

Hello Gene:

While reading the candidate responses to the questionnaire on your website, I couldn't help but notice in Ms. Collins' responses where she discusses her intention to develop a nepotism policy for workers at Bedford Township. As a matter of public record, Bedford Township has had a nepotism policy for several years now, and it has been working quite well. Her comments included a direct, personal attack on me with respect to a vote I cast as a township trustee regarding health care benefits, to which I would like the opportunity to respond, so that the readers of this forum may be more fully and accurately informed.

In order to "set the record straight", I would like to disclose ALL the facts surrounding my alleged vote for "lifetime health care benefits for my wife", rather than just the one headline, taken out of context, that seems to be the most politically damaging to ones opponent, that managed to make it into my opponent's response. I had assumed that an opponent who has claimed to have participated in the audits of the township more than fifteen years ago would have bothered to check more closely into all the facts and reasoning (as noted in the board minutes) behind an action before unloading a political barrage at an opponent. Obviously I had given my opponent more credit than I should have. The full story and an explanation of the process and reasoning behind the township board action are as follows:

All actions taken by the township board during my tenure with respect to health care benefits were in fact taken to reduce the township's cost to provide those benefits as follows: (1) increased the annual deductible from \$100 to \$4,000 per participant (resulting in an annual savings of approximately \$50,000, even after self-insuring the difference for each participant); (2) termination of the Health Benefit Continuation Policy for Retirees (and replacing it with a new transition policy), and (3) implementing 10% employee cost sharing of monthly premiums. The largest cost savings action taken was item 2, termination of retiree health benefit continuation policy, which I would like to explain in greater detail.

On February 15, 1994, the Bedford Township Board established and adopted the Health Benefit Program Coverage Continuation Policy for Full Time Township Employees and Full Time Officials Who Retire or Become Disabled (Adopted 2/15/94, Amended 7/15/03 and 2/07/08). The Finance Committee had been studying the cost of providing this benefit for several months, and in all honesty wanted to eliminate the coverage all together. It was the opinion of the Finance Committee members (supported by legal counsel) that the township does not have a legal responsibility or obligation to provide former employees and elected officials with post-employment health care benefits, and we can no longer afford to continue funding the benefits provided by the current policy. An actuarial analysis computed the unfunded liability for providing this benefit amounted to over \$700,000, which our independent auditor advised us needed to be recorded in the township financial statements. After discussion with legal counsel, we were convinced that it would be unwise to eliminate this long standing policy (1994) for current retirees, and for those who were near to retirement, who had been planning on this long standing benefit as part of their retirement. Therefore, on September 28, 2010, the Bedford Township Finance Committee (consisting of Walt Wilburn, Larry O'Dell and myself) issued formal recommendations to the full township board regarding the growing financial liability associated with continuation of retiree health benefits as provided by the above indicated Board policy, and the township's inability to continue funding those benefits in the future. The 2/15/94 Health Benefit Policy utilized a combination of age and length of service to determine the respective share of benefit costs to be paid by the township (ranging from 25% to 90% of the monthly premiums) and participants (retirees and disabled participants), such that each participant is computed separately, and applied to whatever the current monthly health benefit insurance policy premium happens to be at the time. As monthly insurance premiums escalate, the township's share of the benefits cost also escalates (no limit).

Because the current benefit continuation policy contains specific provisions that clearly reserves to the township at its sole discretion the right to terminate, and amend or otherwise change the

benefit coverage, the Finance Committee made the following recommendations to the entire township Board:

1. Terminate the current Health Benefit Program Coverage Continuation Policy effective June 30, 2010. The Township will no longer provide a retiree or disabled health care continuation policy on any basis for any employee or elected official regardless of the reason for departure from the Township
2. Establish a "transition" policy effective June 30, 2010 covering current retiree participants and employees with seventeen or more years of service. Immediate termination of the current benefit continuation policy would represent a substantial financial hardship for current retiree participants (4) and for other future (near term) retirees who presumably have been relying on the policy's assistance toward the cost of their health care during retirement. To help defray this financial hardship for these individuals, the Finance Committee recommends the Board establish a "transition" policy which would "grandfather" current policy participants and the five future participants currently employed by the Township who have in excess of seventeen years of service as of July 1, 2010 and who may be expected to retire in the near future. The Township's monthly contribution toward the cost of medical coverage for participants covered under this transition policy is \$400 for single coverage or \$600 for participant and spouse. This new monthly amount (\$400/\$600) replaces the former monthly amount (\$500 - \$1,800+, resulting in substantial savings to the township every year by placing a cap on the amount the township pays). Note: The township will continue to contribute up to \$2,000 per year toward the out-of-pocket cost of an individual participant's prescription drug costs or up to \$4,000 per year toward the out-of-pocket cost of a participant and spouse's prescription drug costs (this reimbursement policy was initiated at the time when the health insurance deductible was increased from \$100 to \$4,000 per year as explained above – ie: self-insuring the increased deductible).

It is the opinion of the Finance Committee members that these actions will greatly reduce the township's unlimited liability exposure by limiting the liability to a specific number of current participants (4) and a specific number of potential future participants (5) – for a total of 9 actual and potential retirees compared to the current 24 actual and potential retirees (a 62% reduction). An actuarial projection indicates the potential township liability would be reduced by more than 50% (\$350,000+) due to the relative ages of the individuals involved when these recommendations are fully implemented. The township liability will be eliminated entirely when the current and grandfathered individuals are no longer under the transition policy (by death or disqualification due to other insurance becoming available to a participant). **(NOTE: THESE RECOMMENDATIONS WERE APPROVED AND ADOPTED BY BOARD ACTION ON OCTOBER 10, 2010)**

**In conclusion, to summarize the actions I took as a board member with respect to health care benefits: I worked on the Finance Committee that restructured the health insurance policy costs dramatically by raising the deductible from \$100 to \$4,000, implemented 10% employee cost sharing of monthly premiums, reduced participants eligible for retiree health care benefits from 24 to 9. My wife has worked for the township since November 1992, and was originally covered under the 1994 Health Benefits Continuation Policy, which was terminated and replaced with a transition policy effective June 30, 2010. If Ms. Collins interprets my actions as me voting for "lifetime health care benefits for her", when in fact I actually voted to downsize those benefits, which saved tens of thousands of dollars for the township, then so be it. I cannot control what others wish to think. I can only provide the facts as I know them to be, and let others judge me on the facts. Gene, I know you to be an honest and fair-minded man. I hope that you will consider posting this rebuttal so that the full story gets out to those voters who wish to know it. Thank you/PRF

