

JOINT MEETING
Greenville City Council/Greenville Utilities Commission

Monday, September 25, 2017
6:00 p.m.
Greenville Utilities Board Room
401 South Greene Street
Greenville, NC

1. Call Meeting to Order: Mayor Smith
Chair Mills
2. Approval of Agenda: City Council
Greenville Utilities Commission
3. Public Comment Period - For issues that are germane to both the City Council and Greenville Utilities Commission.

The Public Comment Period is a period reserved for comments by the public. Items that were or are scheduled to be the subject of public hearings conducted at the same meeting or another meeting during the same week shall not be discussed. A total of 30 minutes is allocated with each individual being allowed no more than 3 minutes. Individuals who registered with the City Clerk to speak will speak in the order registered until the allocated 30 minutes expires. If time remains after all persons who registered have spoken, individuals who did not register will have an opportunity to speak until the allocated 30 minutes expires.

4. Approval of Proposed Minutes – April 24, 2017
5. Consideration of Joint Pay and Benefits Committee Recommendations on Plan Year 2018 Medical and Dental Benefits
6. Adjournment: City Council
Greenville Utilities Commission

**PROPOSED MINUTES
JOINT MEETING OF THE GREENVILLE CITY COUNCIL
AND THE GREENVILLE UTILITIES COMMISSION
BOARD OF COMMISSIONERS
MONDAY, APRIL 24, 2017**



Having been properly advertised, a joint session of the Greenville City Council and the Greenville Utilities Commission Board of Commissioners (GUC Board) was held on Monday, April 24, 2017, at 5:00 p.m. in the GUC Board Room, located on the second floor of the Greenville Utilities Main Office Building at 401 S. Greene Street in Greenville, NC.

GUC Chair Mills called the meeting to order for the GUC Board and ascertained that a quorum was present.

A motion was made by Council Member Smiley, and seconded by Council Member Godley, to appoint Council Member PJ Connelly as the City's presiding officer in the absence of Mayor Thomas, who arrived late, and Mayor Pro-Tem Smith, who was participating by phone. The motion carried unanimously.

Council Member Connelly called the meeting to order for the City Council and ascertained that a quorum was present.

Those present from the City Council:

Mayor Allen M. Thomas, Mayor Pro-Tem Kandie Smith (via phone) and Council Members Rose Glover, Calvin Mercer, McLean Godley, Rick Smiley and PJ Connelly

Also present from the City of Greenville:

City Manager Barbara Lipscomb, , Michael Cowin, Assistant City Manager, Leah Futrell, Human Resources Director, City Attorney David A. Holec and City Clerk Carol L. Barwick

Those present from the Greenville Utilities Commission Board of Commissioners:

Chair Don Mills, Chair-Elect Rebecca Blount, Secretary Joel Butler, and Commissioners Toya Jacobs, Parker Overton, Tommy Stoughton, Minnie J. Anderson and Barbara Lipscomb

Also present from the Greenville Utilities Commission:

General Manager/CEO Tony Cannon, General Counsel Phillip R. Dixon, Executive Assistant to the General Manager/CEO Amy Wade, and Staff Support Specialist, III, Kristen Jarman

Those absent:

Mayor Pro-Tem Kandie Smith was absent from the City Council
Commissioner Parker Overton was absent from the Greenville Utilities Commission

APPROVAL OF THE AGENDA

Upon motion by Council Member Mercer and seconded by Council Member Smiley, the Greenville City Council unanimously approved the agenda.

Upon motion by Commissioner Blount and seconded by Commissioner Stoughton, the GUC Board unanimously approved the agenda.

PUBLIC COMMENT PERIOD

Council Member Connelly opened the public comment period at 5:04 p.m. and explained the procedures to be followed by anyone who wished to speak.

There being no one present who wished to speak, Council Member Connelly closed the public comment period at 5:05 p.m.

APPROVAL OF PROPOSED MINUTES- SEPTEMBER 19, 2016

Upon motion by Commissioner Butler and seconded by Commissioner Stoughton, the GUC Board unanimously approved the September 19, 2016 Joint Minutes as presented.

Upon motion by Council Member Smiley and seconded by Council Member Mercer, the Greenville City Council unanimously approved the September 19, 2016 Joint Minutes as presented.

CONSIDERATION OF MARKET ADJUSTMENT/MERIT PROGRAM FOR FY2017-2018

Tony Cannon, General Manager/CEO for GUC, stated that the Joint Pay and Benefits Committee, which is comprised of Council Members Glover and Smiley for the City and Commissioners Butler and Jacobs for GUC, met on March 23, 2017. The result of this meeting was recommendations to be considered by both the City Council and the GUC Board. Mr. Cannon asked GUC Chief Administrative Officer Chris Padgett and Assistant City Manager Michael Cowin to review some of the materials discussed at that meeting.

(Mayor Thomas arrived).

Mr. Padgett stated that the City's and GUC's Human Resources Departments began collecting data related to market pay a couple months previously. That data was then presented to the Joint Pay and Benefits Committee for use in making a recommendation to the City Council and GUC Board for their joint meeting. Mr. Padgett said the data he will share comes from primarily three sources:

- Salary Surveys – from six reputable survey groups,
- Public-Sector Benchmarks – from 26 municipalities and utilities that were also included in the 2010 pay plan study
- 14 local private employers

Wage increases, as projected by various surveys are as follows:

Survey Company	Projected Wage Increase
Aon Hewitt	3.0%
Capital Associated Industries (CAI)	2.7%
Hay Group	3.0%
Mercer	2.9%
Towers Watson	3.0%
WorldatWork	3.1%

Mr. Padgett noted that both the City and GUC have traditionally used CAI as their primary benchmark guide. These results are relatively consistent and they average 2.95%.

From the public sector, 24 of the 26 municipalities and utilities surveyed provided last year's data. Of the 24 responding, 22 provided pay increases to employees last year. The average, including the two that did not give an increase, was 3.2%. Mr. Padgett stated the City and GUC Board approved a 2% pay increase last year for employees. Also, 15 of the responding municipalities and utilities provided projected increases for next year and those averaged 3.2%.

