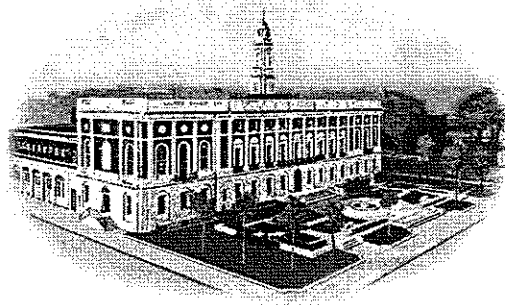


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PENSION AND BENEFITS OFFICE
THE CITY OF WATERBURY
CONNECTICUT

October 26, 2009

To: All City and Department of Education Employees *except* Teachers & School Administrators

From: The Pension & Benefits Department

Re: Open Enrollment for Coverage Effective January 1, 2010

Each year, the City conducts an open enrollment so employees have the opportunity to change health plan coverage through Anthem and Medco and to sign up for the Flexible Spending Account through Benefit Strategies. The rates for the plans that are offered also change each January 1.

The City as a whole runs on a fiscal year basis which begins each July 1 and ends each June 30. This means when rates change in January, they overlap part of two different fiscal years. The date difference is cumbersome to handle administratively and moving to a July 1 fiscal year rate change going forward would align the rates with all accounting and budgeting operations.

In order to accomplish this change we are adjusting the rates effective January 1 as we normally do, but the rates will be guaranteed for six months instead of twelve and run through June 30, 2010. That means the rate in place as of January 1, 2010 will change again effective July 1, 2010. This change will put the health plans on a fiscal year basis. The rates that will become effective July 1, 2010 and run through June 30, 2011 will put the plans back on the standard annual twelve month cycle but coincident with the City's accounting and budgeting practices.

The City self-insures all health, pharmacy and dental plans. This helps keep the plan expenses lower than if we were fully insured. In a fully insured situation, rates would be higher because the plans would have to fund additional insurance company expense requirements. We pay administrative fees to Anthem and Medco in exchange for their processing our claims. When rates are actuarially determined the largest single factor that drives them is claims. Each year, the published rates cover all of the claims filed by City employees.

The rates are enclosed and all other enrollment materials can be found on the City Website along with instructions. See Government Departments; Human Resources, Pension and Benefits.