METROPOLITAN LIBRARY COMMISSION
OF OKLAHOMA COUNTY

ADMINISTRATIVE & PERSONNEL COMMITTEE
AGENDA

Members: David Greenwell, Chair
Dr. Ann Caine
Carolyn Cornelius
Shirley Pritchett
Marguerite Ross

Monday, May 6, 2002

3:30 p.m.

Belle Isle Library
5501 N. Villa
Oklahoma City, OK 73112
(Phone: 843-9601)

NOTE: Comments from the general public will be limited to 15 minutes with time prorated among speakers. Preference will be given to residents of Oklahoma County. Persons signing up to address the committee must list their residential address and personally sign a speaker form.

I. Call to Order and Establishment of Quorum – David Greenwell, Chair

II. Annual Review of Human Resources - Salaries and Benefits

III. Compensation Report

IV. Report on Insurance Plans

V. Medical/Dental Insurance Review

VI. Report on Employee Assistance Program

VII. Report on Need to Study the Grievance Procedure

Cc: Metropolitan Library Commission
Administrative Team
Darlene Browers, President, Staff Association
Managers and Supervisors

METROPOLITAN LIBRARY SYSTEM
ANNUAL REVIEW OF HUMAN RESOURCES - SALARIES AND BENEFITS
APRIL 2002

Statistics in this report were gathered from actual payrolls in December 2001 and encompass only full-time, salaried employees of the Metropolitan Library System.*

TABLE I **Average Gross Salary**

	Monthly	Annually	Hourly
Dec. 2001	$2,600	$31,200	$15.00
Dec. 2000	$2,560	$30,722	$14.77
$ Increase	$ 40	$ 478	$ .23
% of Increase		1.56%	

*Only the salary of the Executive Director has been excluded from this average.

The library system instituted performance awards effective July 1, 1993 as a part of the salary administration policy. The commission approved performance awards for FY 01-02 ranging from 0 to 3% based on the score achieved on the performance appraisal and a market adjustment effective December 24, 2001 of 2.5% The average annual salary increased by 1.56%. From the combination of the performance awards and market adjustments, one would expect an increase of something in the range of 3 to 5.5%. This expectation, however, is offset by the turn-over in positions and the generally lesser starting salaries of new employees as opposed to the salaries of long term employees.

TABLE II **Average Benefits, Annual**

	Dollar Value	As % of Salary**
Dec. 2001	$16,301.21	52.25%
Dec. 2000	$15,616.75	50.83%
Change	$ 684.46	1.42%

**Percentage calculated by dividing benefits by salary

TABLE II-A **DIRECT-COST BENEFITS, Current Annual - Average Employee**

	2000	2001
Direct-Cost Benefits	Annual Cost	Annual Cost
Medical & Dental Ins. Premium	$3,944.52	$4,379.06
Life/ADD&D Ins. Premium	214.32	119.23
Long-Term Disability Ins.	294.93	299.52
Retirement Pension	3,686.59	4,680.00
Social Security	2,350.20	1,934.40
Unemployment Insurance	21.51	18.73
Worker's Compensation		182.95
Vision Insurance	127.92	126.57
Employee Assistance Program	24.00	24.00
Total Dollar Cost	$10,824.92	$12,216.86
% of Salary	35.24%	39.16%

TABLE II-B **INDIRECT-COST BENEFITS, Current Annual - Average Employee**

	2000	2000	2001	2001
Indirect-Cost Benefits	Hours Off with Pay	Annual Value	Hours Off with Pay	Annual Value
Annual Vacation	155.09	$2,290.68	132.43	$1,883.10
Sick Leave	62.83	9,28.00	47.91	718.65
Dr./Den. Appts	14.03	207.22	9.62	144.30
Holidays	87.30	1,289.42	82.81	1,242.15
***Other	5.18	76.51	6.41	96.15
Total	324.43	$4,791.83	273.57	$4,084.35
% of Salary		15.87%		13.09

****Other includes bereavement, court, vote, military leave, professional etc.

TABLE III-A

The Tulsa City-County Library System conducts an annual salary survey in which this system participates. Responses were received from eleven public libraries:

Denver
Fort Worth
Jefferson County (CO)
Johnson County (KS)
Kansas City
Louisville
Memphis
Metropolitan Library
Mid-Continent (MO)
Milwaukee
Tulsa

The position which is most comparable from library to library is "reference librarian." The table below shows the comparison of a reference librarian in this system and the survey results.

Reference Librarian	Minimum	Maximum
Survey Average	$31,686	$46,223
MLS Range	$29,806	$42,078
Amount Below Average	$1,800	$4,145
Below Average	5.68%	8.97%

One year ago, MLS range was 2.57% below the minimum average and 7.62% below the maximum average in the Tulsa City-County survey. Comparing the minimum average, MLS range has fallen by 3.11% during this twelve month period.

TABLE III-B

Within the state, the four major employers of public service librarians are the Oklahoma Department of Libraries, the Pioneer Library System, the Tulsa City-County Library System and this system. A comparison of salaries for closely comparable librarian positions follows.

Agency	Minimum	Maximum
Pioneer	$30,829	$43,954
MLS	$29,806	$42,078
Tulsa	$28,056	$40,632
ODL	$22,564	$44,273
Average	$28,814	$42,734

One year ago, the MLS minimum was 7.03% above average; twelve months later, it is 3.44% above average in the major libraries in the Oklahoma survey. Comparing the minimum of the range, MLS has fallen 3.59% during this twelve month period.

TABLE III-C

The other major salary survey in which the library system is included is the Allen County (IN) Public Library Salary Survey. That library system provides an "all survey" average and a "midwest" average for the position of librarian.

Reference Librarian	2000		2001	
	Minimum	Maximum	Minimum	Maximum
All Survey	31,756	45,737	33,035	48,645
Midwest	31,473	46,035	32,253	47,461
MLS	29,078	41,038	29,806	42,078
MLS Below Midwest Average	6.39%	10.85%	7.59%	11.34%

One year ago, the MLS minimum was 6.39% below the minimum average in the Allen County survey. Comparing the minimum average, MLS range has fallen by 1.20% during this twelve month period.

SEE ATTACHMENT A FOR THE CHARACTERISTICS OF INDIVIDUAL BENEFIT PLANS NOW IN EFFECT IN THIS LIBRARY SYSTEM.

TABLE IV **Paid Time off, Employees in Four Library Systems**

Annual Vacation Leave

Metropolitan:	All grades, 12 days to start; increase to 25 days maximum in 5-year service segments; i.e., 15 days after 5 years; 20 after 10 years; 25 after 16 years.
Tulsa:	All grades, 10 days min. to start; increases to 15 days after 5 years of service and to 20 days after 10 years of service. Grants credit for prior professional service.
Pioneer:	Grades 1-4, 10 days after 1 year; 15 days after 3 years; 20 days after 5 years; Grade 5, 15 days after 1 year, 20 days after 3 years; Grades 6+, 20 days, starting with second year.
Oklahoma Dept. of Libraries:	For anyone hired on or after 7-1-96, 11.5 days per year: for those with hire dates prior to 7-1-96, years 1 through 5, 15 days, year 6 through 10, 18 days, year 11 through 20, 20 days and year 21 and thereafter, 25 days per year.

Sick Leave

Metropolitan	All grades, 15 days; maximum accumulation of 120 days.
Tulsa:	All grades, 12 days; maximum accumulation of 120 days. (Two days per year may be used for personal business.) Employees beginning the year with 120 day accumulations may, at the end of the year, trade two days of sick leave for a day of additional annual leave (to a maximum of 6 days) providing the number of days used and the number of days traded do not exceed 12.
Pioneer:	All grades, 12 days; maximum accumulation of 120 days.
Oklahoma Dept. of Libraries:	All grades. 15 days; maximum accumulation of 125 days.

Holidays

Metropolitan:	11 days (includes two "floating" holiday)
Tulsa:	11 days (includes one "floating" holiday)
Pioneer:	14 days (11 paid holidays plus 3 personal days granted one every four months and lost if not taken during that third of the year)
Oklahoma Dept. of Libraries:	10 Currently; varies according to state administration.

TABLE V **Turnover Rate**

The turnover rate is calculated by dividing the number of terminations (for which replacements were hired) in a given time period (calendar year) by the average total workforce.

The figures below represent full-time library employees only, and reflect termination for a variety of reasons; e.g., better-paying job, relocation, health or personal, dismissal, retirement, etc.

Turnover rate comparison for recent years

1999 .0895 2000 .1141 2001 .1287

Turnover Rate - Comparison for the most recent three years

Year	Full-Time Employees
1999	17*
2000	21**
2001	26***

*by comparison 61 part-time employees terminated in 1999

**by comparison 55 part-time employees terminated in 2000

***by comparison 34 part-time employees terminated in 2001

Metropolitan Library System April 22, 2002

Individual Employee Salary - Benefits Report

To: **Average Benefits**

From: **Human Resources**

We have tabulated your earnings and benefits based on your status of December 27, 2001. This information is displayed below.