Mr. Cowin noted that the 26 municipalities and utilities used for comparison were selected by Segal Waters during the 2010 pay plan study because they were deemed most similar to the City and GUC.

Mayor Thomas noted the recommendation is coming from the "Pay and Benefits Committee" and stated it is imperative that benefits be considered as well as salaries.

Mr. Cowin noted that, for the 24 organizations responding to the survey, benefits were analyzed. On average, health insurance contributions from those employers were about 75%, with the City/GUC being at 84%. The benchmark organizations were at about 5% of salary for 401K contributions, while the City and GUC are less than 2%. In essence, it is pretty much a wash on benefits. Mr. Cowin noted staff had been asked to get comparisons with the top 4-5 employers

within Pitt County. Pitt County employers have averaged about 3.3%, with similar benefit information.

Mr. Padgett stated that nine of the 14 local businesses surveyed responded with data for the current year. Reported pay increases among those businesses averaged 3.1%.

In the spring of 2015, the City/GUC conducted a Five-Year True-Up to the pay and benefit plan. Since that time, there have been two budget cycles, during each of which employees were provided with a 2% salary increase. In comparison to the CAI, there is a slight deficit of about 1.5% (City \$648,000, GUC \$386,000). Public sector benchmarks are 1.7% (City \$735,000, GUC \$438,000) and for local private employers, it is just over 1% (City \$454,000, GUC \$270,000). What this means is that the City/GUC are two years into a five-year process, and at the end of the process, there will be a new full pay plan study. If these indicators are accurate, then the City and GUC are deviating slightly from market. From a financial perspective, that equates to a deficit of \$724,000 up to about \$1.2 million. For each year that the City and GUC are out of market, that number is going to grow. If the goal is to pay at market, there may be a price to pay at the next full pay plan study.

Council Member Smiley asked what percentage of total salaries comes from the General Fund.

Mr. Cowin estimated about 86%. For every one percent, there is about \$50,000 in other funds.

Mr. Padgett stated the recommendation of the Joint Pay and Benefits Committee is that the City and GUC fund an employee pay adjustment of 3.2% for FY 2017-2018, to be applied as deemed appropriate by each entity, in order to maintain market competitiveness. This 3.2% adjustment will align the with FY 2017-2018 average pay increase projections for established public-sector benchmark organizations, while minimizing the cumulative difference of below market pay increases since the Five-Year True-Up Market Study conducted in 2015.

Council Member Connelly asked if the public sector companies used are held constant throughout all comparisons.

City Director of Human Resources Leah Futrell stated they are, noting that the comprehensive study in 2010 established the benchmarks.

GUC Director of Human Resources Richie Shreves stated the 2015 Five-Year True-Up was the starting point for these recommendations.

Mr. Padgett stated the True-Up is essentially a reset button. The City and GUC were slightly below market then and it cost about \$400,000 to catch up. Those were years where the economy was sluggish.

Mayor Thomas asked if these companies had any layoffs during that period.

Ms. Shreves stated that was not a question that was asked.

CONSIDERATION OF SALARY STRUCTURE ADJUSTMENT FOR FY2017-2018

Mr. Cannon stated the second part of the presentation relates to salary structure. He asked Mr. Cowin to address the issue.

Mr. Cowin stated, as has previously been discussed, a Five-Year True-Up was conducted in 2015. Part of the recommendation of that study was to review current pay structure on an annual basis to ensure it continues to be competitive with the market. Segal Waters works with WorldatWork to provide market data. They are projecting a 2.1% increase in pay structure, which would impact the minimum and maximum for each of the City's and GUC's pay grades. Traditionally, the City and GUC have voted to adjust pay structures based on the WorldatWork survey in order to remain competitive with the market. Doing so will have minimal financial impact on each entity given where employees sit on the structure, but it will allow both entities to remain competitive and help with recruiting.

Council Member Smiley noted that the True-Up showed that both the City's and GUC's pay plans tend to be reasonably close to market, but a disproportionate percentage of employees are below the midpoint. This isn't as significant a problem for GUC as they apply their increases with a different approach to the City, but for the City, a large percentage of employees are below midpoint.

Commissioner Butler stated the individuals appointed to the Joint Pay and Benefits Committee were good members and there was much discussion about these issues. He said he feels their recommendations are based on sound data and thorough discussion.

Council Member Glover noted they also looked at the benefits package, including insurance, which will go up 6%. With the salary recommendation being less, this will push many employees back into a compression rate.

Mr. Cowin noted this is the first year of adjusting employees' percentage of insurance costs up to a 20% share (City/GUC pay 80%), so the employees' cost will go up again this year.

Council Member Smiley stated both entities are falling behind market and that is not a sustainable place to be. Existing employees must be given raises to keep them, or new employees will have to be hired at market rates. The question is whether the desire is to keep current employees. Council Member Smiley stated he personally feels the City and GUC will profit by keeping the employees they already have.

Commissioner Butler said there is also an issue of lost reputation. Employees want to know they are working for someone making sure they are paid what they are worth and not caught in some

drastic modulation of pay. He said he believes it is good business to pay employees what they are worth.

Mayor Thomas said the City and GUC operate on a two-year budget cycle. He asked about revenue forecasts for this year and what might change.

Mr. Cowin stated the budget is balanced with a 2% increase included for merit/market. The questionable line item was sales tax, but it doesn't appear to be materializing at an amount sufficient to cover another 1% in salary. With minimal growth, other revenues will not change much.

Mr. Padgett noted that when current employees are lost, institutional knowledge walks out the door.

Council Member Connelly asked if staff has looked at how to budget for an additional 1.2% in salaries, which would equate to about \$450,000.

