

METROPOLITAN LIBRARY COMMISSION OF OKLAHOMA COUNTY

ADMINISTRATIVE & PERSONNEL COMMITTEE AGENDA

Members: Carolyn Cornelius
Margaret Graham
Marguerite Ross
Alexandra Vera

Wednesday, May 28, 2008 at 3:30 p.m.
Downtown Library
300 Park Avenue
Oklahoma City, OK 73102
Telephone: (405) 231-8650

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

II. Executive Session

Discussion with Attorney, Courtney Warmington regarding anonymous allegations relating to employment practices

Pursuant to the Oklahoma Open Meeting Act, Title 25, Oklahoma Statutes § 307, (B)(4) – “Confidential communications between a public body and its attorney concerning a pending investigation, claim, or action if the public body, with the advice of its attorney, determines that disclosure will seriously impair the ability of the public body to process the claim or conduct a pending investigation, litigation, or proceeding in the public interest.”

III. Return to Open Meeting for Discussion, Consideration, and Possible Action, if any, resulting from Executive Session

IV. Discussion, Consideration, and Possible Action: Report and Recommendation from Administration ~ Medical Funding Account

V. Discussion, Consideration, and Possible Action: Annual Review of Human Resources – Salaries and Benefits

With Reports and Recommendations from Administration:

❖ Compensation & Benefit Plans

The Metropolitan Library System of Oklahoma County encourages participation from all patrons and citizens of Oklahoma County. If participation at any public meeting is not possible due to a disability, whether physical, hearing or speech related, please notify the office of the Executive Director (606-3726) at least forty-eight (48) hours prior to the scheduled public meeting to allow the Library to make necessary accommodations.

REPORT AND RECOMMENDATION FROM ADMINISTRATION

Medical Funding Account

RECOMMENDATION FROM ADMINISTRATION:

Currently, the Medical Funding Account definition requires that a minimum dollar reserve be retained in the fund. The reserve represents a percentage of the *prior* year's total premium. The definition then *requires* that funds in excess of the calculated reserve amount be used to buy-down premium increases for the MLS and employees.

Since the current formula uses a retrospective premium amount, does not include adjustments for continued health care cost increases and requires all excess funds be used, the Medical Funding Account balance has deteriorated over the past several years.

Recommended change: revising the Medical Funding Account reserve formula to reflect a minimum retention of a dollar amount equal to 35% of the *forthcoming* Plan Year's Maximum Liability with the *option* to utilize the available surplus to buy-down premium contributions for the library system and employees. The revision would also provide for an annual Plan Year reconciliation and independent actuarial review.

ADMINISTRATIVE & PERSONNEL COMMITTEE ACTION:

The Committee action would be to recommend that the Finance Committee and the Library Commission revise the previously adopted Medical Funding Account definition (adopted in June 2002) replacing it with the formula stated.

REPORT AND RECOMMENDATION FROM ADMINISTRATION

MLS SALARIES & BENEFITS FY 2008-09

RECOMMENDATIONS FROM ADMINISTRATION:

The Administration recommends the following:

1. Compensation:

- A.** a merit increase schedule of from 0% to 3%, effective July 1, 2008.
- B.** a market adjustment of 4% for all employees, effective with the beginning of the pay period that includes January 1, 2009.

2. Benefits:

- A.** acceptance of the following items for the self-funded Employee Benefit Plan:
 - renewal of Paid Stop Loss Insurance policy with HCC Life Insurance Company;
 - increase of \$0.55 per employee per month (PEPM) in the Third Party Administrator's (TPA) Administrative Services fee;
 - increase of \$0.10 PEPM in the PPO network access fee;
 - adoption of Performance Guarantees between the MLS and the current TPA; and
 - renewal of the fully-insured Organ Transplant policy with AIG, including a 14.53% premium rate increase.
- B.** acceptance of a continuation in the current service provider and premium rates for the following benefit programs:
 - Group Term Life Insurance and Accidental Death and Dismemberment;
 - Vision Insurance; and
 - Employee Assistance Program.
- C.** Acceptance of a proposal from Unum for the Group Long Term Disability insurance, including a rate decrease, contingent upon the inclusion of a Cost of Living Adjustment provision and base Long Term Care policy.