Table I shows the value of the benefits paid directly on your behalf by the Metropolitan Library System. These are known as direct cost benefits because the Library System expends money from its budget to pay for them. These costs ar based on benefits being received in December, 2001.

Table II shows the value of your paid annual vacation leave, sick leave, doctor & dental appointments, holidays and other paid time off. These are called indirect cost benefits because the Library System ordinarily does not expend funds to replace personnel on leave. The time period for this report was from January through Decmeber, 2001.

Please review carefully and note the value of your benefits. If you have any questions about this data, please call the Human Resources Office.

TABLE I - DIRECT COST BENEFITS

Item	Annual Cost	Monthly Cost*	Hourly Cost
Salary	31,200.00	2,600.00	15.00
Retirement	4,680.00	390.00	2.25
Social Security	1,934.40	161.20	.93
Medicare	452.40	37.70	.22
Medical/Dental Ins.	4,379.06	364.92	2.11
Life and AD&D Insurance	119.23	9.94	.06
Long-term Disability Ins.	299.52	24.96	.14
Workers' Comp. Ins.	182.95	15.25	.09
Unemployment Ins.	18.73	1.56	.01
Vision Ins.	126.57	10.55	.06
EAP	24.00	2.00	.01
Total Benefit Value	12,216.86	1,018.07	5.88
Direct Cost Benefits as a % of Salary	39.16 %		

*monthly represents an average (1/12 of annual).

TABLE II - INDIRECT COST BENEFITS

Item	Potential Hours	Annual Value	Actual Hours	Actual Value
Annual Leave	132.20	1,983.00	125.54	1,883.10
Sick Leave	91.10	1,366.50	47.91	718.65
Dr/Dental Appt.	.00	.00	9.62	144.30
Holidays	83.72	1,255.80	82.81	1,242.15
Miscellaneous	.00	.00	6.41	96.15
Totals	307.02	4,605.30	272.29	4,084.35
Indirect Benefits as a % of Salary	Potential:	14.76 %	Actual:	13.09 %

Summary

The Potential value of your benefits 16,822.16
(sum of Table 1 total and potential Table II total)

The Potential benefit as a percent of salary .... 53.92 %
(sum of Table 1 total and potential Table II total)

The Actual value of your benefits 16,301.21
(sum of Table 1 total and Actual Table II total)

The Actual benefit as a percent of salary .... 52.25 %
(sum of Table 1 total and Actual Table II total)

CHARACTERISTICS OF BENEFIT PLANS

I. GROUP MEDICAL/DENTAL INSURANCE

Background

The library system became independently self-insured for medical and dental insurance on July 1, 1995. From November 1, 1990 to that date, the library system was blended in with Oklahoma County's self-insured plan. Prior to that time, the insurance had been with private carriers. The cost of coverage through private carriers proved far too expensive for both the library system and the individual employees.

The savings through self-insurance is long-term. Individual years may result in individual stop losses being met and the aggregate stop loss being reached. Stop loss coverage is part of the self-insured concept and is there to protect against unusually bad years. In contrast to last year, we have had no one reach our individual stop loss through March of this year. From a rate standpoint with our re-insurance, this is a good thing. As of the end of March of 2002, the claims account had a balance of $613,101 in excess of claims paid including reimbursements for individual stop losses.

Currently

Each eligible employee currently has a choice of two options:

A. Metropolitan Library System Self-Insured Plan

B. No coverage (provided the employee can show proof of coverage elsewhere).

Characteristics of the coverage:

Eligibility—all full-time employees with three months of service.

Continuation coverage—per federal requirements under COBRA.

Coverage—comprehensive medical coverage, including limited coverage of mental problems; standard dental coverage with orthodontia coverage only for covered persons through age 19, or through age 24 if a full-time student.

Premium payments—Library contributes to the cost of premiums for both individual and family coverage as described in the Analysis of Group Medical Insurance Costs on the following page. Cost sharing is established annually by Commission action.

Arrangement term—current rates are valid through June 30, 2002

Total Budgeted Cost, this fiscal year: $ 930,236.

CHARACTERISTIC OF BENEFIT PLANS, continued

METROPOLITAN LIBRARY SYSTEM SELF-INSURED MEDICAL/DENTAL INSURANCE PREMIUM COST SHARING

Library' s Share of Monthly Premiums

(approximately 90% of single coverage & 70% of additional cost for dependents)

	FY 00-01	FY 01-02
Single Coverage	$279.75	$300.90
Additional Cost for Dependents	232.03	285.98
Total Cost for Both	$511.98	$586.88

Employee's Share of Monthly Premiums

(approximately 10% of single coverage & 30% of additional cost for dependents)

	FY 00-01	FY 01-02
Single Coverage	$ 31.08	$ 33.43
Additional Cost for Dependents	99.44	122.56
Total Cost for Both	$130.52	$155.99

Total Monthly Premiums

	FY 00-01	FY 01-02
Single Coverage	$310.83	$334.33
Additional Cost for Dependents	331.47	408.54
Total Cost for Both	$642.30	$742.87

CHARACTERISTICS OF BENEFIT PLANS, continued

II. GROUP LIFE AND AD&D INSURANCE PLANS

Carrier: The Prudential Insurance Companies of America

Coverage: One and one-half times annual salary to a maximum of $100,000. The amount is adjusted every July 1; additional one and one-half times for accidental death. (The accidental death and dismemberment provision is not applicable for retirees.)

Eligibility: All full-time employees with three months of service. (Group plan is not portable. Group coverage ceases when employment ends.)

Premium cost: Per covered employee, $ .207 per $1000 of coverage per month, all paid by the library system. There is an administrative fee of $1.00 per month for the period July 1, 2001 through June 30, 2002 per month for each active employee and retiree with life insurance only (no health insurance coverage through the library system.) There are 21 employees and 11 retirees who do not participate in the medical/dental insurance plan and for whom the library pays that fee. (These 11 retirees were grandfathered in from a previous policy.)

Total Budgeted Cost, this fiscal year: $24,193.

III. SUPPLEMENTAL LIFE INSURANCE

Supplemental whole life insurance at group rates is available to employees and dependents on an employee-pay-all basis. This coverage is portable upon resignation or retirement.

IV. SHORT-TERM DISABILITY INCOME INSURANCE

Short-term disability insurance at group rates to employees on an employee-pay-all basis dependent upon the amount of monthly income the employee selects, not to exceed 65% of basic monthly earning.

V. LONG-TERM DISABILITY INCOME INSURANCE

Carrier: UNUM

Benefit: 60 percent of salary per month (reduced if income from other sources is received.)

Eligibility: All full-time employees with three months service.

Waiting Period: 90 calendar days.

Premium Cost: $ .96 per $100 of first 96,000 of individual salary, all paid by the library.

Total Budgeted Cost, this fiscal year: $63,333.

CHARACTERISTICS OF BENEFIT PLANS, continued

VI. VISION INSURNACE

Carrier: Vision Service Plan, Inc. Oklahoma

Coverage: Basically, the plan provides one pair of "no-frills" glasses to an eligible employee every twelve months. Whether going to an approved provider or a provider of the employee's choice, the employee will pay a co-payment of $10.00 for an exam and $25.00 for materials, including frames and lenses.

Eligibility: All full-time employees with three months service.

Waiting Period: 90 calendar days

Premium Cost: $10.66 per month per eligible employee.

Total Budgeted Cost, this fiscal year: $24,690.

VII. EMPLOYEE ASSISTANCE PROGRAM

The library system initiated the Employee Assistance Program in January 2000 as a resource for employees to assist troubled employees and their families. The EAP provides assessment, counseling and referral with problems that lead to work distractions and stress caused by martial and family problems, financial problems, compulsive gambling, substance abuse, domestic violence, emotional distress, smoking cessation and similar conditions.

During calendar year 2001, sixty-nine employees or family members made contact with the EAP counselor resulting in twenty-one initial visits, forty-eight follow-up visits, fourteen telephone sessions, two emergency on-call sessions, and thirteen consultations with supervisors and the Human Resources Office. The problems presented included the categories of personal, family, drug/alcohol, job, financial and martial.

According to the U.S. Department of Labor, employers can save up to $16 for every dollar invested in an employee assistance program. Based on this formula, the library system would have saved $207,360 dollars in the year 2001. These savings would have resulted from reduced numbers of insurance claims, sick leave, accidents, workers' compensation claims and grievances.

Provider: Mutual Assurance Administrator (contract being terminated 6-1-01)

Benefit: Counseling services are no cost for three visits per problem per family member with twelve additional sessions at $45 each.

CHARACTERISTICS OF BENEFIT PLANS, continued

EMPLOYEE ASSISTANCE PROGRAM, continued

Appointments from 7 a.m. to 7 p.m. with crisis counselor available by phone 24 hours per day, seven days per week.

Eligibility: All employee and their immediate family members.

Waiting Period: None, service available upon employment.

Premium Cost: $2.00 per month per employee.

Total Budgeted Cost, this fiscal year: $12,960.

VIII. WORKERS' COMPENSATION

All library employees are covered by workers' compensation, as required by law, to protect against medical costs and loss of income from on-the-job injuries.