Mr. Cowin stated he has begun to analyze an additional 1% increase, or \$375,000, in case there was a decision to move in that direction. The additional funding would come from a variety of sources, including sales tax revenue, position savings, possible delays in capital projects and potential reductions to discretionary increases within departmental budgets, although with the goal being not to impact Public Works or Recreation and Parks. Mr. Cowin stated he feels it is feasible to include the additional funding, but he would like time to do further analysis and have another month of sales tax revenues for evaluation.

Council Member Connelly asked if such an increase would be sustainable in the future.

Mr. Cowin said he would like to say yes, but there is no way of knowing what the economy will do in the future. He said he feels the extra increase could be sustained if done this year.

Mayor Thomas asked about threats from the state legislature.

City Attorney Dave Holec stated there are several proposals which could impact sales tax revenues. The Metro Mayors organization is trying to ensure everyone is held harmless. There have been bills previously which addressed improvements made prior to occupancy and whether or not that is subject to ad valorem taxes. The sales tax has people in place to fight for the City.

Mr. Cannon stated GUC had included a 3.5% increase in their preliminary budget, so they are covered up to that amount.

On behalf of the City Council, Council Member Smiley moved to adopt the recommendation of the Joint Pay and Benefits Committee to fund an employee pay adjustment of 3.2% for FY 2017-2018, to be applied as deemed appropriate in order to maintain market competitiveness and to direct staff to let the City Council know if it is feasible. Council Member Mercer seconded the motion.

Council Member Connelly said he feels employees need a pay increase. He has had a good year to evaluate where the City stands financially and he feels morale is about as low as he has seen in an organization. His only hesitation is that he feels making this decision now is premature in the City's budget process. While the City cannot afford to lose good employees, the Council must be mindful of its resources. Budget cuts in other areas may be needed to make a salary increase work.

Council Member Godley stated it was projected at the Planning Retreat that the City would be running at a deficit if current forecasts remain. While he agrees employees need a raise, that is concerning and makes it hard to commit to a specific percentage now.

Council Member Glover asked about the current state of compression.

Ms. Futrell stated compression was addressed in the 2015 True-Up and, at that point, it was in a good place; however, if the City continues with below market pay increases, it will again become a problem.

Commissioner Blount noted this is the exact same conversation had last year. She asked what was decided then.

Mr. Cannon stated the City Council took independent action and GUC waited to take action.

Council Member Smiley said if staff is not given direction to prepare a budget with a specific percentage, they will continue to work at the current point of 2%. In order to make a higher amount possible, the Council must direct staff to work on trying to build a budget that can handle it. If they come back and report that it can't be done without certain cuts, then the Council can evaluate those cuts and decide whether they are willing to do it. Maintaining the status quo is a recipe for continued underperformance.

Council Member Mercer stated he has long been concerned about turnover at City Hall at various levels and for a variety of reasons. A pay increase is not a magic bullet, but it can help, and can help prevent the compensation issue from getting worse. At this point in budget process, it is imperative to address priorities. How significant is this issue? Council Member Mercer stated that for him, it is a priority.

Council Member Smiley stated he is open to amendment with another amount if someone thinks a different target is better, but he is defending the Committee's recommendation.

Mercer said he could go along with 3%, but nothing below.

Mayor Pro-Tem Smith said she is in agreement about taking care of employees, but in giving direction to staff, it is important to be aware of what may need to be cut. There is a delicate balance. While she doesn't oppose looking at a higher percentage, she doesn't want to prevent looking at something like 2.7% if it's not feasible to maintain 3% or 3.2%. She suggested it

might be good to provide staff with a range. Everyone has different priorities, but this discussion is occurring before 80% of the budget process.

Commissioner Butler said there is a cost of doing business, and it is important to consider what it takes to pay the people who get the work done. If the decision opts for a lower salary increase without considering the true-up, it will come at a higher cost down the road and, in the meantime, some of the better people will be lost. Salaries should be the last place cut -- the people are the ones who make it happen for the City and GUC.

Council Member Smiley said this is the opportunity to establish priorities. Staff will work to fit in those priorities. This group needs to establish an appropriate salary increase as a priority rather than come back at the end to see what's left.

Council Member Connelly said the issue is at the same point as last year. The Council knows none of the adjustments that will be needed, but are being asked for a decision. He said he agrees employees need a raise, but suggested the process should be changed. This is an issue that should be discussed by the City Council before coming to a joint meeting. Any entity gets what it pays out of its employees. If it shows it is unappreciative, that is what comes back. The City should never have to raise taxes for this, but also, should not call GUC at the last minute and say just give 2% when their employees have already heard more.

There being no further discussion, the City Council voted unanimously to adopt the recommendation of the Joint Pay and Benefits Committee to fund an employee pay adjustment of 3.2% for FY 2017-2018, to be applied as each entity deems appropriate, in order to maintain market competitiveness and to direct staff to let the City Council know if this increase is feasible.

On behalf of GUC, Commissioner Butler moved to adopt the recommendation of the Joint Pay and Benefits Committee to fund an employee pay adjustment of 3.2% for FY 2017-2018, to be applied as each entity deems appropriate, in order to maintain market competitiveness. Commissioner Blount seconded the motion, which passed by unanimous vote.

Council Member Smiley then made a motion for the City of Greenville to accept the recommendation of the Joint Pay and Benefits Committee to approve a 2.1% increase to the salary structure. Council Member Mercer seconded the motion, which passed by unanimous vote.

Commissioner Butler then made a motion GUC to accept the recommendation of the Joint Pay and Benefits Committee to approve a 2.1% increase to the salary structure. Commissioner Overton seconded the motion, which passed by unanimous vote.

ADJOURNMENT

There being no further business, motion was made by Council Member Mercer and seconded by Council Member Godley to adjourn the meeting. Motion carried unanimously, and Mayor Thomas declared the meeting adjourned for the City at 6:00 p.m.

There being no further business, motion was made by Commissioner Butler and seconded by Commissioner Blount to adjourn the meeting. Motion carried unanimously, and Chair Mills declared the meeting adjourned for GUC at 6:00 p.m.

