

MINUTES

Employee Benefits Committee

August 23, 2013

A meeting of the Employee Benefits Committee was held on Friday, August 23, 2013, at 7:30 am. Members attending were Chairman Roger Lambourn, Jim Klancnik, Angela Fontana, Lance Johnson, Steve Moore, and John Falconer. Also attending the meeting were HR Director Luanne Hanford, Finance Director Kent Austin, City Manager Bob Livingston, and Morgan Young of Holmes Murphy (the City's benefits broker). Chairman Lambourn called the meeting to order. He introduced Morgan Young and told the committee that he had met with Ms. Young and city staff to discuss proposed changes to the City's health plan for FY2013/2014.

Ms. Young started her presentation by telling the committee that, due to the new costs of complying with the Health Care Reform Act, medical trend, and projected claims, the projected shortfall in the health plan for 2014 will be approximately \$325,000 if the city does not make any changes to the current contributions or the benefit plan. She has been working with staff on ways to mitigate the shortfall through increases in both city and employee contributions and making significant changes to the health benefit plan for 2014. First, staff recommended an increase to the City's contribution into the Self-Insurance Fund from \$825 per employee per month to \$893 per employee per month. Changes to employee contributions will depend on the type of plan the employee selects during open enrollment.

Proposed changes to the benefit plan for the existing PPO plan include eliminating out of network benefits, increasing the individual deductible from \$500 to \$1,000, changing the Out of Pocket Maximum from \$2,500 to \$3,500, increasing co-pays for specialists from \$40 to \$50, and increasing the top two tiers of the prescription benefit plan by \$10 each. In addition to changes to the benefit plan, employee contributions for individual coverage for that plan will increase by \$6.64 per month. Contributions for dependent coverage will increase, as well.

For the first time, staff is also recommending offering a High Deductible Health Plan (HDHP) and Health Savings Account (HSA). The individual deductible for this plan will be \$2,000 with an Out of Pocket Maximum of \$4,000. There will be out of network benefits on this plan, but with a higher deductible, higher co-insurance, and higher out of pocket maximum. The individual contribution for this plan will be \$10 per month. Employees who enroll in the HDHP may contribute up to \$3,300 per year to a Health Savings Account pre-tax to cover out of pocket expenses. Money remaining in these accounts at the end of the year will roll over to the next year and the employee can take the account with them when they retire or terminate employment. As required under the Health Care Reform Act, wellness exams and tests will be covered at 100% under both plans.

Staff is also proposing a wellness incentive for both plans. Under the PPO plan, if the employee does not get a biometric screening test done before the end of 2013, they will be required to pay an additional \$50 per month for coverage. Under the HDHP, the City will deposit \$500 into the employee's Health Savings Account if that employee gets a biometric screening test done before the end of 2013. If not, the City will contribute nothing to the HSA. Ms. Young indicated in her presentation that the proposed increase in city contributions would be \$193,875.

The committee engaged in a lengthy discussion regarding the proposed changes and Ms. Young responded to questions from the members. There were also some suggestions on how to communicate these changes to the employees. Following discussion, Jim Klancnik made a motion to recommend the proposed changes to the City Council for the FY2013/2014 budget. Steve Moore seconded the motion. The vote in favor was unanimous.

The next item on the agenda was to discuss the salary increase proposed in the FY2013/2014 budget. Ms. Hanford reviewed the Compensation Update provided by The Hay Group in which a 2% increase was proposed. The committee also reviewed a survey of Public Safety salaries. Ms. Hanford informed the committee that the proposed 2% pay increase would cost \$339,242 and that it was funded in part by decreases in the city's contribution to the Texas Municipal Retirement System. Discussion followed. Following the discussion, Steve Moore moved that the committee recommend the 2% pay increase to the City Council for the FY2013/2014 budget. Angela Fontana seconded the motion. The vote in favor was unanimous.

There being no further business, the meeting was adjourned.

Submitted by:

Roger Lambourn, Chairman

Luanne Hanford, Director of HR