METROPOLITAN LIBRARY COMMISSION OF OKLAHOMA COUNTY

ADMINISTRATIVE & PERSONNEL COMMITTEE AGENDA

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

Wednesday, May 9, 2007 at 3:30 p.m.
Belle Isle Library
5501 N. Villa
Oklahoma City, OK 73112
Telephone: (405) 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 – Dr. Ann Caine, Chair

II. Discussion, Consideration, and Possible Action: Annual Review of Human Resources – Salaries and Benefits
With Reports and Recommendations from Administration:
   - Compensation & Benefit Plans

III. Discussion, Consideration, and Possible Action: Report and Recommendations from Administration ~ Revisions to MLS Policy & Procedure Manual

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

REPORT AND RECOMMENDATION FROM ADMINISTRATION

MLS SALARIES & BENEFITS FY 2007-08

RECOMMENDATIONS FROM ADMINISTRATION:

The Administration recommends the following:

Compensation:

a merit increase schedule of from 0% to 3%, effective July 1, 2007.

a market adjustment of 4% for all employees, effective with the beginning of the pay period that includes January 1, 2008.

Benefits:

acceptance of a 0% rate increase for long term disability insurance;

acceptance of a 10% rate increase for life and accidental death and dismemberment insurance; rate guaranteed for 24 months (07/01/2007 – 06/30/2009);

acceptance of a 0% service fee increase for the employee assistance program;

acceptance of a 3.3% rate increase in the vision insurance rates, guaranteed for 24 months (07/01/2007 – 06/30/2009), by amending the plan as follows: (1) increasing the examination co-payment to $10; and (2) adding coverage for adult polycarbonate lenses;

acceptance of a rate increase of 10% for the self funded Employee Benefit Plan, amending the Plan by: (1) changing the Dental Class I services currently limited to once every six months to twice per Calendar Year; (2) adding the *BabyLinks* program at a cost of $275.00 per pregnancy; (3) eliminating transplant coverage from the Employee Benefit Plan; and (4) increasing the Prescription Drug Retail coinsurance to 30% and the Mail Order co-payments to $25 Generic/$50 brand name;

acceptance of a fully-insured transplant policy with AIG;

acceptance of a 0% administrative service fee increase for claims administration;

acceptance of a $0.90 per employee per month [PEPM] increase in the PPO access fee for First Health PPO Network (i.e. $3.10 PEPM to $4.00 PEPM].

acceptance of an administrative change for "opt-out" employees, changing the current $55.00 PEPM deposit into the Flexible Benefits Plan to additional wages paid, subject to normal taxation.

ADMINISTRATIVE & PERSONNEL COMMITTEE ACTION:

If in agreement with these recommendations, the Committee action would be to recommend that the Finance Committee incorporate the funds for the above recommendations into the FY 2007-08 budget and that the Commission, by approval of the estimate of needs, approve the plan changes in accordance with the funding level.

METROPOLITAN LIBRARY SYSTEM
ANNUAL REVIEW OF HUMAN RESOURCES - SALARIES AND BENEFITS
May 2007

The Library System provides a salary and benefits package intended to attract and retain the excellent quality of employees that our customers have come to expect and deserve. The salaries are reviewed annually using information from various salary surveys. This year we were able to include surveys conducted by other libraries, information from the US Department of Labor's Bureau of Labor Statistics, and information gathered by MLS Human Resources Office staff. Salary surveys were ordered from the Oklahoma Center for Nonprofits and the State Chamber of Commerce; however, they have not been received. Benefits are also reviewed annually by the Human Resources Office staff and compared with benefits information received through national publications and from other libraries.

SALARIES

Each December, the library calculates the average salary and benefits' cost for full-time employees based on the salaries and benefits being received in that month.

Based on the December 2006 report, the average full-time employee made $38,396.80, up 3.2% from the December 2005 average of $37,190.40 annually. For comparison, the December 2005 report represented a 3.9 percent increase above December 2004. This average excludes the Executive Director and the Coordinator of the Friends (whose salaries are set by the Library Commission and the Friends' Board respectively). The 3.2 percent increase is for the average full-time and designated half-time, three-quarter's time, etc. employee's annual salary and gives the appearance of being incorrect because of the market adjustment and merit increase programs. It is important to remember, however, that the average salary is effected by such things as the resignation or retirement of long-term employees who were with the system for a number of years being replaced by new employees starting at the beginning of the pay range (at a lower salary) and newly authorized positions with a beginning salary below the average.