Carrier: State Insurance Fund

Current Premium (rates): Range from a low of $ .43 per $100 of covered payroll for covered payroll for clerical and office worker category (most library staff) to a high of $4.54 for delivery drivers.

Current FY, Budgeted annual cost: $50,954

IX. UNEMPLOYMENT COMPENSATION

All Library employees are covered by state unemployment compensation, as required by law, to help pay out of work employees during limited periods of unemployment. This is administered by the State of Oklahoma. The library uses the direct cost reimbursement method instead of the payroll tax method.

Amount Budgeted to Cover Possible Claims: $10,000

Claims Paid January 1, 2001 Through December 31, 2001: $4,530

CHARACTERISTICS OF BENEFIT PLANS, continued

X. RETIREMENT PENSION PLAN

Background

The Metropolitan Library Commission established the library employees' retirement pension fund in 1969.

Its purpose is to give long-term library employees a retirement income over and above the Social Security Retirement Pension. (The library system also participates in Social Security.)

Employee participation was voluntary at first; long-range planning was difficult, and the number choosing to join proved to be too low to maintain the retirement plan on a sound footing. Therefore, in 1973, the library commission made employee participation mandatory, a condition of employment, for all eligible, full-time staff members. The plan quickly stabilized, and remains in sound fiscal condition.

From July 1, 1969 through June 30, 1990, the provider of the retirement plan was State Mutual Life Assurance Company. Effective July 1, 1990, the plan was transferred to Fringe Benefits Design, Inc. as administrator/actuary with the BancOklahoma Trust Company for fund management.

Type of Plan: "Defined Benefit"

The plan provides a set benefit, at retirement, related to salary and length of service.

Eligibility

All full-time (40 hour per week) employees.

How Funded

Employees contribute 3 percent of their gross salary, via payroll deduction, beginning with the first paycheck.

The library system contributes an amount, which varies according to the actuarial needs of the fund, budget permitting.

In Plan Year 01-02, it is estimated that library employees will contribute about $188,400. The library system has paid $926,533 for the employer contribution.

CHARACTERISTICS OF BENEFIT PLANS, continued

RETIREMENT PENSION PLAN, continued

Financial Statement

As of June 30, 2001, the market value of the current plan assets was $13,200,765.

Interest of Investments

Money earned through investments is returned to the retirement pension fund and reinvested, adding to the strength of the plan and the amount of income ultimately received by retirees.

Each participant's contributions are credited with interest at the rate of 5% per year, compounded annually beginning on the first day (July 1) of the contract year following the first such contributions by the participant.

Vesting: Years of Credited Service; Age Requirement; Pension Benefits

1. An eligible full-time employee begins participating in the plan with the first paycheck; 3 % of salary is withheld and that amount is sent monthly with all other employee contributions to the plan trustee, BancOklahoma Trust Company.

2. After one year of participation in the plan, the employee's contributions begin earning interest at a rate of 5%.

3. If the employee terminates library employment before the end of his or her first year of participation in the plan, he or she receives a reimbursement of contributions made to that point, without interest.

4. If the employee terminates library employment after one year but before the fifth year, he or she receives a reimbursement of contributions made to that point, plus accumulated interest earned on his or her contributions.

5. After five years of credited service (participation) in the plan, the employee is 100% vested. (Note: This five-year vesting plan took effect July 1, 1988; before that, it took 15 years of Credited service before the participant was fully vested.)

CHARACTERISTICS OF BENEFIT PLANS, continued

RETIREMENT PENSION PLAN, continued

6. If the employee with vested interest then terminates library employment before becoming eligible for early (see #8 below) or normal retirement (see #7 below), he or she has the option of taking a lump sum reimbursement, as described in #5, above or of leaving his/her contributions in the plan until age 62, at which time the employee would begin to receive a monthly pension check. The amount of the check would be determined by a certified actuary based on our current retirement plan documents.

6.A. In summary, when one is "vested ," one has the option of leaving one's contributions in the pension plan and at early or normal retirement age receiving monthly pension checks consisting of interest-earning funds invested from both employee and employer contributions or taking only the individual employee's contribution plus earned interest in a one-time reimbursement at termination. If a participant is not vested he/she does not have the first option.

6.B Each individual's "case" is different, so the decision on how to exercise vesting rights is one that the individual should make in consultation with the library system's Business Office and the plan's administrator.

7. Retirement benefits are based on a formula that gives a maximum benefit to those who retire no earlier than age 62 and with five or more years of credited service. Age 62 is known as the "normal" retirement age.

8. If a person who is vested chooses to take early retirement (age 50-61 with at least 20 years of credited service), he or she will receive a monthly annuity that is actuarially reduced to compensate for the assumption that the early retiree will collect more monthly pension checks than one who retires at 62 or later.

9. "Late retirement" is permissible under the plan (i.e., beyond age 62) and there is no mandatory retirement age; however, the formula used to calculate retirement benefits does not include credited service beyond 32 year. The amount of the monthly pension check is actuarially increased based on the assumption that the older one is at retirement, the fewer monthly annuity checks one will collect.

CHARACTERISTICS OF BENEFIT PLANS, continued

RETIREMENT PENSION PLAN, continued

FORMULA FOR CALCULATION NORMAL RETIREMENT BENEFITS:

Years of Credited Service (S) x 2.5% of the average of the employee's high 60 consecutive completed calendar months of employment.

(E) = Monthly Retirement Benefit for each year of credited service.

Example:

Employee, age 62, with 32 years of credited service, and whose average monthly earnings were $2,000.

S = 32	32
E = $2,000 x 2.5%	x50
monthly benefit =	$1,600.00

NOTE: As stated above (6.B), each pension plan "case" presents different options; for example, a married employee may choose from several different plans to provide for a surviving spouse the above is exemplary of a single individual with life time benefit.

XI. SOCIAL SECURITY

The library system continues to participate in Social Security retirement for its employees. The current rate is 6.2% for social security tax up to the maximum of $80,400 in 2001 and to $84,900 in 2021 of the employee's salary and 1.45% of Medicare tax of the employee's entire salary. The library system, as the employer, matches whatever is paid by the employee. Social Security is a benefit extended to part-time as well as full-time employees. The library has budgeted $623,461 for this benefit in this fiscal year (FY 01-02).

CHARACTERISTICS OF BENEFIT PLANS, continued

XII. ANNUAL VACATION LEAVE (AVL)

Library policies allocate AVL on the basis of length of service, i.e.:

1 - 5 years of service...............12 AVL days
6 - 10 years of service................15 AVL days
11- 15 years of service................20 AVL days
16 + years of service................25 AVL days

AVL bonus days awarded in connection with Sick Leave as follows: An employee receives two bonus AVL days in the calendar year following a calendar year in which he/she used no more than three days of Sick Leave; and one bonus AVL day for using more than three but no more than six days of Sick Leave.

An employee may carry forward no more than 25 percent of AVL from one calendar year to the next. At termination, an employee is reimbursed for unused AVL.

XIII. SICK LEAVE (SL)

Each full-time, salaried employee has available 10 hours (1.25 days) per month for Sick Leave (15 days per year). There is no reimbursement for unused SL at termination of employment. SL may be used to care for dependents in the immediate family.

The employee begins accumulating SL during his or her first month on the job, and can accumulate up to 120 days.

XIV. DOCTOR/DENTAL APPOINTMENTS

Each full-time, salaried employee may be granted up to three hours per occurrence for doctor/dental appointments.

Unless unusual circumstances arise (obvious abuse of the privilege, for example), an employee is not charged for time taken for such appointments.

If more than three hours are taken for an appointment, all time off is charged to Sick Leave.

CHARACTERISTICS OF BENEFIT PLANS, continued

XV. HOLIDAYS

The system's 2000 Holiday Calendar included nine days when the libraries were closed, as follows:

New Year's Day
Martin Luther King, Jr. Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day (2 days)
Christmas (2 days)

2 "Floating" holidays (employee choice)

Variations may occur depending on the day of the week upon which an observed holiday falls in a given year. If a holiday falls on an employee's regularly scheduled day off, an "in lieu" day is given.

XVI. OTHER

Other leave benefits include court/jury duty, military leave, leave to vote and bereavements leave.

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COMPENSATION REPORT
APRIL 2002

BACKGROUND

The salary administration policy as adopted by the Library Commission in 1992 consists of two components: the classification plan and the compensation plan. The compensation plan is additionally divided into two components: performance awards and market adjustment.

The performance awards component is the method of advancing an individual from the starting salary within the pay range and is based upon actual performance. Full-time and some part-time employees (excluding pages) receive a formal performance review just prior to the completion of the initial six months of employment or promotion and annually thereafter. This review is based on defined performance standards that are reviewed with the employee by his/her supervisor at the start of the evaluation period. Some of the standards are common for all employees (the good employee standards) while most are designed specifically for the position of the employee. The performance of part-time pages is reviewed on a different schedule using either this same performance standards based method or a performance ranking method. Both methods have previously been approved by commission action and are incorporated in the Policy and Procedure Manual under Section VIII.

