SUMMARY MINUTES
HUMAN RESOURCES COMMITTEE
MEETING OF JUNE 18, 2014

Mr. Gates chaired the June 18 Human Resources Committee Meeting, calling it to order at 9:23 a.m. A quorum was present during the Meeting: Mr. Williams, Co-Chair, Mr. Carter, Mr. Curto, Ms. Lang, Ms. McConnell and Ms. Wells. Mr. Chapman, Mr. Davis, Mr. Griffin, Ms. Hall, Mr. McDermott and Mr. Session were also present.

<u>Recommendation to Amend the Retirement Savings Plan</u>. Tony Vegliante, Vice President for Human Resources introduced Warren Reisig, Manager, Benefits & Retirement. Mr. Reisig reported that the Authority sponsored a defined contribution plan known as the "457 Plan," which allows regular or career employees working a minimum of 20 hours per week to make pre-tax deferrals of their salary. Under this Plan, the Authority makes a matching contribution of up to 3 percent of an employee's base pay; approximately 85 percent of eligible employees participate. Mr. Reisig stated that in an effort to reduce Authority costs and minimize co-employment risks, the Office of Human Resources had recently begun directly hiring temporary or non-career employees with limited terms of employment for positions typically filled by staffing agencies or independent contractors. He reported that there are approximately 10 employees, termed non-career employees, in hard-to-fill or technical roles. The proposed amendment would allow non-career term employees to make elective contributions to the 457 Plan. These non-career term employees would not receive a company match by the Authority, and there is no cost increase incurred by the Authority by allowing them to participate.

Mr. Gates inquired about an estimate of the cost savings to convert to this type of hiring versus use of contractors. Mr. Vegliante responded that the savings is fairly significant and stated that he would provide the exact amount in the near future. The Committee unanimously approved the recommendation to amend the Retirement Savings Plan and Mr. Gates would offer a resolution later in the day’s Board Meeting.

<u>Recommendation to Award Contracts for Employee and Retiree Medical, Dental and Prescription Drug Plans</u>. Mr. Vegliante introduced Tom Rand, the Authority’s health care benefits consultant. He reported that the proposed contracts would be for benefit plans for a three-year term with three additional one-year options, beginning January 1, 2015. Mr.

Vegliante reviewed the following staff recommendations: UnitedHealthcare as the Preferred and Exclusive Provider for active employees, non-Medicare retirees and Medicare Advantage for Medicare retirees at a value of $56,366,000 for the three-year term; Kaiser Permanente as the Staff Model Health Maintenance Organization at a value of $11,164,000; CVS Caremark for the Prescription Drug Plan at a cost of $16,374,000; and MetLife for the Dental Plan at a cost of $4,108,000.

Mr. Vegliante reported that the Business Administration Committee had concurred with the request to recompete employee benefit supplier contracts last November. He reviewed the goals that staff had presented to the Committee at that time. Mr. Vegliante noted that there were opportunities available to the Authority to improve both the benefits and the administration of the benefits. He explained that Medicare Advantage and Employee Group Waiver Plans were subsidies from the federal government that received a substantial amount of discounts from providers. Mr. Vegliante stated that as a result of the subsidies and the discounts, the Authority is able to reduce its costs, as well as costs for plan participants, and receive better benefits. Most importantly, the Authority was able to achieve these goals with no change in participant benefit levels or the cost-sharing proposition (80/20) between the Authority and its employees.

Mr. Vegliante referenced information that had been provided for the day's meeting and reviewed costs for the Authority's health care over the next three years if no changes were made to its existing plans (status quo), as well as the "award amount." He noted that $95,654,000 decreased to $88,012,000 based on the Authority's current bidding process, which resulted in a cost avoidance of $7,642,000. Mr. Vegliante explained that the term cost avoidance is used rather than savings because there is no guarantee on the cost of medical benefits and the yearly inflation.

Mr. Vegliante reported that the new plan would significantly change the Other Post-Employment Benefits. He reviewed the effects on liability and expenses and reported that the Authority's funded status would increase to 73 percent and its liability would decrease by $61 million. Mr. Vegliante explained that as a result of the decrease in the funding level, the annual cost of claims and the VEBA trust contribution, the Authority expects to save more than $6 million annually using it proposed design of OPEB, effective January 2015.

Mr. Vegliante stated that there would be no change to benefit levels and very minimal physician disruption as a result of the change in providers. Mr. Potter noted that three of the providers remained the same, and the only change would be that UnitedHealthcare would provide PPO, EPO and MA Medical coverage. He stated that 90 percent of the doctors used by Authority employees in the existing plan also participate in the new plan so there would be a small percentage of employees who would have to find new doctors. Mr. Potter noted that staff would work with them and they would also have an option to choose the other health benefit plan available to them.

Mr. Vegliante recognized and thanked Mr. Reisig, Rick Myrah from Contracting and Sam Pulcrano from Human Resources for their contributions.

Ms. Lang inquired whether the rates for the 2015 Plans would be locked in for three years, or would there be an annual cap increase. Mr. Rand responded that because most of the coverage under the plans is self-insured, the Authority will take the responsibility of covering the cost of cash claims.

Mr. Griffin inquired whether retirees participate in the Authority's 80/20 cost-sharing proposition, to which Mr. Vegliante responded affirmatively.

Mr. Carter inquired about the rationale for the contract term, consisting of a three-year base and three one-year option years, recommended by staff. Mr. Vegliante stated that staff had discussed the proposed contract term with Authority consultants, and he noted the importance for an opportunity to compete to allow for innovations in the marketplace.

Mr. Session noted the minimal employee disruption but asked how the changes would be communicated to Authority employees. Mr. Vegliante responded that staff had prepared a communications plan to be distributed to employees that he would share with interested Directors. He noted that information about what employees should expect during the next six months would be distributed to employees to ensure all are aware of the facts.

Mr. Potter complimented Mr. Vegliante and his team on the outcome with respect to the savings for the Authority and its employees, and for the consideration of the employees' needs to ensure a good roll-out plan is in place. He noted that a letter would be sent to all employees and would include a reference to a website where they can begin their research on participating doctors and other relevant information. Mr. Potter stated that the employees are fortunate to have a several-month window before the open season begins in the fall, and they would have a lot of time to make decisions.

Mr. Gates complimented the team for its efforts on a remarkable outcome.

The recommendation was unanimously approved and Mr. Gates would offer a resolution at the Board Meeting later that day.

The Meeting was thereupon adjourned at 9:45 a.m.