SUMMARY MINUTES
HUMAN RESOURCES COMMITTEE
SPECIAL MEETING OF MARCH 18, 2015

Mr. Williams chaired the Special March 18 Human Resources Committee Meeting, calling it to order at 11:15 a.m. A quorum was present during the Meeting: Ms. Hanley, Ms. Lang, Ms. Wells and Mr. Conner, *ex officio*. Mr. Caputo, Mr. Chapman, Mr. Kennedy, Mr. McDermott, Mr. Mims and Mr. Session were also present. Mr. Griffin joined the Meeting by phone.

<u>Recommendation to Amend the Airports Authority Statement of Functions</u>. Mr. Potter referenced the Board's earlier action that day which had amended the Office of Audit Charter. He referred to the chart provided for the day's Meeting and stated that the amendment to the Statement of Functions would establish an administrative reporting relationship between the Vice President for Audit and the President and Chief Executive Officer.

The Committee unanimously approved the amendment to the Statement of Functions. Mr. Williams reported that the amendment would be presented to the Board of Directors for approval at its April Meeting.

<u>Benchmarking Study of the Airports Authority Employee Benefits Programs</u>. Tony Vegliante, Vice President for Human Resources and Administrative Services, was joined by Tom Rand of PRM Consulting Group, who conducted the benchmarking study. Mr. Vegliante reported that the Human Resources Committee had requested the study to provide Authority staff with the metrics needed to compare the Authority's employee benefits programs with other airports and local jurisdictions; to develop strategies to assure that, over time, the employee benefits programs are affordable for the organization and its employees; and to ensure that the benefits programs are sustainable and competitive. He explained that two perspectives had been used to address competition. The first referred to competing for talent and the other referred to the marketplace.

Mr. Vegliante explained that the results that he would review at the day's Meeting compared the Authority to local jurisdictions and the federal government. He reported that the Authority has two employee pools -- general employees and uniformed employees (police and firefighters). Mr. Vegliante noted that he would also review the risk factors, sustainability issues and trends in the private sector.

Mr. Vegliante reported that the following benefits had been reviewed: pension programs, defined benefit and defined contribution; retiree health care; employee health care, including dental and life insurance for existing employees and retirees; and paid time off – holiday, vacation and sick leave.

With regard to the funding status of the Authority's benefits, Mr. Vegliante reported that the Authority's retirement plans are over 100 percent funded; the retiree medical plan is 80 percent funded. Overall, the Authority is 96 percent funded, which represents a very strong financial position. Mr. Vegliante reported that the Authority is much better funded than the federal government.

Mr. Vegliante reviewed the details of the pension plan for general employees and stated that the competitors listed on the materials provided for the day's Meeting did not have identical pension plans. He noted that some pension plans are a combination of defined benefit and defined contribution, defined benefit only or defined contribution only. Mr. Vegliante stated that normal retirement is generally a combination of age and service. He explained that the Authority's normal retirement is a combination of 60 years of age and a minimum of five years of service. The pension plan for general employees rendered 32 percent of the retiree's final average pay. Mr. Vegliante reported that the federal government and the Authority have a very similar type of retirement plan, which consisted of a defined benefit, a defined contribution and social security. He noted that the Authority's defined contribution plan provides for a 100 percent match up to 2 percent and then 50 percent match on the next 2 percent. Mr. Vegliante reported that the various local jurisdictions and federal government used different formulas and some jurisdictions did not offer an employer contribution or defined contribution plan. He stated that the Authority's benefit plans for its general employees had ranked average and is very competitive against its comparators.

As Mr. Vegliante had previously reported, the Authority provided a different pension plan for its uniformed employees. He stated that the normal retirement age for uniformed employees is 55 years of age and five years or service or 25 years of service. Mr. Vegliante reported that the combined value of defined benefit and defined contribution plans for uniformed employees at the Authority is average.