PERFORMANCE AWARDS

Under the performance award model approved as a part of the FY 01-02 budget, the highest salary increase possible is 3% and this is available only to those individuals who achieve a score of 3.5 or better on a scale of 1 to 4. Individuals with this same score but who are in the third or fourth quartiles of their range receive a 3% increase. Although the scale of possible increases ranges from 0% to 3%, the statistics for FY 01-02, July 1 through March 31, indicate an average performance award increase of 2.4%.

EMPLOYEES AT TOP OF SALARY RANGE RECEIVE BONUSES IN LIEU OF INCREASES

Some individuals receive bonuses in lieu of salary increases because they reached or were at the top of their salary range. Those bonuses were equal to three-fourths of the percentage of increase for which the employee's evaluation score otherwise would have qualified him or her.

MARKET ADJUSTMENTS

The market adjustment is the component that is used to insure that the salary structure is adjusted equally across-the-board. Several considerations dictate whether a market adjustment will be administered: (1) changes in the overall wage scale nationally, (2) the results of salary surveys and (3) the budgetary constraints of the library system. Each year as a part of the budget process, the Administration, with Commission approval, determines the applicability and the financial ability to apply a market adjustment to the salary structure. When applicable and when funds are available, a percentage increase is applied equally to all ranges and to all eligible employee salaries.

A national study conducted by Buck Consulting of Fortune 1000 companies projects a rise in base salary rates of approximately 4.0 to 4.3% for the year 2002. The study involved executives, salaried exempt, salaried nonexempt and hourly nonexempt employees with the executive increases at 4.3% and hourly nonexempt at 4.0%.

The U.S. Department of Labor, Bureau of Labor Statistics reports indicated that the Employment Cost Index (ECI) for the 4th quarter of 2001 for the state and local government sector increased 4.2% over the previous year. By comparison, the Consumer Price Index-All Urban Consumers rose only 1.1% from February 2001 to February 2002..

A market survey was conducted in late 1998 for inclusion in the Classification and Compensation Study performed by Slavin Management and was implemented as a part of the adoption of the plan in December 1999. Since that time, the library administration has conducted limited studies of major public librarian employers within the state and has participated in and received the results of the salary surveys conducted by the Tulsa City-County Library (TCCL) System and Allen County (Ft. Wayne, Indiana) Public Library. The TCCL survey includes a limited number of libraries, while the Allen County survey is much more wide-spread. It presents results in two formats, the survey average and a mid-west average.

SURVEY RESULTS

In-State Survey

Within the state, the four major employers of public service librarians are the Oklahoma Department of Libraries, the Pioneer Library System, the Tulsa City-County System and this system. A comparison of salaries for closely comparable librarian positions follows.

Agency	Minimum	Maximum
Pioneer	30,829	43,954
MLS	29,806	42,078
Tulsa	28,056	40,632
ODL	26,564	44,273
Average	28,814	42,734
MLS Above Average	3.44%	(1.53% below)

One year ago, the MLS minimum was 7.03% above average, twelve months later, it is 3.44% above the average in the major libraries in the Oklahoma survey. Comparing the minimum of the range, MLS has fallen 3.59% during this twelve month period and have fallen ever so slightly below the average.

Tulsa Survey

Tulsa City-County Library System conducts an annual salary survey in which this system participates. Responses were received from eleven public libraries. These include:

- Denver
- Fort Worth
- Jefferson County (CO)
- Johnson County (KS)
- Kansas City, MO
- Louisville
- Memphis
- Metropolitan Library System
- Mid-Continent (MO)
- Milwaukee
- Tulsa

Reference Librarian	Minimum	Maximum
Survey Average	31,686	46,223
MLS Range	29,806	42,078
MLS Below Average	1,800	4,145
MLS Below Average	5.68%	8.97%

One year ago, MLS range was 2.57% below the minimum average and 7.62% below the maximum average in the Tulsa survey. Comparing the minimum average, MLS range has fallen by 3.11% during this twelve month period.

Allen County Survey

The other major salary survey in which the library system is included is the Allen County (IN) Public Library Salary Survey. That library system provides an "all survey" average and a "midwest" average for the position of librarian.

	2000		2001	
	Minimum	Maximum	Minimum	Maximum
All Survey	31,756	45,737	33,035	48,645
Midwest	31,473	46,035	32,253	47,461
MLS	29,078	41,038	29,806	42,078
MLS Below Midwest Average	6.39%	10.85%	7.59%	11.34%

One year ago, the MLS minimum was 6.39% below the minimum average in the Allen County survey. Comparing the minimum average, MLS range has fallen by 1.20% during this twelve month period.

COMPENSATION GOAL

Since the Administrative and Personnel Committee of May 5 1994, the library system has stated, as a long-term goal, that it was desirable to be the leader in-state among the four major public library employers and to be 4% to 5% above the regional average. For the first time in several years, the first objective is no longer being met. The second objective has remained a long-term goal for several years. Depending on whether the Tulsa survey or the Allen County survey is considered to be the best regional average, it would be necessary to increase MLS starting salaries by 9.68% to 10.68% to meet the goal (Tulsa survey) or 11.59% to 12.59% to meet the goal (Allen County survey).

The third part of the component of the market adjustment consideration is the budgetary constraints of the library system. It is this component that prevents the accomplishment of the stated goal.

RECOMMENDATIONS

The performance awards ranging from 0% to 3% for both full-time and part-time employees (including pages) be approved for FY 02-03. Funds have been included in the Estimate of Needs to allow for this. (See attachment for the proposed Merit Increase Guide for FY 02-03.) Although a range of from 0% to 3% might give the impression that everyone will be getting 3% plus the proposed market adjustment of 2.5% for a total of 5.5%, this is not the reality of the situation. Based on the experience of past years, a range of 0% to 3% is more likely to result in an average increase of 2.4%. The estimated cost for FY 2002-03 is approximately $92,357. (The proposed Merit Increase Guide for FY 02-03 is attached.)

A market adjustment of 2.5% be approved effective December 23, 2002 for all positions not currently above the maximum for their salary grade. The date of December 23 is proposed since it is the beginning of the biweekly pay period that includes January 1, 2003. The estimated cost for FY 2002-03 is approximately $96,203.

COMMITTEE ACTION

If in agreement with these recommendations, the appropriate committee action would be to recommend that the Finance Committee incorporate in the FY 02-03 Annual Budget the recommended performance awards model of from 0% to 3% for the upcoming fiscal year, and the market adjustment of 2.5% effective December 23, 2002.

ITEM A - SALARY ADMINISTRATION
ATTACHMENT A-4

FY 02-03

MERIT INCREASE GUIDE

QUARTILE	1	2	3	4
PERFORMANCE RATING	PERFORMANCE AWARDS % INCREASE			
3.50 TO 4.00	3	3	3	3
2.75 TO 3.49	2	2	2	2
2.00 TO 2.74	1	1	1	1
1.00 TO 1.99	0	0	0	0

PERFORMANCE RATINGS

Rating 3.50 to 4.00 - Performance Substantially Exceeds Standards

All standards were met and most were clearly exceeded. The individual performance in important job objectives goes beyond what is required.

Rating 2.75 to 3.49 - Performance Meets All Standards

The individual performance is fully satisfactory and all performance standards and objectives were met at pre-established levels of proficiency.

Rating 2.00 to 2.74 - Performance Acceptable/Some Improvement Needed

The basic and/or most important standards are being met satisfactorily; however, some areas need improvement. This is a way of telling the employee that there are some areas in his/her performance that are less than satisfactory and need to be addressed.

Rating 1.00 to 1.99 - Unacceptable Performance

The individual performance is unacceptable, with the basic and/or most important standards not being met satisfactorily. With this rating, the employee should be on performance probation as well as an improvement program for these areas of responsibility.

REPORT ON INSURANCE PLANS

APRIL 2002

MEDICAL/DENTAL INSURANCE

BACKGROUND

Beginning on July 1, 1995, the library system became independently self-insured, breaking away from the self-insured consortium that also included Oklahoma County and the City-County Health Department. At that time, for purposes of continuity and ease of transition, the library system did not change any plan provisions even though there were some areas that already had been identified as appropriate for modification. Prior to that time, all plan provision changes were determined solely by Oklahoma County.

CURRENT PLAN YEAR TO DATE

Through the third quarter of the current (plan) fiscal year (March 31, 2002), the plan showed a balance of $613,101 available to pay claims. For comparison, at the end of the third quarter last fiscal year; the plan showed a balance of $350,095. Through the middle of April of the current plan year, two plan participants had reached the specific stop loss level of $45,000. Through an examination of claims pending and the medical conditions involved, we anticipate that three other participants will reach that level by June 30. One year ago, no plan participants reached this level. Needless to say, this is not considered a good sign for the stop loss insurance costs for the upcoming year.. Although the end of March balance was in a much better position than last year, we should expect the balance to be reduced by these pending claims and reimbursed only for those amounts over the stop loss limits.