Respectfully submitted,



Carol L. Barwick, CMC
City Clerk

MEMORANDUM

TO: Mayor and City Council
Greenville Utilities Board of Commissioners

FROM: Ann E. Wall, City Manager *AW*
Anthony C. Cannon, General Manager/CEO *CNP for ALL*

DATE: September 19, 2017

SUBJECT: Joint City/GUC Pay and Benefits Committee
Recommendations for Plan Year 2018

The Joint City/GUC Pay and Benefits Committee, comprised of City Council Members Rose Glover (absent) and Rick Smiley and GUC Commissioners Joel Butler and Toya Jacobs, met on August 24, 2017 to develop recommendations for Plan Year 2018 Health and Dental benefits. The following recommendations will be considered by City Council and GUC Board of Commissioners at their upcoming Joint Meeting scheduled for Monday, September 25, 2017, at 6:00 p.m. in the Greenville Utilities Board Room.

Joint Committee Recommendation on Plan Year 2018 Health/Dental Insurance Benefits:
On September 19, 2016, City Council and GUC Commissioners approved adopting an updated three-year strategy for 2017-2019. In keeping with the three-year strategy, the following changes are proposed for plan year 2018:

- Target an employer health insurance subsidy of 82% by:
 - Increasing medical rates by 12.5% across the board;
 - Making plan design changes as follows:
 - Increasing the deductible and coinsurance for the Enhanced Plan;
 - Increasing the out-of-pocket maximum for both the Core and Enhanced Plans;
 - Increasing the emergency room visit copay for both the Core and Enhanced Plans;
 - Increasing the prescription drug copay (excluding generic prescriptions) for both the Core and Enhanced Plans; and
- Continue the “first-year incentive” of \$250 for individual coverage and \$500 for family coverage for employees electing to enroll in the HSA for the first time to encourage migration to the HSA; and
- Increase dental rates by 6.3% to avoid a dental plan deficit.

The Joint City/GUC Pay and Benefits Committee unanimously recommend adoption of the proposed changes for Plan Year 2018.

We look forward to seeing you at the upcoming Joint Meeting on September 25, 2017 at 6:00 p.m. in the GUC Board Room. No meal will be served since there is not a Council Meeting afterwards.

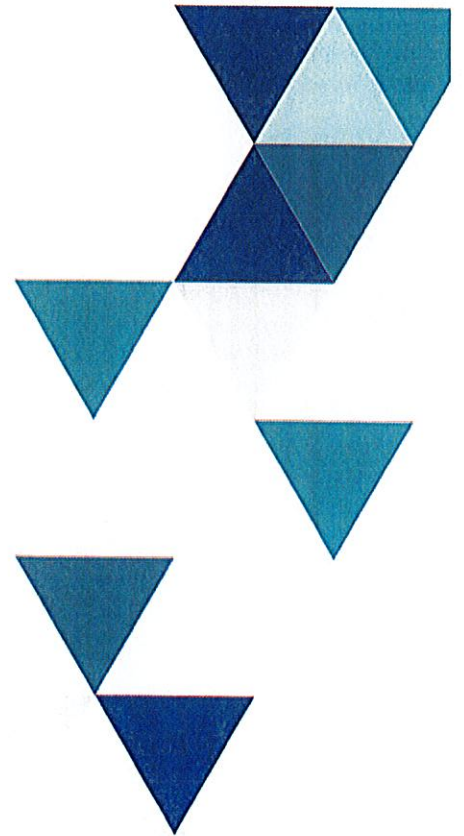
cc: Michael Cowin, COG Assistant City Manager
Chris Padgett, GUC Chief Administrative Officer
Leah Futrell, COG Director of Human Resources
Richie Shreves, GUC Director of Human Resources

HEALTH WEALTH CAREER

CITY OF GREENVILLE & GREENVILLE UTILITIES COMMISSION

HEALTH CARE BENEFITS

September 25, 2017

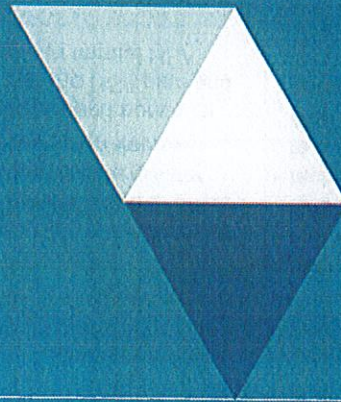


MAKE TOMORROW, TODAY  MERCER

TODAY'S DISCUSSION

- Three Year Strategy Overview
- 2018 Medical Projections and Recommendations
- 2018 Dental Projections and Recommendations
- Appendix

THREE YEAR STRATEGY OVERVIEW



COG/GUC THREE-YEAR STRATEGY

	2017	2018	2019
Design	<ul style="list-style-type: none"> • Maintain current plan offering as Excise Tax has been postponed • Introduce Core/Buy Up dental option • Include year 1 HSA seed bonus for new enrollees into the HSA plan 	<ul style="list-style-type: none"> • Index deductibles and out-of-pocket maximums • Modify Core and HSA plan designs to reduce overall benefit value to offset increased cost and create greater differential between plan values • Include year 1 HSA seed bonus for new enrollees into the HSA plan and consider increase to annual HSA seed amount 	<ul style="list-style-type: none"> • Prepare current medical plan offering for transition to dual option program (i.e., HSA and single PPO) • Include year 1 HSA seed bonus for new enrollees into the HSA plan and consider increase to annual HSA seed amount
Cost	<ul style="list-style-type: none"> • Target employer subsidy: 83.4% • Increase employee only cost share percentages to 50% of dependent tier cost share percentages for Core and Enhanced, 25% for HSA • Increase dependent tier contributions by needed increase +3% • Employer dental plan subsidy same regardless of plan, employee pays difference • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements 	<ul style="list-style-type: none"> • Target employer subsidy: 82% • Increase employee cost share across all tiers to achieve target subsidy • Monitor first year results of dual option dental plan • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements 	<ul style="list-style-type: none"> • Target employer subsidy: 81% • Increase employee cost share across all tiers to achieve target subsidy • Continue to reinforce employer subsidy • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements

YEAR-OVER-YEAR PLAN COST INCREASE

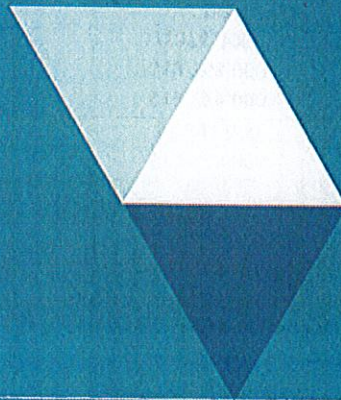
Year	PEPY Cost	Year-Over-Year Change	Average Market Rate Increase
2011	\$10,798		
2012	\$11,859	9.8%	8.2%
2013	\$10,517	(11.3%)	7.4%
2014	\$11,481	9.2%	8.0%
2015	\$12,382	7.8%	7.1%
2016	\$12,263	(1.0%)	6.3%

Average annual cost increase of 2.9%

- Costs include paid claims (medical, Rx, vision), administrative fees, and stop loss premium.
- Claims have been adjusted for stop loss reimbursements.
- Average market rate increases are before any plan design changes.
- Average costs in 2016 in NC for the PPO is \$11,114 for large employers.

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2018 MEDICAL PROJECTIONS AND ALTERNATIVES



2017 AND 2018 MEDICAL UNDERWRITING STATUS QUO

COG/GUC Financials	2017 Actual + Projected	2018 Projected	2018 Projected
Description	Actual thru May, Projected June - December	Current plan design and contributions	Current plan design and share needed increase between ER and EEs
Paid Claims (Medical/Rx/Vision)	\$16,657,000	\$18,035,000	\$18,035,000
Fixed Cost (ASO and stop loss premlums)	\$1,523,000	\$1,694,000	\$1,694,000
Total Projected Cost	\$18,180,000	\$19,729,000	\$19,729,000
2017 Current Budgeted Premiums	\$19,317,000	\$19,353,000	\$19,353,000
<i>Projected Surplus/(Deficit) \$</i>	\$1,137,000	(\$376,000)	(\$376,000)
<i>Projected Surplus/(Deficit) %</i>	5.9%	-1.9%	-1.9%
HSA Seed Money Contributions	\$56,500	\$56,500	\$56,500
HSA Seed Money Year 1 Bonus	\$3,500	\$3,500	\$3,500
Employee Contributions	(\$2,940,000)	(\$2,966,000)	(\$3,024,000)
Tobacco Surcharge Contributions	(\$113,000)	(\$113,000)	(\$113,000)
Spousal Surcharge Contributions	(\$110,000)	(\$110,000)	(\$110,000)
COG/GUC Total Net Cost	\$15,077,000	\$16,600,000	\$16,542,000
COG/GUC Cost Share	82.7%	83.9%	83.6%

- Status quo represents no plan design changes or employee contributions changes from 2017, but does include 2018 trend.
- HSA accounts are assumed to be opened and activated by all participants.
- No migration assumed.
- 2016 cost share is 83.8%.

MEDICAL PLAN DESIGN PROPOSED CHANGES TO THE CORE AND ENHANCED

	HSA	Core	Enhanced
Deductible <i>(Individual / Family)</i>	\$1,500 / \$3,000	\$750 / \$1,500	\$500 / \$1,000 \$600 / \$1,200
Out of Pocket Maximum <i>(Individual / Family)</i>	\$3,000 / \$6,000	\$3,000 / \$6,000 \$3,500 / \$7,000	\$2,000 / \$4,000 \$2,500 / \$5,000
Coinsurance	20%	20%	15% 20%
Office Visit/Specialty Copay	Deductible & Coinsurance	\$20 / \$40	\$20 / \$40
ER Visit Copay	Deductible & Coinsurance	\$100 \$150	\$100 \$150
Prescription Drug – Retail	Deductible & Coinsurance	\$10 / \$20 / \$40 \$10 / \$30 / \$50	\$10 / \$20 / \$40 \$10 / \$30 / \$50
Prescription Drug – Mail Order	Deductible & Coinsurance	Free / \$40 / \$80 Free / \$60 / \$100	Free / \$40 / \$80 Free / \$60 / \$100
Specialty Rx	Deductible & Coinsurance	N/A \$100	N/A \$100

2018 PROPOSED SUMMARY

- **Proposed :**
 - Make proposed plan design changes.
 - 12.5% increase to all contributions across the board.
 - Maintain retiree buy-up strategy for retirees based on 2018 rates.
 - 82% cost share (meet target).

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2018 COST SHARE ALTERNATIVES

2018 Summary	2018	2018	2018
Description	Current plan design and share needed increase between ER and EEs	Proposed plan design and current contributions	With plan design changes and needed increase to contributions to meet 82%
Total Projected Cost (Claims, fees, HSA seed)	\$19,789,000	\$19,498,000	\$19,498,000
Employee Contribution (Incl. Surcharges)	(\$3,247,000)	(\$3,189,000)	(\$3,509,000)
COG/GUC Total Net Cost	\$16,542,000	\$16,309,000	\$15,989,000
COG/GUC Cost Share	83.6%	83.6%	82.0%

- * HSA account are assumed opened and activated by all participants.
- * No migration assumed.