Mr. Vegliante then reviewed the healthcare plans for current and retired employees of the Authority, local jurisdictions and the federal government. He stated that actuarial value for the Authority's plan offered to current employees is 93.2 percent. Mr. Vegliante reported that the healthcare benefits the Authority offered to its retirees is above average.

Mr. Vegliante reported on the vesting requirements and noted that an Authority employee who retired after only five years would receive the same type of retiree health plan coverage as one who had retired after 30 years. Essentially, Authority retirees received 100 percent coverage despite the number of years they worked prior to retirement. Mr. Vegliante noted that the retiree health coverage is an expensive benefit. The Authority's vesting requirements ranked average compared to the federal government and other local jurisdictions.

Ms. Hanley referred to the chart that outlined the vesting requirements for the retiree healthcare for the police and fire. She stated that the information denoted for Fairfax only pertained to the fire department – not the police department. Mr. Williams stated that the report would be corrected to include Ms. Hanley's comment.

Mr. Vegliante reviewed the chart outlined for vacation. He noted that the federal model for annual leave, holiday leave and sick leave had been used for the Authority, the federal government, the District of Columbia government and Arlington County; the leave policies are basically identical. Mr. Vegliante stated that the Authority's leave policies are competitive.

Mr. Vegliante reported that the Authority's retirement savings, the medical and prescription drug programs, retiree healthcare and paid leave represent 95 percent of the total benefit cost. He then reviewed how the Authority compared with the other jurisdictions.

Mr. Vegliante reviewed some of the risk factors. He stated that the Authority had fared very well in its retirement and retiree healthcare investments. Mr. Vegliante stated that since longevity had increased, the retirement systems and the retiree healthcare are required to payout more over time so it would be important to ensure that the Authority can sustain the funding. He reviewed the healthcare contributions for individual employees and families paid by the Authority and its comparators. Mr. Vegliante stated that some employers' healthcare plans often times preclude spouses from participating. He also reviewed some of the trends that occur predominantly in the private sector.

With regard to the future, Mr. Vegliante stated that it would be important to determine if the Authority could sustain the existing employee benefits programs for the next 20 years. He reported that it is important to be cognizant of the law changes, monitor the Authority's status constantly, and be aware of occurrences in the marketplace. Mr. Vegliante stated that staff would consider future recommendations.

Ms. Lang stated that the report had been very informative and inquired whether staff had performed any calculations regarding the blended rate to determine what each employee costs the Authority. Mr. Vegliante responded that he is familiar with the concept and had used it in previous jobs but that the Authority had not yet progressed to the point where the blended rate could be calculated.

Ms. Hanley recalled that retirees in Fairfax County had a defined time requirement to decide whether they would receive healthcare benefits through the retirement system and inquired whether it is a common process. Mr. Vegliante responded affirmatively and noted that under the Authority's plans, an employee had to decide at the time of retirement if he/she would receive retiree health plans.

Mr. Kennedy complimented staff on a nice job and inquired whether staff expected that the Authority would continue to be 104 percent vested in 2017-2108. Mr. Vegliante responded that he was less comfortable in predicting the outcome during that timeframe.

Mr. Kennedy also inquired whether the retirement rate is expected to increase in 2017 or 2018. Mr. Vegliante responded that a significant increase is expected. Since the Authority is now a fully-matured organization, Mr. Vegliante stated that current projections are that the average retirements will exceed 40 per year for approximately the next 10 years. He anticipated that the retiree population will definitely increase.

Mr. Williams stated that staff had done an excellent job and noted that it is important to ensure that employees did not view the benchmarking study as an effort to undermine existing benefits. As Mr. Vegliante had reported, Mr. Potter repeated that the Authority is very comfortable with its current employees anticipating receiving the present-day benefits when they retired. He stated that his philosophy has always been that benefits offered to an employee when he/she is first hired should be maintained to the best ability possible as they are probably what attracted an employee to the organization. Mr. Potter noted that the Authority would have to pay closer attention to the benefits for future employees.

The meeting was thereupon adjourned at 11:55 a.m.