MARKET TRENDS

Employee benefits reporting sources all indicate that employers should expect the cost of health insurance to increase in the year 2002. The estimates for increase vary, but all indicate an increase. Nationally recognized human resources/benefits consulting firms including Hewitt Associates, Watson Wyatt, William M. Mercer, and Buck Consulting have predicted that costs for healthcare coverage will rise between 12 percent

and 14 percent every year for the next several. The Mercer/Foster Higgins National Survey of
Employer-Sponsored Health Plans generated more than 2,800 responses in 2001. The survey projects employer costs will rise 12.7 percent in 2002.

As reported in the January 2002 issue of *Oklahoma Cities and Towns*, the publication of the Oklahoma Municipal League, "four of every five Oklahoma municipalities listed the cost of employee health benefits as the most unfavorable budgetary impact item on Oklahoma municipalities. Average municipal costs increased 14.8 percent for 2001-02."

The article goes on to indicate that "the rising cost of prescription drugs is perhaps the biggest driver in the healthcare cost climb. The aging population is another factor contributing to escalating costs. As people age, they use their health plans more; an older pool of insured individuals means increased costs for providers. These costs are in turn passed on to employers."

It continues stating that "the general health of Oklahomans can share some of the blame. The Oklahoma State Board of Heath reported this year that Oklahoma is above the national average for heart disease, death due to stroke and chronic obstructive pulmonary disease. In their most recent annual report, the Board of Health stated that 21 percent of Oklahoma's adult population is at risk for health problems related to obesity, and that among the 50 states, Oklahoma has the ninth highest death rate from smoking-related illnesses.

Prescription drug costs currently represent 27.86 percent of the claims to the library system's plan.

According to the previously cited Mercer survey, the average total cost to employers for health care plans rose from $4,430 in 2000 to $4, 924 in 2001. For employers with 10 to 499 employees, the average plan costs were $4,649 in 2001.

The library system's average cost for medical/dental insurance as of December 27, 2001, was $4,379.06 as reported in the annual review of salaries and benefits. We are very pleased that the MLS average is below national average for 2001, and even below the national average for 2000.

2001-02 PREMIUM COSTS

The 2001-02 monthly premiums for medical/dental coverage through the system's self-insured program and the cost sharing ratios are shown in the following chart. The library system pays 90% of the cost of single coverage and 70% of the additional cost for dependents leaving the employee to pay 10% of the cost of single coverage and 30% of the additional cost for dependents. As of April 1, 2002, there are 108 employees with employee only coverage and 69 employees with family coverage under the system's plan.

Library' s Share of Monthly Premiums

(approximately 90% of single coverage & 70% of additional cost for dependents)

	FY 01-02
Single Coverage	$300.90
Additional Cost for Dependents	285.98
Total Cost for Both	$586.88

Employee's Share of Monthly Premiums

(approximately 10% of single coverage & 30% of additional cost for dependents)

	FY 01-02
Single Coverage	$ 33.43
Additional Cost for Dependents	122.56
Total Cost for Both	$155.99

Total Monthly Premiums

	FY 01-02
Single Coverage	$334.33
Additional Cost for Dependents	408.54

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Total Monthly Premiums

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PLAN PROVISION CHANGE

The only change recommended for the coming year is a "win-win" change. It is proposed that employees be allowed to order <u>by mail</u> three months of prescription drugs that are considered to be in the maintenance category. Currently, an employee may obtain a three-month supply of maintenance prescriptions, but must do so in person at their pharmacy. The mail order process would give them this option and would result in a lower cost to both the medical plan and the employee. There is no additional cost to the plan for this change.

2001-02 PROPOSED PREMIUM COSTS

The proposed premiums are not yet available. Most stop-loss carriers are not willing to quote rates more than 30 days in advance. When a plan has experienced a good year by not reaching stop loss levels (specific or aggregate) by April 30, some carriers may quote rates as much as 60 days in advance. Unfortunately, this has not been a good year for the library system's stop loss experience as indicated earlier in this report. The cost of stop-loss insurance is a major consideration in determining the of the over-all rate. Without it, premiums cannot be calculated.

A contingency for a rate increase of 12.3% has been included in the working documents in preparation of presenting the budget to the Finance Committee. This 12.3% contingency represents $116,376.

Should this contingency be found to be insufficient when rates are received, a corrected amount will be included in the budget before presentation to the Commission in June.

LIFE AND AD&D INSURANCE

No increase is anticipated in the life and accidental death and dismemberment premiums.
No coverage changes are proposed.

VISION INSURANCE

The addition of vision coverage (for employees only) was called for in the long-range plan and was added in the fall of 2000. Premiums were quoted as a guaranteed two-year rate.

The plan was amended in July 2001 to provide for the adding vision coverage for family members with the employee paying 100% of this added cost. Doing this did not change the library system's cost of $10.66 per month for employee coverage.

LONG TERM DISABILITY INSURANCE

A small contingency of $6,360 has been included in the working documents for the budget for an increase in long term disability insurance (LTD). This would cover an increase of 9.4%. While the library system has not been notified of a rate increase as of this time, the contingency has been included because the system has had some employees qualify for these benefits during the current (plan) fiscal year. This may result in an increase.

RECOMMENDATIONS

The administration recommends the following:

> the acceptance of rate increases within the indicated contingency amounts ($116,376 for medical/dental insurance and $6,360 for LTD), and
>
> amending the medical/dental plan to allow employees to obtain by mail order a three-month supply of maintenance prescriptions in addition to their current ability to obtain them at their local pharmacy.

COMMITTEE ACTION

If in agreement with these recommendations, the appropriate committee action would be to recommend that the Finance Committee incorporate the funds for the above recommendations in the FY 02-03 Budget.

MEDICAL/DENTAL INSURANCE REVIEW
April 2002

REQUESTED BY THE FINANCE COMMITTEE

The Finance Committee, at their meeting scheduled for May 13, 2002, will receive a general review of the library system's medical/dental insurance as it compares to other plans administered by the third party administrator as well as definition of the Medical Funding Account (the claims payment account). This in response to a request previously made by them.

The administration has worked with Hugh Rice over the past several months to clarify that committee's request and answer their questions.

Enclosed with this cover memo is the information that they will be receiving.

You may wish start your review of this study with High Points of the Comparison – pages 2-3, as it attempts to summarize the full report. Also, the Definition of the Medical Funding Account – pages 4-5, may provide you with a clearer understanding of the "account balance" to which the administration often refers.

These items are provided as an informational report and no action is required.

HIGH POINTS OF THE MEDICAL/DENTAL INSURANCE PLAN COMPARISON

High Points of the Medical/Dental Insurance Plan Comparison

The comparison was prepared as a result of questions raised by the Library Commission as to what makes a good or great plan and how the library system's plan compares to others.

What makes a good or great medical plan:

- Different industries, different locales and different size companies find that different benefits meet their employee needs best.

- A Preferred Provider Organization (PPO) appears best for the library system because of the larger and more widespread base of providers fits better with the number of library locations and location of employees.

  - The PPO allows employees to go in and out of the network at will.
  - The employee has a $300 annual deductible going to PPO providers and a $500 deductible going out of network.
  - The plan pays 80% when a PPO provider is used and 70% when a non-PPO provider is used.
  - According to one national study, the average annual cost per employee for medical coverage in 2001 was $5,266.29. The cost per employee for the library system's combined medical and dental plan for FY 2001-02 is $4,011.96.

The comparison with other plans;

- Four other plans, administered by Mutual Assurance Administrators and of generally the same size as the library's were compared to the library's plan.
- Of the five, when it came to cost of the plans, the library's fell in the middle. The library's plan also covers dental and hearing coverage while the other plans do not.
- Comparing individual plan elements is somewhat like comparing apples and oranges (no two plans have identical benefits); however, the library system's plan falls fairly well in the middle of the two extremes.

- As always happens when doing this type of study, there are areas identified in which our plan does not seem as current as the others. These include lifetime maximums, annual deductibles and dental calendar year limits.

The area of greatest concern:

- Prescription costs are rising at a 17% to 25% rate annually.

- Nationally, prescriptions are averaging about 14% of total plan costs.

- For the plan year (fiscal year) 2000-2001, prescriptions ran 29.7% of the total plan costs for the library's plan.

What stop loss insurance does for the library's self-insured plan.

- Aggregate stop loss insurance limits the amount the plan has to pay for all covered persons. The amount changes based on the number of employees enrolled in the plan (which changes monthly). At the beginning of the plan year, the aggregate stop loss was $845,631.86 based on 166 employees with 64 dependent units.

- Specific stop loss insurance limits the amount the plan has to pay for a specific individual. The amount is $45,000 of covered medical charges.

- After the stop loss limit is reached, the re-insurer reimburses the library for the amount of allowable charges over the limit.

What the maximum "out-of-pocket' limit does for the employee.

- The maximum out-of-pocket expense (also referred to as an individual's stop loss) comes into play when an employee has had covered medical expenses of $2,300 in-network (the $300 deductible and another $2000 of expenses to them in co-payments) or $3,500 out-of-network (the $500 deductible and another $3000 of expenses to them in co-payments).