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2018 COST SHARE SUMMARY – PROPOSED

2018 (Bi-Weekly)	Premium- Equivalent Rates	Bi-Weekly Employee Contributions by Salary Band											
		< \$32,278			\$32,278 - \$46,950			\$46,951 - \$61,623			> \$61,623		
		EE Contrib.	EEs	Cost Share	EE Contrib.	EEs	Cost Share	EE Contrib.	EEs	Cost Share	EE Contrib.	EEs	Cost Share
HSA													
EE	\$256.17	\$5.90	8	2.3%	\$7.00	11	2.7%	\$8.11	10	3.2%	\$9.21	7	3.6%
EE+SP	\$537.93	\$49.52	0	9.2%	\$58.79	2	10.9%	\$68.08	0	12.7%	\$77.38	2	14.4%
EE+CHILD(REN)	\$525.13	\$48.34	0	9.2%	\$57.40	5	10.9%	\$66.47	3	12.7%	\$75.52	9	14.4%
FAMILY	\$768.02	\$70.69	1	9.2%	\$83.96	1	10.9%	\$97.21	5	12.7%	\$110.47	11	14.4%
CORE													
EE	\$295.79	\$18.23	60	6.2%	\$20.01	145	6.8%	\$23.88	41	8.0%	\$27.34	36	9.2%
EE+SP	\$621.16	\$76.55	9	12.3%	\$84.03	21	13.5%	\$99.44	16	16.0%	\$114.83	11	18.5%
EE+CHILD(REN)	\$606.37	\$74.74	17	12.3%	\$82.03	66	13.5%	\$97.08	88	16.0%	\$112.11	57	18.5%
FAMILY	\$886.83	\$109.30	6	12.3%	\$119.97	44	13.5%	\$141.96	46	16.0%	\$163.94	47	18.5%
ENHANCED													
EE	\$314.83	\$33.16	17	10.5%	\$35.36	79	11.2%	\$39.88	52	12.7%	\$44.39	51	14.1%
EE+SP	\$661.11	\$139.28	4	21.1%	\$148.49	15	22.5%	\$187.47	12	25.3%	\$186.44	14	28.2%
EE+CHILD(REN)	\$645.37	\$135.96	3	21.1%	\$144.93	35	22.5%	\$163.49	44	25.3%	\$182.01	20	28.2%
FAMILY	\$943.88	\$198.88	4	21.1%	\$212.01	35	22.5%	\$239.11	32	25.3%	\$266.20	23	28.2%

	2017	2018	\$ Difference	% Difference
Total Costs	\$18,240,000	\$19,498,000	\$1,258,000	6.9%
Contributions/Surcharge	(\$3,163,000)	(\$3,509,000)	(\$346,000)	10.9%
Net Costs	\$15,077,000	\$15,989,000	\$912,000	6.0%
Cost Share	82.7%	82.0%		

Proposed:

- 12.5% increase to all contributions across the board.
- 82% cost share (meet target).

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2017 VS. 2018 INCREASE – PROPOSED

Salary Bands	Bi-Weekly Active Contributions											
	2017	2018	Change	2017	2018	Change	2017	2018	Change	2017	2018	Change
	< \$32,278			\$32,278 - \$46,951			\$46,952 - \$61,623			> \$61,623		
HSA												
EE	\$5.24	\$5.90	\$0.66	\$6.22	\$7.00	\$0.78	\$7.20	\$8.11	\$0.90	\$8.19	\$9.21	\$1.02
EE+SP	\$44.02	\$49.52	\$5.50	\$52.26	\$58.79	\$6.53	\$60.52	\$68.08	\$7.56	\$68.78	\$77.38	\$8.60
EE+CHILD(REN)	\$42.97	\$48.34	\$5.37	\$51.02	\$57.40	\$6.38	\$59.08	\$66.47	\$7.39	\$67.13	\$75.52	\$8.39
FAMILY	\$62.84	\$70.69	\$7.85	\$74.63	\$83.96	\$9.33	\$86.40	\$97.21	\$10.80	\$98.19	\$110.47	\$12.27
CORE												
EE	\$16.20	\$18.23	\$2.03	\$17.78	\$20.01	\$2.22	\$21.05	\$23.68	\$2.63	\$24.30	\$27.34	\$3.04
EE+SP	\$88.04	\$76.55	\$8.51	\$74.70	\$84.03	\$9.34	\$88.39	\$99.44	\$11.05	\$102.07	\$114.83	\$12.76
EE+CHILD(REN)	\$66.43	\$74.74	\$8.30	\$72.91	\$82.03	\$9.11	\$86.29	\$97.08	\$10.79	\$99.65	\$112.11	\$12.46
FAMILY	\$97.15	\$109.30	\$12.14	\$106.64	\$119.97	\$13.33	\$126.19	\$141.96	\$15.77	\$145.73	\$163.94	\$18.22
ENHANCED												
EE	\$29.48	\$33.16	\$3.68	\$31.43	\$35.36	\$3.93	\$35.45	\$39.88	\$4.43	\$39.46	\$44.39	\$4.93
EE+SP	\$123.80	\$139.28	\$15.48	\$131.99	\$148.49	\$16.50	\$148.86	\$167.47	\$18.61	\$165.72	\$186.44	\$20.72
EE+CHILD(REN)	\$120.85	\$135.96	\$15.11	\$128.82	\$144.93	\$16.10	\$145.32	\$163.49	\$18.17	\$161.79	\$182.01	\$20.22
FAMILY	\$176.78	\$198.88	\$22.10	\$188.46	\$212.01	\$23.56	\$212.54	\$239.11	\$26.57	\$236.63	\$266.20	\$29.58

Proposed:

- 12.5% increase to all contributions across the board.
- 82% cost share (meet target).