ADMINISTRATIVE & PERSONNEL COMMITTEE ACTION:

The Committee action would be to recommend that the Finance Committee incorporate the funds for the above recommendations into the FY 2008-09 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 2008

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 sources. This year we reviewed information from the US Department of Labor's Bureau of Labor Statistics and information gathered by MLS Human Resources Office staff. Benefits are also reviewed annually by the Human Resources Office staff and compared with benefits information received through national publications and from other sources.

SALARIES

Each year, 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 2007 report, the average full-time employee made \$40,268.80, up 4.9% from the December 2006 average of \$38,396.80 annually. For comparison, the December 2006 report represented a 3.2 percent increase above December 2005. 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 4.9 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. The average percentage increase for performance was 2.26 in 2007. 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" that reflects the contributions and importance of all evaluated positions. This job worth hierarchy is one measure that 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, the library system has traditionally compared salaries for 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 April 2008.

LIBRARIAN

<u>Library</u>	<u>Salary Range</u>	
	<u>Minimum</u>	<u>Maximum</u>
ODL (Lib. II)	30,020	50,033
TCCL	33,654	48,755
MLS	35,818	50,544
PMC	35,818	51,064

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, we believe that 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. For the first time in the last seven years, MLS is tied with the leader as opposed to slightly behind.

As a part of the FY2007-08 budget, a salary study was proposed and requests for proposals were sought. One proposal was received, the contract was approved by the Commission and the results have been recently received. The library administration is still reviewing the findings of this study.

2008 SALARY TRENDS:

The Employment Cost Index – March 2008 that was released by the US Department of Labor's Bureau of Labor Statistics in April 2008 indicates for the year ended March 2008, compensation costs for state and local government workers rose 3.6 percent compared to 4.6 percent a year ago. The 12-month gain in wages and salaries was 3.5 percent. Last year, the gain was 3.8 percent. For benefits, costs increased 4.1 percent compared to 6.3 percent for the previous year.

State and local government		
	March 2007	March 2008
Compensation costs	4.6	3.6
Wages and salaries	3.8	3.5
Benefit costs	6.3	4.1

According to research Buck Consultants, the average planned salary increases for 2008 range from 3.8% for nonexempt employees to 4.3% for executives, stable numbers from the prior year. In fact, the only employee group whose average salary increase changed from 2007 to 2008 is executives, who actually will see a slightly smaller increase from 4.4% in 2007.

SALARIES FOR FY 2008-09

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 2008-09 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, 2009, and a merit increase schedule ranging from 0 to 3 percent beginning July 1, 2008.

Additionally, the administration has included in the preliminary budget for FY2008-09, the amount of \$52,000 for adjustments that might be justified after the review of the salary study has been completed.

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.

<u>Benefit</u>	<u>Full-time</u>	<u>Part-time</u>	<u>Library Pays</u>	<u>Employee Pays</u>
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/ mo. cash in lieu	of insurance
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 2007 was \$14,689.51 and excludes the Executive Director and Coordinator of the Friends.

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

<u>Benefit</u>	<u>Annual Cost</u>	<u>Percentage of Total</u>	<u>Item % Prior Year</u>
Social Security	\$2,496.67	17.00%	17.23%
Medicare	583.90	3.97%	4.03%
Retirement	4,026.88	27.41%	27.79%
Med/Dent Ins & Opt-outs	6,501.44	44.26%	43.15%
Life and AD&D Ins	146.40	1.00%	0.92%
Long-term Disability Ins	368.51	2.63%	2.67%
Vision Ins	131.44	0.90%	0.92%
Dependents	-0-	-0-	
Short-term Disability Ins	-0-	-0-	
Workers' Compensation Ins	327.76	2.23%	2.74%
Unemployment Ins	64.44	0.44%	0.39%
Employee Assistance (EAP)	24.00	0.16%	0.17%
TOTAL	\$14,689.51		

Social Security, Medicare, workers' compensation insurance and unemployment are governmentally mandated benefits. These four items represent \$3,145.01 of the total benefits cost or 21.41 percent.