Through the classification plan all full-time positions (again excluding the Executive Director and the Coordinator of the Friends) are assigned to one of fourteen salary grades, each of which has a minimum salary and a maximum salary (the salary range). Assignment to the grade is by a point factoring analysis of each job (through the job description). Positions are reviewed and evaluated on specific factors.

Point factor job evaluation ensures that each position is fairly valued on each factor in relationship to the value of every other position. The end result of job position evaluation is the development of a "job worth hierarchy" which reflects the contributions and importance of all evaluated positions. This job worth hierarchy is one measure which is used together with competitive market data to establish internally fair and externally equitable pay levels.

With the classification plan in place using this method, the internally fair portion of the overall compensation plan is established. Traditionally, the externally equitable portion has been based on a comparison of a closely similar position in like organizations. For this, salaries were compared using the position of librarian. Librarians generally have similar qualifications and duties in libraries of comparable size to our system.

Shown below are comparisons for Oklahoma Department of Libraries (ODL), Tulsa City-County Library System (TCCL), Pioneer Multi-County Library System (PMC) and Metropolitan Library System (MLS) and reflects information gathered during the first week of May 2007.

LIBRARIAN

	Salary Range	
Library	Minimum	Maximum
ODL (Lib. II)	28,600	44,283
TCCL	33,496	48,507
MLS	34,424	48,589
PMC	34,764	49,132

Because the minimum salary is the starting salary in the hiring process and, therefore, is the basis of the Library System's ability to attract new librarians, it is important to concentrate on that figure.

Since the Administrative & Personnel Committee meeting of May 5, 1994, the Library System has stated, as a 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. While this goal has not been met for the last six years, MLS is closer to it than before. To achieve the goal would require an immediate increase of 1%.With the market adjustment delayed to January 2008, the other three libraries are likely to have taken measures to increase salaries in FY 07-08 as well. As of July 1, 2007, the current 1% behind the leader, Pioneer Multi-County, could easily fall to 4% behind.

As a part of the FY2006-07 budget, a salary study was proposed and requests for proposals were sought. Only one proposal was received and after a review by a team of library system administrators, it was found to not meet the requested provisions of the study proposal. At the administration's request, the Commission rejected the bid at their March 2007 meeting and no contract was awarded. The requested study was to have included twenty-eight positions, with a suggested list of eleven libraries to include plus an expectation of the provider to seek information from non-library agencies for some of the positions. The eleven libraries all came from Oklahoma or the adjoining states of Arkansas, Missouri, Kansas, New Mexico, and Texas. The libraries were specifically selected for size of service area, population of service area, number of locations (branches), and type of library (city or district). The information from these eleven libraries and from other sectors (private and governmental) for non-library positions, should have provided excellent regional data.

Failing to obtain results from a regional study, the staff attempted to conduct a reduced survey of 9 positions from 10 of these libraries. Responses have been received from seven of the ten. As was our intent in the full study, the results shown in this shortened version are adjusted for the differences in the cost of living for the libraries surveyed.

These adjusted results are as follows:

Position	C-of-L Adjusted Survey Average (shown hourly)	MLS (shown hourly)	MLS as % Aver.
Circulation Clerk	$10.76	$ 9.88	92%
Technical Processor	$10.44	$ 8.10	78%
Librarian	$16.87	$16.55	99%
Library Manager I	$21.85	$21.57	99%
Library Manager II	$25.77	$23.49	91%
Cataloging Manager	$26.15	$21.57	87%
Materials Selector	$19.94	$21.57	101%
Cataloger	$17.88	$16.55	93%
Library Page	$ 8.20	$ 7.85	96%

For these nine positions and based on the usable information from the responding libraries, MLS is on the average (of the differences) paying at a rate of 93%. Looking at this in the reverse, MLS is 7% below the average of all positions.

For librarian salaries on a broader basis, the library system has for many years relied on the annual salary survey conducted by Allen County Public Library (Fort Wayne, Indiana). The library system has also been a participant in the survey for a number of years. The Metropolitan Library System's average librarian salary was approximately 14.1% below the national average and 7.2% below the mid-west average based on the Allen County study.

Metropolitan Library System Standing by Geographic Area

Current standing without considerations being given for salary adjustments elsewhere.

among the in-state "Big 4"	1% below the leader (goal is to be the leader)
regional	7% below average (goal is to be 4% to 5% above average)
sectional (mid-west)	7.2% below average
national	14.1% below average

2007 SALARY TRENDS:

The Employment Cost Index – March 2007 which was released by the US Department of Labor's Bureau of Labor Statistics on April 27, 2007 indicates for the year ended March 2007, compensation costs for state and local government workers rose 4.6 percent compared to 3.7 percent a year ago. The 12-month gain in wages and salaries was 3.8 percent. Last year, the gain was 2.8 percent. For benefits, costs increased 6.3 percent compared to 5.4 percent for the previous year.

