

# Benefits and Compensation



March 9, 2011

# Employee Benefits Action Plan

**City Council Directive April 19, 2010**

**Project Mission:**

**Review all employee benefits to indentify changes which result in cost savings.**

**Propose changes for inclusion in the FY 2012 Budget.**

# Employee Benefits Action Plan

## **Employee Advisory Committee**

- **Reviewed All Benefits**
- **19 Meetings**
- **2 Employee Surveys**
  - 64% Employee Participation**
- **Recommendations to SSPC 1/19/2011**

# Employee Advisory Committee

## Survey Results

### Most Important Benefits:

1. VRS
2. Health Insurance

### Employees Requests:

1. Reintroduce multiple plans
2. Enhanced disease management (wellness)
3. 80% - maintain current health coverage

# Employee Advisory Committee

- Roxana Adams, Curator, Community Development Department
- Elia Alfonso, Sergeant, Police Department
- Michele Childs, Housing Agent II, Family Services Department
- Mike Cooke, Assistant Street Superintendent, Public Works Department
- Ana Davis, Utilities Services Manager, Utilities Department
- Tim Fitzwater, Buildings & Grounds Superintendent, Public Works
- Frank Flanagan, Firefighter/EMT, Fire & Rescue Department
- Greg Francis, Police Officer 1<sup>st</sup> Class, Police Department
- Traci Fuchs, Police Officer, Police Department
- Ginger Gordon, Procurement Technician, Finance and Admin Department
- John McMillan, Electric Line Superintendent, Utilities Department.
- Luke Nuar, Firefighter/EMT, Fire and Rescue Department
- Vicki Rohs, Deputy Registrar, Voter Registration and Elections
- Curtis Short, Water and Sewer Crew Leader, Utilities Department

# RFP – Health and Disability

## **RFP Health and Disability Benefits**

- **Health**
- **Dental**
- **Vision**
- **Long Term Disability**
- **Wells Fargo Insurance Services**  
**Greg Snow and Celeste Kane**
- **Issued October 25, 2010**
- **Proposal Due November 19, 2010**

# RFP – Health and Disability

**Health – 7 Proposals**

**Dental – 9 Proposals**

**Vision – 8 Proposals**

**Long Term Disability – 7 Proposals**

**Analysis of all Proposals by Wells Fargo**

# The Local Choice (TLC)

- **State Program**
- **Exempt from Public Procurement**
- **City Submitted Application October 2010**
- **Proposal Received January 5, 2011**
  - **Health, Dental and Vision**
- **Interviewed January 24, 2011**

# The Local Choice

**The Local Choice (TLC) health benefits program was created by the General Assembly in 1989 and has been providing health coverage to local jurisdictions since 1990.**

**285 Local Jurisdictions in Virginia**

**48,000 Insured Participants**

**[www.thelocalchoice.state.va.us](http://www.thelocalchoice.state.va.us)**

# RFP – Health and Disability

## **Selection Committee**

**Lawrence Hughes**

**Elia Alfonso - EAC**

**Tim Fitzwater - EAC**

**Juan Rivera - STPC**

**Pat Weiler - STPC**

**Brenda Cogdell - HR**

**Roslyn Solomon - HR**

**Advisors – Greg Snow and Celeste Kane**

# RFP – Health and Disability

**Committee Ranked Proposals in January**

**Committee Interviewed in January and February**

- **Health – Anthem, CIGNA and TLC**
- **Dental – Delta Dental and CIGNA**
- **Vision – VSP and Avesis**
- **Long Term Disability – National and The Hartford Group**

# **RFP – Health and Disability**

## **Selection Committee Recommendations**

**Health – CIGNA**

**Dental – Delta Dental**

**Vision – VSP**

**Long Term Disability – The Hartford Group**

# Selection Committee's Recommendation

## **CIGNA**

- **Same Health Benefits**
  - **No Co-Insurances**
- **Wellness Program**
- **City may customize benefits**
- **With TLC, TLC may modify benefits**
- **With TLC, Out-of-Pocket/Deductible \$1,100/\$2,200**
- **With TLC, 40 Employees to Family Tier**

# Consultant's Recommendation

## **CIGNA**

- **Same Health Benefits**
- **Comprehensive Wellness Program**
  
- **With TLC, Need Additional HR Staff**
- **With TLC, 40 Employees to Family Tier**
- **With TLC, Terminal Liability**

# City Manager's Recommendation

## **BALANCED**

- **City Council Directives April 2010**
- **Recommendations of Committees and Consultant**
- **Quality Health Insurance Program**
- **Employee Pay Plan**
- **Robust Wellness Program**
- **Reserve for Potential Terminal Liability**