- The out-of-pocket expense maximum excludes co-payments for prescriptions, co-payments for psychiatric care and co-payments for dental expenses.

DEFINITION OF MEDICAL FUNDING ACCOUNT

Definition of Medical Funding Account

A. PURPOSE OF FUND

The Metropolitan Library System entered into being self-funded July 1, 1995. Our intent was to build up an amount of money that would buffer us for certain purposes. The following is to clarify the purposes for which this money could be used. As of June 30, 2001, the fund had accumulated $522,188.

Now that we have these years of experience behind us, it is proposed that the medical funding account be maintained at:

1. a dollar amount equal to 30% of the current year's beginning total premium level, plus,

2. a $100,000 amount for cash flow, and

3. any time at the end of the prior year that this is over this amount, the excess would be used to buy down the cost of the insurance for the next fiscal year for both the library and the employees.

The purpose of this fund is for paying for claims as they come into the third party administrator on a daily basis from the medical/dental providers and for reducing the amount of premiums in a year when the library has experienced unusually large claims which may or may not have reached the stop loss level. In a year in which there have been a great many claims or unusually large claims, the premiums for the next year will be very high and this can be used to offset this expense for the library and employees. The premiums never seem to go back down, but if the next year is good any rate increases will be built upon the top of the bad year rates.

B. SOURCE OF FUNDING

This account is funded by premiums set by insurance actuaries at the beginning of each plan year for the estimated claims plus 25%. This is paid by both the employer and employee. This split is 90% for the employer for single coverage and 10% for the employee. The split for the dependents of the employee is 70% for the employer and 30% for the employee. The average contribution split between the library and the employee for family coverage is 79% and 21%, respectively. If the claims are not as much as anticipated, there will remain unspent dollars in the medical funding account.

C. ADDITIONAL USES FOR MONIES FROM THIS FUND

The monies in this fund can be used to pay claims prior to monies being collected in the current year from the library and the employees. Also, it traditionally takes time for the stop loss insurance to reimburse the library once it has been reached either on an individual or aggregate basis, but the providers must be paid in a timely manner.

D. RELEASE THE GENERAL FUND RESERVE

For the same reason stated above in C, a $100,000 cash reserve was designated in the library system's general fund at the inception of this program for cash flow purposes. Except the first year, this reserve has not been used since then. Considering the accumulated fund balance, it is believed that this general fund reserve is no longer need and can be released for other library operational purposes.

April 17, 2002

It is the belief of Norman Maas, Anne Hsieh, Richard Rea and Karyn Miller that this defines the purpose and intent of the medical funding account.

WHAT IS A GOOD/GREAT MEDICAL PLAN?

1. **What is a good/great medical plan?** According to the 2000 Hay Benefits Reports there is not one correct answer. They state that different industries, different locales, and different size employers find that different benefits in a medical plan meet their employee needs better. An example of this is that the "all industrials" category plans have 56% covering physical examinations while only 22% of the "government" category plans carry this type of coverage. By the same token, plans in the Mountain and West Region show that 48% will have some coverage for physical exam, while only 35% of the New England region plans will contain this coverage. Also, plans with 500 or less participants show that only 36% contain physical exam coverage, but if there are 10,000 or more participants this jumps to 52%. (see attachments)

In addition, the California Management Review, Fall2000, Vol. 43 Issue l, p34, 16p l graph states that even standard plans, in practice, are anything but standard or consistent because they do not address the gray areas such as a common and clear definition of medical necessity.

2. **What is a good/great medical plan for The Metropolitan Library System?** Would a traditional indemnity plan, a health maintenance organization (HMO), a preferred provider organization (PPO), or a point of service organization (PSO) be the best choice for the Library System? The Library System currently has a PPO because it offers a larger base of providers who are more widespread. This seemed to fit better with the number of Library locations and the location of employees.

The plan selected by the Library allows the employee to go in and out of the PPO network at will. The PPO providers are paid at 80% and the non-PPO providers are paid at 70% with a $300 and $500 annual deductible respectively. This gives greater flexibility to employees and eliminates the need to first visit a "gatekeeper" provider before getting specialized care.

According to the C&B Consulting 2001 Benefit Plan Survey report, the average annual cost per employee for medical coverage is $5,266.29. The cost per employee for the Library System's medical and dental insurance for 2001-2002 is $4,011.96.

3. **Would The Metropolitan Library System Be Better Served By a Self-Insured Plan or a Contract Plan From an Insurance Company?**

In 1990 after receiving a 100% rate increase for the indemnity plan with Blue Cross and Blue Shield, I was asked to determine a way to help keep this type of rate increase from occurring. Through the advice of Duane Meyers, Associate Director for Management Services at that time, it was decided that we would request to join with Oklahoma County in their self-insurance. Starting November 1, 1990, we entered into an agreement with them and were part of that self-insured group until July 1, 1995. The claims year of July 1, 1994 through June 30, 1995 was a very bad claims year for the Library System and we were told that we were not welcome to be part of their plan for the coming year. As an aside, the years prior to 1994-1995 had been very good years and they had made more than enough to cover the bad year, but that was not part of their concern when it came time to renew.

Until we were part of the self-insured plan of the County, the Library was unable to obtain claim information from the HMOs that we contracted with for our employees. This meant that we were unable to determine exactly what our ratio of claims to premium was on anything other than our indemnity plan. In addition, by being self-insured we do not automatically have to add state mandated coverage to the Library plan. In most cases, the Library has elected to include coverage for state mandated benefits, but we do have the option of not covering certain illnesses if we wish. Armed with the above information, it was decided that we should explore the possibility of becoming self-insured on our own. Through a great deal of research and the advice of more than one insurance agent it was decided that we would try this on our own for a year or so and see if it would work for us.

In self-insurance, at least in our case, the rates paid each year are set to cover the actuarial estimate of claims plus 20%. The rates paid by the employees and library are set to cover this amount. We purchase an umbrella policy to cover anything over this amount so that in the case of a catastrophe the library would not be at additional risk.

The insurance companies, being the "good little old" record keepers that they are, will tell you that you will have one bad year in seven for claims. They cannot in all their wisdom tell you which one will be bad or if you will have two bad years in row. One of the reasons that it was decided that we would try to go self-insured was so that we could keep our costs somewhat level by using any claims dollars not used in prior years to supplement claims costs for both the Library and employees in future years. This philosophy may have changed, but this is the history of how we got where we are.

For the current year, 2001-2002, quotes were obtained from Blue Cross and Blue Shield as well as quotes for the self-insured plan. The rates for Blue Cross were about 12 % higher than those quoted for the self-insured plan and the benefits were not nearly as good and did not include dental.

4. The Current Medical/Dental Plan of The Metropolitan Library System.
The current plan of the Library System is a good plan. Upon recent studies of other plans of similar size groups, we found that the coverage in this custom plan covers most things in a very comparable way.

The areas that stood out as being exceptional in our plan were the cost, since dental is an included benefit, the hearing coverage and our prescription plan. All of the other plans did have coverage for transplants which we added last year.

As always happens when doing this type of study, there were a few areas in which our plan does not seem as current as the others. These areas are:

	CURRENT	SUGGESTED INCREASE
Lifetime Maximum	$1,000,000	$2,000,000
Psychiatric (Lifetime Max)	20,000	25,000
Deductibles		
In Network	300	200
Out of Network	500	300

Coverage that we may want to look at in the coming years would be such things as the $300.00 wellness benefit that we currently have in place. This price does not cover even a general physical, it has risen more to the level of $500.00. Doctors are beginning to routinely include such things as bone density scans in physicals and stress tests which add to the cost. These are tests that seem to catch a great many illnesses before they become full blown and expensive to treat.

In the dental plan, the $1,000 calendar limit probably should be raised to $1,500 per year to cover the same amount of work that $1,000 would have covered 2 or 3 years ago.