CONTRIBUTION ANALYSIS MOVING FROM ENHANCED TO THE CORE

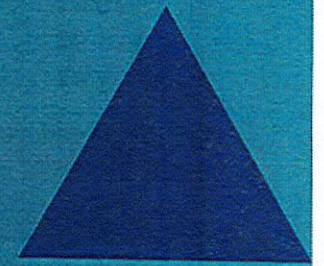
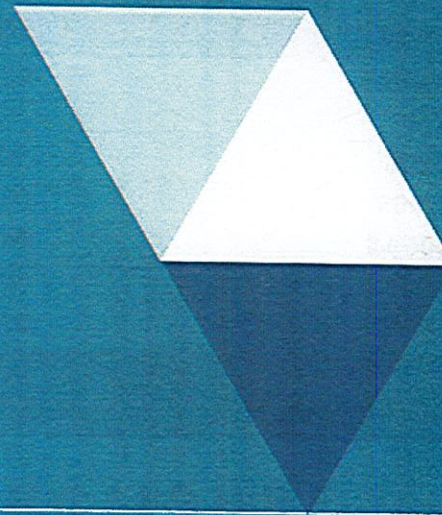
<u>2018 Bi-Weekly Active Contributions</u>												
Salary Bands	< \$32,278			\$32,278 - \$46,951			\$46,952 - \$61,623			> \$61,623		
Tiers	ENHANCED	CORE	Δ	ENHANCED	CORE	Δ	ENHANCED	CORE	Δ	ENHANCED	CORE	Δ
EE	\$33.16	\$18.23	\$14.93	\$35.36	\$20.01	\$15.35	\$39.88	\$23.68	\$16.20	\$44.39	\$27.34	\$17.05
EE+SP	\$139.28	\$76.55	\$62.73	\$148.49	\$84.03	\$64.46	\$167.47	\$99.44	\$68.03	\$186.44	\$114.83	\$71.61
EE+CHILD(REN)	\$135.96	\$74.74	\$61.22	\$144.93	\$82.03	\$62.90	\$163.49	\$97.08	\$66.41	\$182.01	\$112.11	\$69.90
FAMILY	\$198.88	\$109.30	\$89.58	\$212.01	\$119.97	\$92.04	\$239.11	\$141.96	\$97.15	\$266.20	\$163.94	\$102.26

MEDICAL RETIREE EMPLOYEE CONTRIBUTIONS 2018 COST SHARE – PROPOSED

2018 Monthly	Premium-Equivalent Rates	Retirees	Retiree Contributions	Cost Share	Increase from 2017
CORE					
EE	\$640.57	84	\$32.03	5%	\$0.14
EE+SP	\$1,345.22	7	\$736.68	55%	\$3.22
EE+CHILD(REN)	\$1,313.20	1	\$704.66	54%	\$3.08
FAMILY	\$1,920.58	2	\$1,312.04	68%	\$5.74
ENHANCED					
EE	\$681.81	127	\$73.27	11%	\$0.32
EE+SP	\$1,431.75	12	\$823.21	57%	\$3.60
EE+CHILD(REN)	\$1,397.66	1	\$789.12	56%	\$3.45
FAMILY	\$2,044.13	3	\$1,435.59	70%	\$6.28

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2018 DENTAL PROJECTIONS AND ALTERNATIVES



2017 & 2018 DENTAL UNDERWRITING AND CONTRIBUTIONS

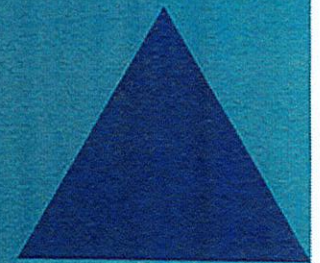
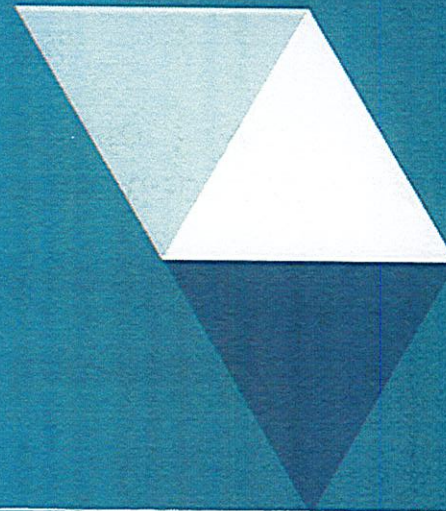
	2017 Actual + Projected	2018 Projected
Paid Claims	\$928,600	\$955,900
Administrative Fees	\$43,500	\$45,000
Total Projected Cost	\$972,100	\$1,000,900
2017 Current Budgeted Premiums	\$940,200	\$941,900
Projected Surplus/(Deficit) \$	\$31,900	\$59,000
Projected Surplus/(Deficit) %	-3.4%	-6.3%
Employee Contributions	(\$419,800)	(\$446,600)
COG/GUC Total Net Cost	\$552,300	\$554,300

Bi-Weekly	2017 Premiums	2018 Premiums	2017 Contributions	2018 Contributions	% Difference in Contributions	\$ Difference in Contributions
Dental						
EE	\$13.81	\$14.68	\$2.95	\$3.13	6.3%	\$0.18
EE+SP	\$29.01	\$30.83	\$11.23	\$11.93	6.3%	\$0.70
EE+Child(ren)	\$25.56	\$27.16	\$9.89	\$10.51	6.3%	\$0.62
Family	\$41.45	\$44.05	\$16.05	\$17.06	6.3%	\$1.01
Dental Plus						
EE	\$19.04	\$20.23	\$8.17	\$8.69	6.4%	\$0.52
EE+SP	\$39.98	\$42.48	\$22.20	\$23.59	6.3%	\$1.39
EE+Child(ren)	\$35.22	\$37.43	\$19.56	\$20.77	6.2%	\$1.21
Family	\$57.12	\$60.70	\$31.72	\$33.71	6.3%	\$1.99

Recommendations:

- Increase current dental rates 6.3% to develop the 2018 dental rates
- Continue to monitor the dental plan and adjust contributions as needed once we have more data

APPENDIX 2017 REFERENCES



2017 CHANGES

- Maintained current plan options (HSA, Core, Enhanced).
- Included year 1 HSA seed bonus for new HSA enrollees.
- Increased employee only cost share to 50% of the dependent tier cost share percentages for Core and Enhanced, and to 25% for HSA.
- Increased dependent tier contributions by 11.2%.
- Introduced Core/Buy-Up dental option.

