a cost control, cost containment for us, and then it became a situation for our retirees that they actually ended up in some cases with much better coverage than they originally had with the city.

Marianne

And was it at less cost to them?

- Shirley Yes, yes, and less cost to the city, which is wonderful. One of the things we did was a health reimbursement arrangement that allowed us to provide some financial support to those retirees that were moving onto the individual plans.
- Marianne And when doing this, you reduce your OPEB liability by a considerable amount, didn't you?
- Shirley Yes, we did. From 2013 to 2018 our liability dropped \$1 billion dollars.
- Marianne That's significant.
- Shirley That's why 18 liability was \$333 million dollars? I mean, it's amazing what has happened with the savings that we found through that process that helped us hit our pension funding. So we're fully funded in our pension a 2020 for the first time since 2006 so we kind of did two things simultaneously. We shored up the retiree health care and we helped shore up their pension.
- Marianne That's an amazing story and too often we talked just about pension or we talk just about healthcare, but I have always been interested in the linkage between the two because of your pension isn't well funded, you can't afford to fund the healthcare program and so if you could make those savings in the health care program, then you're able to dedicate more money to your pension fund and then your pension stabilizes. That sounds like exactly what you experienced.
- Shirley And that is exactly what we did and that was the outcome that we saw. Not only that, that we saw a healthier, happier group of retirees for the first time in five years. The city is really on sound financial footing and we feel like we have a basis to give current employees comfort and confidence that their pension and their OPEB is going to be there when they need it. And we use it also as a recruitment. We're trying to build something that will go beyond my administration and the next administration. We hope.
- Marianne So. You mentioned recruitment, some of these jobs in the public sector are difficult to fill.
- Shirley Yes.

Marianne Correctional officers, police and fire and even teachers. And so do you find being able to say you have a retiree healthcare program that's affordable and offers this choice that it helps you recruitment?

Shirley Exactly. To your point, Marianne, it is very competitive out there right now for public safety. And there are other areas in the city that are likewise very competitive. And how does someone pick the city of Memphis versus one of our sister cities here in Tennessee or somewhere else? And part of that is giving them a program that they can see the sustainability of.

Marianne So if I ran into a city of Memphis, Medicare retiree, what do you think they would say about their health care to me?

Shirley I would think they would say today that they're much happier. I would think that they say they have this white glove service where they can be on the phone with a representative, for as long as they need. And with a city where you have limited resources that can do that, to be able to give them a platform where if they need to talk to someone for 30 minutes that someone has 30 minutes and more to spend with them.

Marianne If you had advice to a city that was out there who is struggling with OPEB and the increased costs and thought, well, you know, here I'm hearing this individual Medicare marketplace is more affordable, but that's a really big change. What advice would you give them?

Shirley This is not an uncommon problem with municipalities, but I think what you have to do is kind of look past those traditional finance and HR roles. You know, they've been so ingrained in many of us for years and years, but you've got to look past that to look at strategic opportunities and how you can fundamentally change a business plan to make it better. And then you have to position yourself financially and structurally to have the agility to move on those things and to implement them. And I think one of the challenges for being in HR and finance and being in an administrative role for, you know, for our mayor even you have to be agile and you've got to be kind of this co-innovator and the private sector may have been doing this for a long time, but you know, now we're talking about public sectors that had these ingrained silos sometimes about how we function and how we operate. And I think this gives us an

opportunity to be really co-innovators and to collaborate, to look at the best ways that we can possibly make this happen for our employees and our retirees.

Marianne

One more question. After you moved to the individual Medicare marketplace, did you see a reduction in the administrative burden or the work that you had to do in the city?

Shirley

Yes. It's amazing because you know we are self-funded. So when your claims costs go down, the number of claims go down, the number of administrative claims that you're handling, whether that's internally with your staff or externally with your third party. What we have seen is a better collaboration and increased efficiencies and effectiveness of that. And that enables me to take those people who were previously manning those phones and trying to handle those things and put them into other areas that we can talk about, you know, maybe total rewards for an employee and how can we push them into a different area. So I think across the board you see efficiencies when we save and when we create efficiencies, it enables us to share in different ways with our employees and our retirees.

Marianne

I can't thank you enough for taking the time to talk with me.

Shirley

This is fun. Thank you very much. I really enjoyed it. Thank you for letting me be a part of this.

John

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