

**TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTORS AGENDA ITEM SUMMARY**

Topic: Employee Benefit Program

Purpose	Information:	Guidance:	Decision: X
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Recommendation	<p>Approve the recommendation of the Ad-hoc Employee Benefits Subcommittee as follows:</p> <ul style="list-style-type: none"> • Increase the life insurance coverage offered by the District from \$25,000 per employee to \$50,000. • The District will make the alterations necessary to the 457 deferred compensation plan to allow employee contributions to be designated as Roth accounts if desired by the employee.
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Last Action	<p>The Board received the final Pay Plan Update from Archer in November of 2010. The Board tabled a discussion on the employee benefits at the June meeting and appointed an Ad-hoc Subcommittee to review and make recommendations.</p>
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Discussion	<p>The Pay Plan Update performed by Archer (the Archer Study) included a survey of benefits: paid leave time, insurance, retirement and other benefits. The survey was requested at the February 3, 2010 meeting of the Board. Shortly after that, the District was faced with a substantial (18%) increase in medical insurance premiums. The Board decided to see the Study through and get as much information as possible on the benefits offered by other entities before making a decision to decrease the cost of the insurance by reducing the benefits offered to District employees.</p>
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The Archer Study analyzed the benefits provided by fourteen other employers. TTAD's benefit plan was not the most generous in any of the categories and in the retirement category was among the least generous. The Archer Study made the following recommendations:

Benefit	Archer Recommendation
Medical, Dental and Vision Insurance	TTAD should continue the practice of requiring employees to participate in the cost of the insurance benefits.
\$25,000 Life Insurance Policy	TTAD should explore providing a more generous life insurance plan, first to management and then to other employees.
Vacation	Archer's recommendation was based on an erroneous understanding of the District's vacation schedule. Archer recommended the District increase additional time off after 20 years of employment. The District does offer an additional day per year after 20

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	years.
Vacation Carry-over	Archer recommended against a vacation buy-back program, which some of the other employers offered – but recommended additional vacation days for senior employees (once again based on a misunderstanding of the current policy).
Holidays	No recommended changes.
Sick Days	Archer found the amount of sick days offered per year is in line with the other employers. However, the survey found that other entities offer plans to convert sick leave days or allow sick leave buy-back (neither of which the District offers), and they recommended that the District may want to offer some type of plan for employees to convert their sick leave.
Disability Insurance	The District participates in the State of California's short-term disability program. Although many other entities offered long-term plans as well, Archer did not indicate that the District should make any changes to this benefit.
Retirement	TTAD's retirement formula is the equivalent of most of the local governmental agencies. The survey found that most of the other employers paid all or a percentage of the employees' contributions. The study did not recommend that the District make a move in that direction.
Deferred Compensation	Most survey participants offered a deferred benefit plan for their employees – as does the District. Four of the entities made contributions on their employees' behalf. Given the current economic condition, Archer did not recommend that TTAD start making contributions to deferred compensation plans.

Subsequently, Archer was asked to compare the benefits data compiled in their survey to published private sector benefits data compiled by Business and Legal Reports (BLR). The source for the private sector data was BLR's "2008 Survey of Employee Benefits." Their research found that the benefit plans surveyed by Archer, and TTAD's benefit program in specific, were on average more generous than the programs offered in the private sector. The only

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area where the private sector's benefits overwhelmingly exceeded those of TTAD was tuition reimbursement programs. Insurance premium contributions data showed that there were some private companies (40%) that paid 100% of the premium for employees and dependents, whereas the District pays 93%.

In Staff's opinion, the comparison to the private sector data must be made with caution. The data in the BLR report would be from the entire "Far-West" region and would include manufacturing, service industries, agriculture, etc. in all sizes of cities. There is not a great deal of private sector skilled-labor (machinists, mechanics) or industrial-type work in the Truckee area - or many private sector management jobs; and therefore the comparison to that data is not necessarily appropriate.

The greatest potential competition the District has for employees is other governmental agencies. The ski resorts, while employing a great number of people, are seasonal in nature, and are not culling from the same employee base the District is when trying to hire long-term, stable FTEs. The District's benefit plan should be primarily compared to the other governmental agencies in the area.

Based on the Archer data, the Ad-hoc Employee Benefits Subcommittee recommends making the following modest changes that will improve the current benefit package:

- An increase in the life insurance coverage – first for management and then for all employees – was recommended. The current policy is with Blue Shield. The District can obtain twice the coverage (\$50,000/employee) and lower the premiums by \$1,200/year by changing to Principal Insurance.
- The District can modify the 457 plan to include Roth accounts for employees. All contributions are made by employees.

The Ad-hoc Subcommittee also reviewed proposals for long term disability coverage and employee assistance programs, as they were both mentioned as benefits offered by others in the survey. The subcommittee decided that proposals for those benefits should be reviewed for the 2012-2013 fiscal year.

In addition, the subcommittee recommended looking into possible modifications to the sick leave policy that may integrate with short-term and long-term disability programs.

In summary, after reviewing the Archer Study's analysis and recommendations:

- At the current time the Ad-hoc Subcommittee is not
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recommended any changes to the insurance coverages the employees receive. The insurance coverages need to be reviewed on a year-to-year basis as the circumstances in the health-care industry are so volatile. Employees are accustomed to this annual review and recognize that the District must carefully monitor benefit costs and may make changes to the current benefit package and cost sharing arrangement.

- The Ad-hoc Subcommittee recommends making the above mentioned changes to the life insurance benefit and the change to the 457 Plan.
- An Ad-hoc Subcommittee should be reformed each year to review the employee benefit package. The review should be timed to align with the medical plan renewal (August), as that is the most significant element of the program.
- The Ad-hoc Subcommittee recommends that next year long-term disability coverage and employee assistance programs should be investigated, as well as possible modifications to the sick leave policy that may integrate with short-term and long-term disability programs.

Fiscal Impact

The change to the life insurance benefit from \$25,000 in coverage to \$50,000 with a new carrier will save the District \$1,200/ year in premiums.

The addition of the Roth accounts to the District's 457 plan has no cost (other than the overhead of the initial set-up) to the District.

The medical insurance plan has been renewed with a 5.8% premium increase (for the period from 8/1/11 - 7/31/12). The budget will include that increase as well as a potential increase in the dental plan premiums. The vision plan rate is guaranteed until April of 2013.

Communication Strategy

Staff will be informed of the Board's decision. Payments made on the employees' behalf for health, dental and vision premiums are reported on the State Controller's website. Note that the website also requires that if the District were to pay any portion of the employee CalPERS contribution that would be reported as well.

Attachments

Summary of current benefits package

Private sector benefit data obtained by Archer

Life Insurance Proposals