Areas to Watch

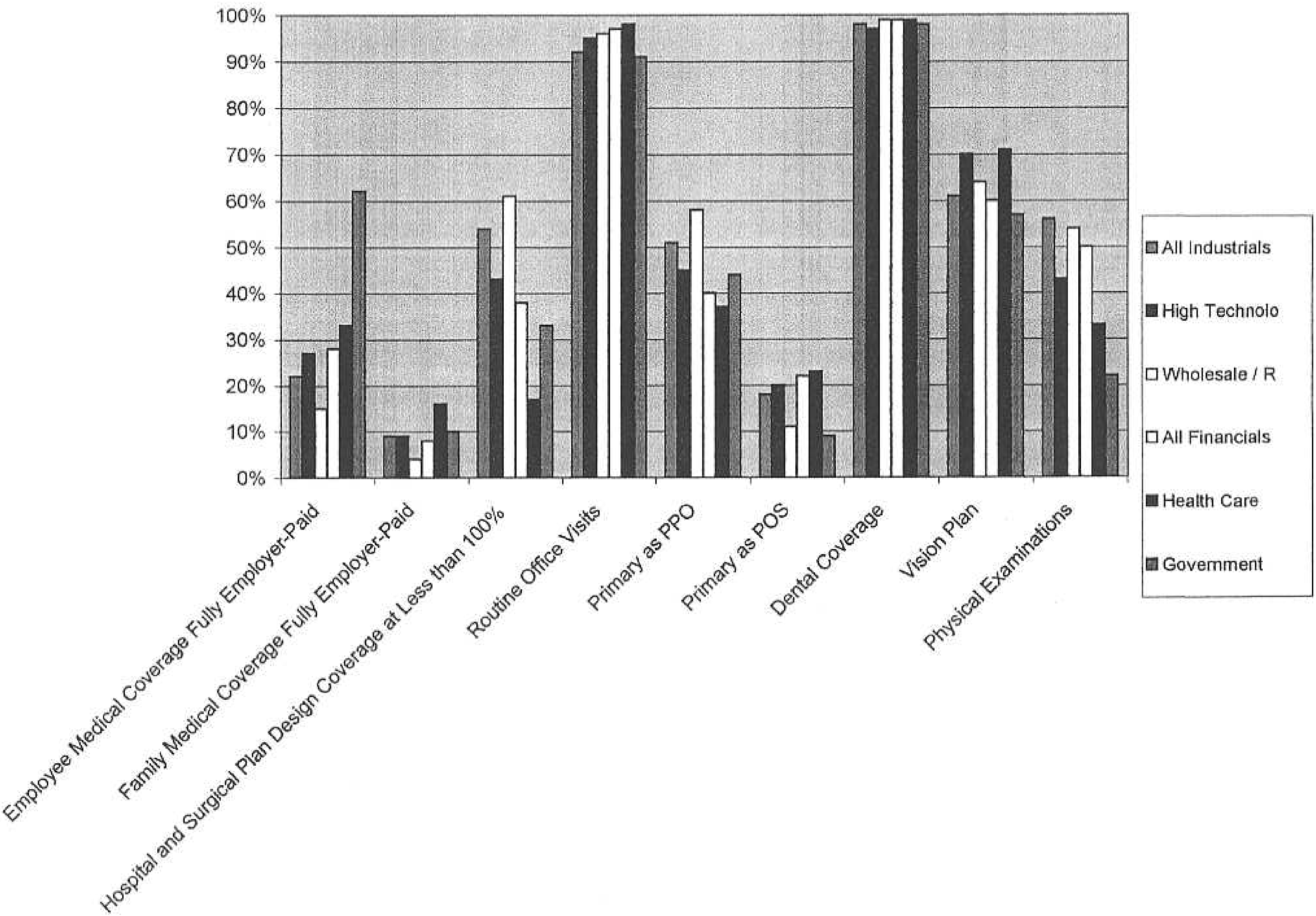
Prescription costs are a concern to all plans as they are rising at a 17% to 25% rate and there seems to be no stopping point. Prescriptions are averaging about 14 % of total plan costs according to Mercer/Foster Higgins National Survey of Employer-sponsored Health Plan 2000. Our average for July 2000 – June 2001 was 29.726% of total plan costs. Some studies are showing that for the year 2001, the average claims costs to the overall medical plan have increased to 18.94%. In July 2001 to December 2001, the average to total plan costs for the Library System has increased to 36.16%. I am seeing a single prescription cost as much as $900 per month. There is a company that will study your prescription usage at no cost to the organization and look for different prescription providers who will give deeper discounts. This company is paid by the drug companies. I have requested information from our current provider so that we can see if this would be helpful to us. Also, we are in the process of setting up a method so employees can order prescriptions by mail as these would be available to us with deeper discounts and, also, be less expensive to our employees. It would be more convenient for employees too.

Laboratory costs also seem to be very high. This year we have instigated the use of a LabOne Card which allows our employees to go to their collection sites with a prescription from their individual doctors and LabOne will run the tests and deliver the results back to the individual doctors for their patients at a greatly reduced cost to the plan. I know from a test that I have to have run every three months that it has been costing $119.00 to do the lab work and LabOne does it for $42.00. To encourage our employees to use this instead of having the lab work done in the doctor's office, the plan pays 100% of the costs. I am monitoring this to see how much a savings it results in to the plan.

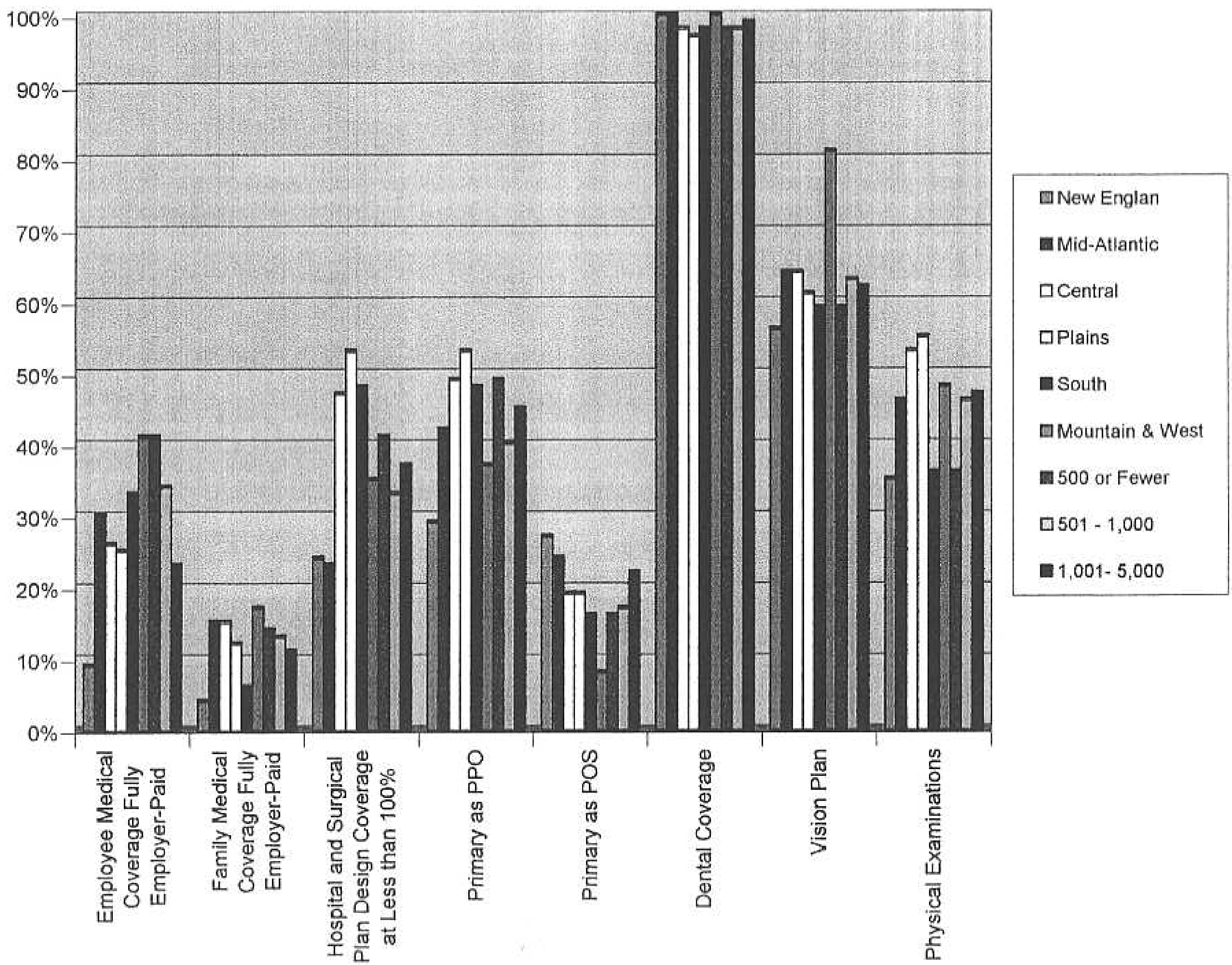
Orthotics could be something that should be added in the future as they become more and more popular to aid in foot problems. The public service staff of the library are on their feet most of the time and are walking on concrete floors. The addition of this benefit could aid us in our quest to reduce our workers compensation claims. It would help with feet problems, but more important is the fact that very often feet problems lead to back problems and that is a very prominent cause of workers compensation injuries.