A recent article by Jared Jost of Pyramid Research, appearing on salary.com, may be the best summary of the many salary trend reports that are available.

> "There's good news on the horizon for employees – leading indicators show that there will be plenty of opportunities in 2007 to improve your total compensation package through a better salary, bigger bonus and better work/life conditions.
>
> With unemployment at a 5 year low, the labor market is tight in the US. Such conditions would typically lead to larger than average pay increases for workers - but employers are aiming to keep wages at a comfortable growth rate of 3.8% to 4.0 %, keeping their overhead costs down. Despite the modest base pay increases, employees stand to make gains in other forms of compensation like one-time bonuses, performance based incentives, training or education programs, and work/life benefits (e.g. work from home, flexible hours, etc.). So while you may see only a slight bump in your base pay, you can leverage your experience against a tightening labor market to secure a better overall compensation package."

SALARIES FOR FY 2007-08

Based on the survey data, the predicted trends and the library's financial situation, the administration has included in the estimate of needs (preliminary budget) for FY 2007-08 a market adjustment of 4 percent for all employees (full and part time) effective with the start of the pay period that includes January 1, 2008, and a merit increase schedule ranging from 0 to 3 percent beginning July 1, 2007.

BENEFITS

The following chart indicates the direct cost benefits available to full-time employees and those available to part-time (less than full-time) employees.

Benefit	Full-time	Part-time	Library Pays	Employee Pays	
Social Security	x	x	6.2%	6.2%	of salary
Medicare	x	x	1.45%	1.45%	of salary
Retirement	x		10%	4%	of salary
Medical/Dental Ins	x				
Employee only			90%	10%	of premium
Dependents			70%	30%	of premium
Opt-outs			$55 contribution to Flex Plan		
Life and AD&D Ins	x		100%		of premium
Long-term Disability Ins	x		100%		of premium
Vision Ins	x		100%		of premium
Dependents	x			100%	of premium
Short-term Disability Ins	x			100%	of premium
Workers' Compensation Ins	x	x	100%		of premium
Unemployment	x	x	100%		of premium
Employee Assistance (EAP)	x	x	100%		of premium

The Library System's cost of benefits for the average employee in December 2006 was $13,819.19. This average again excludes the Executive Director and Coordinator of the Friends.

This average cost of benefits to the Library System is broken down as shown below.

Benefit	Annual Cost	Percentage of Total	Item Percentage from Prior Year
Social Security	$2,380.60	17.23%	18.06%
Medicare	556.75	4.03%	4.22%
Retirement	3,839.68	27.79%	29.13%
Med/Dent Ins & Opt-outs	5,963.35	43.15%	40.18%
Life and AD&D Ins	127.44	0.92%	0.96%

Long-term Disability Ins	368.61	2.67%	2.80%
Vision Ins	126.64	0.92%	1.34%
Dependents	-0-	-0-	
Short-term Disability Ins	-0-	-0-	
Workers' Compensation Ins	378.36	2.74%	2.55%
Unemployment Ins	53.76	0.39%	0.20%
Employee Assistance (EAP)	24.00	0.17%	0.26%
TOTAL	$13,819.19		

Social Security, Medicare, workers' compensation insurance and unemployment are governmentally mandated benefits. These four items represent $3369.47 of the total benefits cost or 24.38 percent.

EMPLOYEE BENEFIT COST TRENDS:

The projected average trend (forecasted change in health plans' per-capital claims cost) rates for medical, dental and vision plans, according to the *2007 Segal Health Plan Cost Trend Survey* and Aon Consulting's *Fall 2006 Health Care Trend Survey*, are as follows:

- Medical Plans with Prescription Drug Coverage – 11.65%
- Dental Indemnity Plans – 7.35%
- Vision Plans – 4.0%

2007 will mark the fourth consecutive year of lower projected trend rates for medical plans. Prescription drug coverage trends are projected to decelerate in 2007 for the first time in several years. Price inflation for service and supplies appears to be the biggest element of medical trend, as utilization rates increase at more moderate levels.

Despite these projected decelerations, medical and prescription drug plan costs are expected to significantly outpace general inflation and wage increases.

According to surveys by Mercer Health & Benefits, Towers Perrin, and Watson Wyatt, employers can expect an average increase in health care costs of 10.05% in 2007. This average represents the lowest cost increase in eight years. However, health care costs are still rising two-thirds higher than the cost-of-living.