# City Manager's Recommendation

**Health – The Local Choice (Anthem)**

**Dental – The Local Choice (Delta Dental)**

**Vision – VSP**

**Long Term Disability – The Hartford  
Group**

# The Local Choice

## Why Does it Cost Less?

- **State Program – Not for Profit**
  - **No profit margin**
  - **Does not pay state taxes**
- **Low Administrative Overhead**
- **Larger Insured Base (48,000 vs. 400)**

# The Local Choice

## **DISADVANTAGES**

- **No Customization of Plan Benefits**
- **No Negotiation of Rates**
- **Potential Terminal Liability**

# The Local Choice

- **Plan Year July 1 – June 30**
- **Anthem and Delta Dental Networks**
- **City will Offer Employees Four Plans**
  - **Key Advantage Expanded PPO**
  - **Key Advantage 500 PPO**
  - **Kaiser Permanente HMO**
  - **TLC High Deductible**

# The Local Choice

- **Employee's Monthly Premium is Reduced**
- **Employee's Share – Key Care Advantage Expanded**
  - **20% - Employee Only Tier**
  - **25% - Employee +1 and Family Tiers**
- **City's Net Share – 76%**

# The Local Choice

## City's Budget Savings

**CIGNA = (\$626,000) (14%)**

**Net TLC = (\$938,000) (21%)**

**TLC Savings (\$1,130,000)**

**HR Analyst \$92,000**

**Wellness Program \$100,000**

**TLC Net Savings (\$938,000)**

# The Local Choice

## **Key Advantage Expanded PPO**

- **Anthem and Delta Dental networks**
- **Deductible \$100/\$200**
- **Co-payments increased**
- **Co-insurance – Lab, X-Ray, Diagnostic**
  - **Schedule of Average Costs**
- **Annual Maximum Out of Pocket \$1,000/\$2,000**
- **Prescription Drugs Co-pay Increased**
- **Vision and Dental – Improved Benefits**

# Employee Compensation Package

<b>FY 2011</b>	<b>Total Cost</b>
Organizational Structure Analysis	\$70,000
Pay & Classification Study	90,000
One-Time \$1,000 Wellness Incentive June 2011	482,000
<b>FY 2011 Total (funded with FY 2011 savings)</b>	<b>\$642,000</b>

# Organizational Structure Analysis

## **FY 2011**

- **Review Current Organization and Management Processes**
- **Including Council and Staff Interviews**
- **Alternative and Innovative Organizational Structures and Management Processes from Other Successful Organizations**
- **Senior Management Team**

# Pay and Classification Study

## **FY 2011**

- **2002 – Hendricks**
- **Pay Study – Bench mark City salaries with surrounding jurisdictions and utilities**
- **Classification Study – Develop job descriptions and grade positions**
  - **FLSA Compliance**
  - **Internal Equity**
- **Employee Advisory Committee**

# Employee Compensation Package

	<b>Total Cost</b>
<b>FY 2012</b>	
Health Insurance (net)	(\$938,000)
Merit Increase - average of 2.25 %	681,000
Public Safety Compression	71,000
Deferred Compensation Match (from \$5 to \$10)	44,700
<b>FY 2012 Net to Employees</b>	<b>(141,300)</b>
General Fund wage contingency	(386,390)
<b>FY 2012 Budget Savings</b>	<b>(\$527,690)</b>

# Employee Compensation Package

## **FY 2012 Merit Pay Increase**

- **“Fully Successful” Annual Evaluation**
- **Pay Increase Effective Anniversary Date**
- **% Increase Based on Hire Date**
  - FY 2011 = 1%**
  - FY 2010 = 2%**
  - FY 2009 = 3%**
  - FY 2008 and earlier = 4%**

# Employee Compensation Package

## **FY 2012 Merit Pay Increase**

- **% Increase on MIDPOINT of Grade**
- **No Increase over MAXIMUM of Grade**
- **Department Directors - 2% of MIDPOINT**

# Employee Compensation Package

## **FY 2012 Public Safety Program**

- **3% One-time payment when complete Academy**
- **3% Pay Increase when complete Field Training**

# Employee Compensation Package

## **March 28, 2010 Resolution**

- **Health, Dental and Vision Insurance Contract - The Local Choice**
- **Vision Supplemental Insurance - VSP**
- **Long Term Disability Insurance - The Hartford Group**
- **Organizational Structure Analysis - \$70,000**
- **Pay and Classification Study - \$90,000**
- **\$1,000 Wellness Incentive June 2011 - \$482,000**