4-17-02

Health Coverage Prevalence By Industry



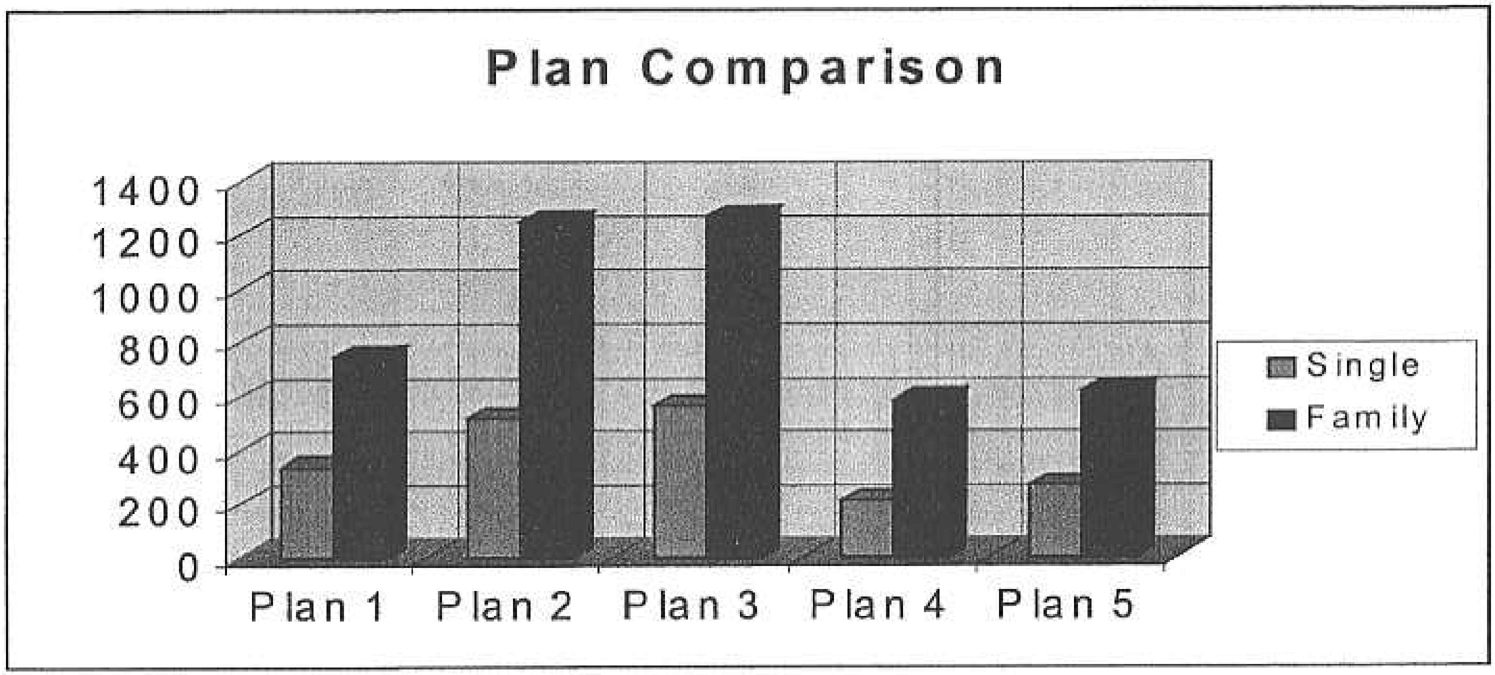
Health Coverage Prevalence by Region, Size



BENEFITS COMPARISON

The following is a comparison of benefits between The Metropolitan Library System and other plans that are more or less the same size and in the same locale that are administered by Mutual Assurance Administrators, Inc.

Description of Benefit	Plan (1) 1	Plan (2) 2	Plan 3	Plan (3) 4	Plan 5
Premiums					
Single	334.33	512.64	564.91	212.61	266.82
Family	742.78	1,248.38	1,262.61	584.46	615.78
Dental Included	Yes	No	No	No	Yes
Number of Lives	165	168	332	225	226



Description of Benefit	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
Lifetime Maximums										
Per Person	1,000,000		1,000,000		1,000,000		2,500,000		2,000,000	
Transplant Maximum	500,000		500,000		subject to Lifetime maximum		250,000		500,000	
Temporomandibular Joint Dysfunction	1,000 (non-surgical)		1,000		80%		Not Shown		Not Shown	
Psychiatric Care										
Chemical Dependency	5,000		N/A		N/A		N/A		N/A	
Psychiatric	20,000		25,000		4,000		See Calendar Year		25,000	
Calendar Year Maximums										
Deductibles	PPO	Non-PPO					PPO	Non-PPO	PPO	Non-PPO
Single	300	500	300		100		-0-	300	200	300
Family	900	1,000	900		200		-0-	900	400	600
Hospital	-0-	100 (5)	150 per admit	Not Covered	100 (2 max/yr)	200 (2 max/yr)	150 per admit	N/A	N/A	250
Out-of-pocket (6)										
Single	2,000	3,000	2,300	4,600		1,200	2,000	3,300	500 (4)	800 (4)
Family	6,000	10,500	6,900	12,900		2,400	4,000	6,600	1,000	1,600
Wellness Benefit	300		200		80%		$15 co-pay $25 co-pay w/ $75 maximum on mammograms		$15 then 100% to $500, 100% mammo-grams	70% to $300, 70% plus deduct-able
Outpatient Physical Therapy & Chiropractic	1,800		900		80%		15-500	15-70%	80% chiropractic, lesser of 20 visits or $800	

Description of Benefit	Plan 1		Plan 2		Plan 3	Plan 4		Plan 5	
Precertification Noncompliance Penalty	50%		50%		N/A	50%		PPO & Non-PPO 7 days in advance for non-emergency If not done: $300 or $500	
Co-Payments	PPO	Non-PPO	PPO	Non-PPO		PPO	Non-PPO	PPO	Non-PPO
Hospitals	80%	70%	100%	N/A	100% to 2,500 Balance - 80%	100%	70%	80%	70%
Physicians	80%	70%	$15	50%	80%	$15	70%	$15 to $300 / 80%	70%
Outpatient Lab	80%	70%	$15	50%	80%	$15	70%	80%	70%
X-Ray	80%	70%	$25	50%	80%	$25	70%	80%	70%
Prescriptions	20%; $5 min. $50 Max; 30 day Maintenance Trial		Brand - $20 Generic - $10		Retail Brand - $5 Mail Brand - $10 Generic - $0	Retail Brand - $15 Generic - $15 Mail Brand - $30 Generic - $15		Retail Brand - $15 Generic - $5 Mail Brand - $20 Generic - $10	

(1) The Metropolitan Library System.
(2) Plan to be Terminated 12/31/01.
(3) Blue Collar. Young, white, healthy males primarily. This plan is hospital coverage only.
(4) Excludes doctor visits and co-payments.
(5) Waived if life threatening.
(6) Out-of-pocket maximums do not apply to deductibles, co-payments, psychiatric or chemical dependency treatments, amounts in excess of reasonable and customary expenses not covered by this plan and precertification noncompliance penalties.

Note: Plan has added Lab-One for fiscal year 2001. This plan has estimated they will be able to save our plan up to 55% of the $63,730.96 paid for the previous year. Because the use of this card is not mandatory, I estimate it will be more in the 25% range. The tests done using Lab-One are paid 100% as an incentive to use the plan.

4-17-02

EMPLOYEE ASSISTANCE PROGRAM
April 2002

The library system initiated the Employee Assistance Program (EAP) in January 2000 as a resource for employees to assist troubled employees and their families. The EAP provides assessment, counseling and referral with problems that lead to work distractions and stress caused by martial and family problems, financial problems, compulsive gambling, substance abuse, domestic violence, emotional distress, smoking cessation and similar conditions.

During calendar year 2001, sixty-nine employees or family members made contact with the EAP counselor resulting in twenty-one initial visits, forty-eight follow-up visits, fourteen telephone sessions, two emergency on-call sessions, and thirteen consultations with supervisors and the Human Resources Office. The problems presented included the categories of personal, family, drug/alcohol, job, financial and martial.

According to the U.S. Department of Labor, employers can save up to $16 for every dollar invested in an employee assistance program. Based on this formula, the library system would have saved $207,360 dollars in the year 2001. These savings would have resulted from reduced numbers of insurance claims, sick leave, accidents, workers' compensation claims and grievances.

On April 1, 2002, the library system received notice from the EAP provider that as of June 1, 2002, their firm would no longer be able to provide EAP services. This notice was in accordance with our contract with the firm. Although their EAP counselor is attempting to set up a separate EAP service, we cannot be sure that it will be up and running by June 1.

When the library system first provided an EAP for employees, two local providers were considered. The second agency, Chance to Change, is still interested in providing this service. I have met with them and am satisfied that they can provide an equal or better service.

This report is informational and requires no action on the committee's part.

NEED TO STUDY GRIEVANCE PROCEDURE

April 2002

FOR POSSIBLE CHANGE IN THE STEPS

From a review of the past experiences applying the provision of the Grievance Procedure, it has become clear to the administration that one of the steps (Steps 4) in the procedure is cumbersome at best. This step presents the matter before a Grievance Review Board of fellow employees who must sit almost in a judge and jury role to attempt to resolve a grievance between an employee and their supervisor. The board is not a standing body, but rather is drawn by lot with each party excusing two individuals from the pool of board members and requires that the Director of Human Resources act the advisor to the board. A copy of the current policy with the process for the formation of the board is attached.

The administration has initiated a discussion with the staff association, ad team, and library staff regarding changes to the grievance procedure. We would hope to workout a series of steps that provide an opportunity for a grievance to be heard in a timely manner, to be fair to all parties, and to promote reaching the right decision rather than determining who was "right" or who was "wrong."

This report requires no action from you at this time. It is presented as an informational item and to alert you to one of the items that we expect to bring before you for change in the not too distant future.