Medical/Dental and Prescription Drug Plan (Employee Benefit Plan)

Employee Benefit Cost Trends:

Calendar Year 2008 marked the fifth consecutive year of lower projected trend rates for medical plans; prescription drug coverage trends decelerated for the second consecutive year. Price inflation for services and supplies appears to be the biggest element of medical trend, as utilization rates increase at more moderate levels. Despite continued projected decelerations in trend rates, medical and prescription drug plan costs are expected to significantly outpace general inflation and wage increases.

Plan Performance:

The Employee Benefit Plan sustained a dramatic increase in claim costs during the past 10 months; four plan participants have exceeded the \$50,000 specific deductible level (the first \$50,000 of an individual claim is paid from the Employee Benefit Plan fund; amounts above \$50,000 are reimbursed by the

Stop Loss carrier), including the member assigned a \$100,000 deductible (the MLS took an additional \$50,000 risk on the individual). To date, the Plan has received \$128,541 in reimbursements from the incumbent Stop Loss carrier, HCC Life. The percentage increase in total claims paid out over the prior Plan Year, excluding Stop Loss reimbursements, is estimated at 42%.

There is currently one member undergoing an evaluation for a potential Transplant, covered under the fully-insured carve-out policy implemented last year. The Organ Transplant insurance market continues to experience cost increases due to: increasing disparity between organ demand and supply; higher frequency of organ donation for older people; and cost shifting due to inferior reimbursement rates under Medicare. The current carrier, AIG, is proposing a 14.53% premium increase for the coverage.

The prescription drug component of the Employee Benefit Plan is on target to increase 6.18% over the prior year. Currently, prescription drugs represent on average 20.63% of the total monthly paid claims for the Employee Benefit Plan; the industry average is 17 to 20%. Active members currently utilize 16.32 prescriptions per member per year (PMPY); industry standard is 8.4 prescriptions PMPY.

Stop Loss Coverage:

There were five carriers this year that provided quotes for the Library System's Stop Loss business. The average increase in Maximum Liability from the initial offers was 23% for the current Specific Deductible level of \$50,000; current trend (forecasted change in health plans' per-capita claims cost) is 11.20%.

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 16%.

Recommendations for Changes To the Self-funded Employee Benefit Plan:

1. Currently, the national average for utilization of Nurse Line services is 2-3% of the total membership. During the last two year period, the American Health Holding Nurse Care Line service has been underutilized by the MLS Employee Benefit Plan members.

Recommended Plan Change - eliminate American Health Holding Nurse Care Line service at a rate of \$0.75 per employee per month [PEPM] (approximate annual savings \$1,692).

2. Currently, the Library's Third Party Administrator (TPA) charges a \$0.50 per employee per month (PEPM) service fee for re-pricing PPO claims. Due to changes in the operations of the First Health PPO network, the fee is redundant.

Recommended Plan Change – eliminate the \$0.50 PEPM PPO re-pricing fee assessed by the current TPA (approximate annual savings of \$1,128)

3. Currently, the Library's Third Party Administrator (TPA) is proposing \$0.55 PEPM increase in the Administrative Services fee; the First Health PPO Network is proposing a \$0.10 PEPM increase in the network access fee.

Recommended Plan Change – acceptance of the proposed fee increases.

4. To encourage the Third Party Administrator (TPA) to continue providing good customer service, the Library requested Performance Guarantees related to five categories of service: Eligibility, Claims Processing, Financial Accuracy, Telephone Accessibility and Telephone Abandonment Rate. If the TPA fails to meet benchmarks in any of the outlined areas, 2% of the annual Administration Fees charged by the TPA will be returned to the MLS.

Recommended Plan Change – accept the proposed Performance Guarantees, to be incorporated into the Service Contract between the MLS and the current TPA.

Flexible Benefits Plan:

The Library System currently self-administers the Flexible Benefits Plan, including the Medical Expense Reimbursement Plan and Dependent Care Plan. No changes recommended for the forthcoming Plan Year.

Life/Accidental Death & Dismemberment Insurance:

Sun Life Assurance Company, the carrier for Group Term Life Insurance and Accidental Death and Dismemberment, provided a two year rate guarantee last year.