BENEFITS FOR FY 2007-08

Benefits:

Medical/Dental and Prescription Drug Plan (Employee Benefit Plan

Stop Loss Coverage:

There were eight carriers this year that provided quotes for the Library System's Stop Loss business. The average increase from the initial offers was 10.65% for the current

Specific Deductible level of $50,000; current trend is 11.6%. One of the carrier's was eliminated from consideration due to the contract basis proposed.

Following is the criteria used in evaluating the proposed vendors:

1. Requested that carriers propose an 18/12 Contract Basis – six out of the eight carriers quoted the requested or a better contract basis; incumbent carrier offered Paid contract.
2. Reviewed financial strength ratings of the top three carriers, based on overall cost competitiveness, with five major rating services (e.g. A.M. Best, Standard & Poor's, Moody's Investors, Fitch Ratings and Weiss Rating, Inc.)
3. Requested Stop Loss claims processing experience from Third Party Administrator (e.g. ease of administration; timeliness of refunds; comprehensiveness of audit procedures, etc.).

After evaluating the carriers and providing updated claims experience for 10 months, three carriers were selected as potential vendors.

After applying the evaluation criteria, comparing proposed limitations and valuing the additional coverage provided by a Paid contract, HCC Life Insurance Company provided the best offer with an overall increase in the Maximum Liability of 7.96%.

Benefit Plan Changes:

1. Currently, Dental Coverage, Class I services (i.e. exams, prophylaxis and fluoride applications for Covered Dependents to age nineteen) are available once every six (6) months. In the event a member requires routine dental care more frequently or, due to scheduling constraints (i.e. out-of-area schooling), must seek care prior to six (6) months from the last service date, routine dental care services (listed above) are unavailable.

   Recommended Plan Amendment - Change Dental Class I services to allow coverage for exams, prophylaxis and fluoride applications for Covered Dependents twice per Calendar Year.

2. The Library is experiencing a change in demographics and consequently an increase in the number of pregnancies. As a result of continuing innovations in neonatal care, premature babies are one of the largest claims exposures for employer groups. Quality care during pregnancy is critical to the health of the mother and child. To encourage pre- and post-natal compliance and wellness, the Library's claims administrator offers the *BabyLinks* program. Participation is voluntary and includes the following benefits to the expectant member: 24-hour access to maternity nurse care management professionals; two scheduled pregnancy health interviews, materials on pregnancy and related topics and specific health information for personal diagnoses. In exchange for compliance, the Plan pays 100% of the PPO obstetrician's global fee and a program fee of $275.00 per pregnancy.

Recommended Plan Amendment – add the *BabyLinks* program for Covered Persons.

3. Currently, there are three members with diagnosed conditions that could evolve into potential transplant situations. The reinsurance market responded by applying additional deductibles for these individuals, above the existing $50,000 limit. The average additional deductible per individual amounted to $312,500. Based on the Plan's size and current funding, it would be difficult to absorb these additional potential exposures.

   AIG offers a fully-insured transplant policy for a minimal additional premium. The policy would cover transplant related expenses from the time of evaluation through 365 days post transplant.

   Recommended Plan Amendment – remove transplant coverage from the self-funded benefit Plan. Elect a fully-insured transplant policy with AIG for an annual premium of $16,677.88, incorporated into the revised Employer and Employee costs.

Prescription Drugs:
Based on the current benefit design, prescription drug costs are on target to increase 18% or $50,379.08 over the prior year. Currently, prescription drugs represent on average 25.7% of the total monthly paid claims for the Employee Benefit Plan; the industry average is 18%.

Following are the three main reasons identified as contributing factors to the continued above average cost of this benefit:

- Inflation
- Utilization Changes Due To Aging Population (16.65 prescriptions per member per year (PMPY); industry standard 9 - 12 prescriptions PMPY)
- Drug Intensity (availability of new, more expensive drug therapies)

Recommended Plan Amendment:

- Increase Member's Retail Coinsurance from 25% to **30%**;
- Increase Member's Mail Order Copayments from:
  - $20 Generic to **$25** Generic; and
  - $40 Brand Name to **$50** Brand Name

Flexible Benefits Plan:
The Library System deposits $660 annually into the Flexible Benefits Plan for employees electing to waive participation in the MLS Employee Benefit Plan. Based on current COBRA legislation, the Library System is obligated to offer "opt-out" members participating in the Medical Expense Reimbursement Plan (MERP) 18 months of continuation coverage at termination; active members can only elect continuation through the end of the Plan Year.

Recommended Action – per the Library System's Benefits Attorney, to avoid the additional exposure under COBRA, change the $55.00 monthly contribution for "opt-outs" to compensation, subject to taxation as normal wages.