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2017 COST SHARE

2017 (Bi-Weekly)	Premium- Equivalent Rates	% Increase to Rates	EI-Weekly Employee Contributions by Salary Band											
			< \$32,278			\$32,278 - \$46,950			\$46,951 - \$61,623			> \$61,623		
			EE Contrib	EEs	Cost Share	EE Contrib	EEs	Cost Share	EE Contrib	EEs	Cost Share	EE Contrib	EEs	Cost Share
HSA														
EE	\$254.93	8.2%	\$5.24	4	2.1%	\$6.22	11	2.4%	\$7.20	14	2.8%	\$8.19	4	3.2%
EE+SP	\$535.33	8.2%	\$44.02	0	8.2%	\$52.26	0	9.8%	\$60.52	0	11.3%	\$68.78	3	12.8%
EE+CHILD(REN)	\$522.60	8.2%	\$42.97	0	8.2%	\$51.02	3	9.8%	\$59.08	10	11.3%	\$67.13	2	12.8%
FAMILY	\$764.30	8.2%	\$62.84	0	8.2%	\$74.63	2	9.8%	\$86.40	8	11.3%	\$98.19	16	12.8%
CORE														
EE	\$294.36	8.2%	\$16.20	63	5.5%	\$17.78	126	6.0%	\$21.05	45	7.2%	\$24.30	31	8.3%
EE+SP	\$618.16	8.2%	\$68.04	11	11.0%	\$74.70	20	12.1%	\$88.39	5	14.3%	\$102.07	10	16.5%
EE+CHILD(REN)	\$603.44	8.2%	\$66.43	22	11.0%	\$72.91	61	12.1%	\$86.29	64	14.3%	\$99.65	48	16.5%
FAMILY	\$882.54	8.2%	\$97.15	9	11.0%	\$106.64	46	12.1%	\$126.19	43	14.3%	\$145.73	39	16.5%
ENHANCED														
EE	\$313.31	8.2%	\$29.48	16	9.4%	\$31.43	77	10.0%	\$35.45	49	11.3%	\$39.46	46	12.6%
EE+SP	\$657.92	8.2%	\$123.80	5	18.8%	\$131.99	15	20.1%	\$148.86	17	22.6%	\$165.72	13	25.2%
EE+CHILD(REN)	\$642.25	8.2%	\$120.85	5	18.8%	\$128.82	42	20.1%	\$145.32	55	22.6%	\$161.79	28	25.2%
FAMILY	\$939.32	8.2%	\$176.78	3	18.8%	\$188.46	36	20.1%	\$212.54	48	22.6%	\$236.63	25	25.2%

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2016 VS. 2017 INCREASE

Salary Bands	Bi-Weekly Active Contributions											
	2016	2017	Change	2016	2017	Change	2016	2017	Change	2016	2017	Change
	< \$32,278			\$32,278 - \$46,951			\$46,952 - \$61,623			> \$61,623		
HSA												
EE	\$2.50	\$5.24	\$2.74	\$3.68	\$6.22	\$2.54	\$4.86	\$7.20	\$2.34	\$6.03	\$8.19	\$2.16
EE+SP	\$39.58	\$44.02	\$4.44	\$47.00	\$52.26	\$5.26	\$54.42	\$60.52	\$6.10	\$61.85	\$68.78	\$6.93
EE+CHILD(REN)	\$38.64	\$42.97	\$4.33	\$45.88	\$51.02	\$5.14	\$53.13	\$59.08	\$5.95	\$60.37	\$67.13	\$6.76
FAMILY	\$56.51	\$62.84	\$6.33	\$67.11	\$74.63	\$7.52	\$77.70	\$86.40	\$8.70	\$88.30	\$98.19	\$9.89
CORE												
EE	\$7.37	\$16.20	\$8.83	\$8.10	\$17.78	\$9.68	\$9.58	\$21.05	\$11.47	\$11.06	\$24.30	\$13.24
EE+SP	\$61.19	\$68.04	\$6.85	\$67.17	\$74.70	\$7.53	\$79.49	\$88.39	\$8.90	\$91.79	\$102.07	\$10.28
EE+CHILD(REN)	\$59.74	\$66.43	\$6.69	\$65.57	\$72.91	\$7.34	\$77.60	\$86.29	\$8.69	\$89.61	\$99.65	\$10.04
FAMILY	\$87.37	\$97.15	\$9.78	\$95.90	\$106.64	\$10.74	\$113.48	\$126.19	\$12.71	\$131.05	\$145.73	\$14.68
ENHANCED												
EE	\$26.21	\$29.48	\$3.27	\$27.94	\$31.43	\$3.49	\$31.52	\$35.45	\$3.93	\$35.09	\$39.46	\$4.37
EE+SP	\$111.33	\$123.80	\$12.47	\$118.70	\$131.99	\$13.29	\$133.87	\$148.86	\$14.99	\$149.03	\$165.72	\$16.69
EE+CHILD(REN)	\$108.68	\$120.85	\$12.17	\$115.85	\$128.82	\$12.97	\$130.69	\$145.32	\$14.63	\$145.49	\$161.79	\$16.30
FAMILY	\$158.97	\$176.78	\$17.81	\$169.47	\$188.46	\$18.99	\$191.13	\$212.54	\$21.41	\$212.79	\$236.63	\$23.84

MEDICAL RETIREE EMPLOYEE CONTRIBUTIONS 2017 COST SHARE

2017 Monthly	Premium-Equivalent Rates	Retirees	Retiree Contributions	Cost Share	Increase from 2016
CORE					
REE	\$637.77	75	\$31.89	5%	\$2.42
REE+SP	\$1,339.34	8	\$733.46	55%	\$55.61
REE+CHILD(REN)	\$1,307.46	1	\$701.58	54%	\$53.19
FAMILY	\$1,912.18	1	\$1,306.30	68%	\$99.01
ENHANCED					
REE	\$678.83	129	\$72.95	11%	\$5.56
REE+SP	\$1,425.49	13	\$819.61	57%	\$62.12
REE+CHILD(REN)	\$1,391.55	1	\$785.67	56%	\$59.55
FAMILY	\$2,035.19	4	\$1,429.31	70%	\$108.34



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