Long Term Disability Insurance:

Unum, the insurance carrier for the Library System's Long Term Disability program, is proposing a rate decrease from \$0.96/\$100 of monthly covered payroll to \$0.68/\$100 of monthly covered payroll plus an estimated \$20,947 annually for a base Long Term Care Policy.

The proposal is contingent upon accepting both the addition of a 3% Cost of Living Adjustment (COLA) provision (COLA provides a monthly cost of living adjustment (3%) after the insured has been disabled and receiving monthly payments for a defined period of time.) and base Group Long Term Care (LTC) policy (Note: employees can "buy-up" LTC coverage at their own cost for themselves and eligible family members). The proposed premium, including the additional benefits, reflects an approximate annual savings to the MLS of \$4,600.

Vision Insurance:

The current vendor for vision insurance, Vision Service Plan (VSP), provided a two year rate guarantee last year.

Employee Assistance Program (EAP):

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	10/01/2007 – 09/30/2008
Current Experience Modification Factor	1.00* (prior year 1.20)

We anticipate a decrease to 0.95 for the Plan Year beginning October 1, 2008.

RECOMMENDATIONS

The administration requests that the Administrative and Personnel Committee recommend to the Finance Committee for inclusion in the FY 2008-09 Budget the following:

1. A merit increase schedule of from 0 to 3 percent effective July 1, 2008 (no change from FY07 and FY08).
2. A market adjustment of 4 percent for all employees effective with the beginning of the pay period that includes January 1, 2009.
3. Acceptance of the Stop Loss coverage for the Employee Benefit Plan through HCC Life Insurance Company on a Paid contract basis, effective July 1, 2008.
4. Continue with the current Employee Benefit Plan Third Party Administrator with a \$0.55 PEPM increase in the Administrative Services fee for the new Plan Year.
5. Acceptance of a \$0.10 per employee per month increase in the PPO access fee for First Health PPO Network for the new Plan Year.
6. Acceptance of the Performance Guarantees between the MLS and the Third Party Administrator.
7. Acceptance of a 14.53% premium increase for the fully-insured Organ Transplant policy through AIG for the new Plan Year.
8. The modifications/changes in the Employee Benefit Plan, including elimination of the Nurse Care Line and TPA PPO re-pricing fee.
9. The following Employee Benefit Plan premium costs reflecting a 16% increase to the employee and the library system after applying a portion

of the available fund balance. (No change in the current cost sharing formula.)

<u>Library's Share of Monthly Premiums</u>			
(approximately 90% of single coverage & 70% of additional cost for dependents)			
	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>Change</u>
Single Coverage	\$467.98	\$542.07	\$ 74.09
Dependent Coverage	<u>290.53</u>	<u>336.53</u>	<u>46.00</u>
Total Cost for Both	\$758.51	\$878.60	\$120.09

<u>Employee's Share of Monthly Premiums</u>			
(approximately 10% of single coverage & 30% of additional cost for dependents)			
	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>Change</u>
Single Coverage	\$ 52.00	\$60.23	\$ 8.23
Dependent Coverage	<u>124.50</u>	<u>144.20</u>	<u>19.70</u>
Total Cost for Both	\$176.50	\$204.43	\$27.93

<u>Total Monthly Premiums</u>			
	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>Change</u>
Single Coverage	\$519.98	\$602.30	\$ 82.32
Dependent Coverage	<u>415.03</u>	<u>480.73</u>	<u>65.70</u>
Total Cost for Both	\$935.01	\$1,083.03	\$148.02

10. Continue with Sun Life Assurance Company for the Life/AD&D coverage; rates guaranteed through June 30, 2009.

11. Continue with UNUM, the current carrier for Long Term Disability insurance, with a rate decrease of \$0.28/\$100 of monthly covered payroll

- (new rate = \$0.68/\$100 of monthly covered payroll) and additional estimated premiums of \$20,947, to include a COLA provision and base Long Term Care policy with option for employee “buy-up”.
12. Continue with the current vendor for vision insurance, Vision Service Plan (VSP); rates guaranteed through June 30, 2009.
 13. Continue with Integris Corporate Assistance Program (CAP), the current vendor for the Employee Assistance Program, with no change in services; fee guaranteed through June 30, 2009.