Life/Accidental Death & Dismemberment Insurance:
The Library System has had two death claims in the last 24 months. Sun Life Assurance Company, the carrier for Group Term Life Insurance and Accidental Death and Dismemberment has paid out a total of $36,000. The carrier is offering a 10% increase in the current rate, guaranteed for a two year period (07/01/2007 – 06/30/2009).

Long Term Disability Insurance:
Currently, UNUM is the insurance carrier for the Library System's Long Term Disability program. There is no rate increase for the forthcoming plan year.

Vision Insurance:
The current vendor for vision insurance, Vision Service Plan (VSP), recommended a 5.5% rate increase per employee per month (PEPM), which equates to an additional $0.59 PEPM.

As an option, the Library System can elect a 3.3% increase, totaling an additional $0.35 PEPM, by increasing the exam copayment from $5 to $10 and adding coverage for adult polycarbonate lenses.

Currently, the median copayment for vision exams is $10. By increasing the copayment amount, the plan continues to keep pace with rising costs.

Adult polycarbonate lenses are the second highest upgrade requested by our employees. The cost to add the coverage is minimal, but will be beneficial to a majority of the membership.

Note: the renewal rates are guaranteed for a 24 month period (07/01/2007 – 06/30/2009).

Employee Assistance Program (EAP):
The Library System has sponsored an Employee Assistance Program (EAP) since July 2002. The total annual cost to the Library System is approximately $9,864.00 (based on 411 lives reported in May 2007). The current vendor, Integris Corporate Assistance Program (CAP) is proposing no change in services or rates for the forthcoming year.

Workers' Compensation:

Current Workers' Compensation Carrier	CompSource Oklahoma
Current Policy Period	October 1, 2006 through September 30, 2007
Current Experience Modification Factor	1.20 (prior year 1.09)

RECOMMENDATIONS

The administration requests that the Administrative and Personnel Committee recommend to the Finance Committee for inclusion in the FY 2007-08 Budget the following:

1. A merit increase schedule of from 0 to 3 percent effective July 1, 2007 (no change from FY 2006-07).

2. A market adjustment of 4 percent for all employees effective with the beginning of the pay period that includes January 1, 2008.

3. Continue with UNUM, the current carrier for long term disability insurance, with a 0% rate increase.

4. Continue with Sun Life Assurance Company for the Life/AD&D coverage with a 10% rate increase; rates guaranteed for 24 months (07/01/2007 – 06/30/2009).

5. Continue with Integris Corporate Assistance Program (CAP), the current vendor for the Employee Assistance Program, with no change in service fee for the next policy year – July 1, 2007 through June 30, 2008.

6. Continue with the current vendor for vision insurance, VSP, with a 3.3% rate increase and implementation of recommended plan changes; rates guaranteed for 24 months (July 1, 2007 through June 30, 2008).

7. Acceptance of the stop loss coverage for the Employee Benefit Plan through HCC Life Insurance Company for a $50,000 specific stop loss, Paid contract effective July 1, 2007 through June 30, 2008.

8. Acceptance of a fully-insured transplant policy through AIG.

9. Acceptance of a $0.90 per employee per month increase in the PPO access fee for First Health PPO Network for Plan Year July 1, 2007 through June 30, 2008.

10. The modifications/changes in the Employee Benefit Plan, including the change in the availability of Dental Class I services outlined and increases in the Prescription Drug Retail coinsurance and Mail Order member copayments.

11. Continue with the current Employee Benefit Plan third party administrator with no change in service fee for the next Plan Year - 07/01/2007 – 06/30/2008.

12. The addition of the *BabyLinks* program, offered through the current third party administrator, sponsored by American Health Holding, at a cost of $275.00 per pregnancy.

13. The following Employee Benefit Plan premium costs reflecting a 10% increase to the employee and the library system after applying the available fund balance. (No change in the current cost sharing formula.)

Library's Share of Monthly Premiums

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

	FY 06-07	FY 07-08	Change
Single Coverage	$428.37	467.98	$39.61
Additional Cost for Dependents	276.70	290.53	$13.83
Total Cost for Both	$705.07	$758.51	$53.44

Employee's Share of Monthly Premiums

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

	FY 06-07	FY 07-08	Change
Single Coverage	$ 47.60	$ 52.00	$ 4.40
Additional Cost for Dependents	118.60	124.50	$ 5.90
Total Cost for Both	$166.20	$176.50	$10.30

Total Monthly Premiums

	FY 06-07	FY 07-08	Change
Single Coverage	$475.97	$519.98	$44.01
Additional Cost for Dependents	395.30	415.04	$19.74
Total Cost for Both	$871.27	$935.02	$63.75