ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: **Human Resources Committee**
Will Raymond, Chair
Michael Hughes
John Young
Alan Rimer, (ex-officio)

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: May 6, 2014

SUBJECT: **HUMAN RESOURCES (HR) COMMITTEE MEETING**
THURSDAY, MAY 8, 2014, 5:30 PM, OWASA BOARDROOM

Agenda

1) **Health and Dental Insurance Renewal**
Information provided in Attachments #1 and #2

2) **Deferred Compensation (457)**
Information provided in Attachment #3

3) **Next Meeting (Tentative) May 20, 2014 at 5:30 pm**

Stephanie S. Glasgow, MESH, PHR
Director of Human Resources and Safety

Attachments:

Attachment #1 – Information on Health and Dental Insurance Renewal
Attachment #2 – Information from Hill, Chesson and Woody on Health and Dental Insurance Renewal
Attachment #3 – Information on Deferred Compensation (457) Plan

Attachment 1

STAFF TO PROVIDE INFORMATION REGARDING THE

HEALTH AND DENTAL INSURANCE PLANS

Purpose

Review and discuss Health and Dental Insurance renewal for Fiscal Year (FY) 2015 and provide a recommendation to the OWASA Board of Directors.

BACKGROUND

At the February 6, 2014 Human Resource (HR) Committee meeting, the Committee supported renewing employee Health and Dental insurance with Blue Cross and Blue Shield of North Carolina (BCBSNC) for the upcoming plan year effective July 1, 2014.

Additionally, at the March 20, 2014 meeting, the Committee supported using the firm of Hill, Chesson and Woody (HCW) to manage benefit plans and negotiate premiums with BCBSNC.

INFORMATION

Information received from HCW indicates a fair and reasonable premium increase to maintain current benefit levels. After negotiations with BCBSNC, Health Insurance premiums will increase 8.2% of which approximately 3.5% is a direct result from Health Care Reform taxes and fees. The proposed dental insurance premium increase is 4.2%. This information along with additional health insurance plan options were requested and provided by HCW and can be found in Attachment #2.

Hill, Chesson and Woody also negotiated the employee Life, Dependent Life, Accidental Death and Dismemberment and Long Term Disability insurance plans and were able to achieve a 7.4 percent decrease in current rates for a two year period ending on July 1, 2016.

Ellen Tucker with HCW will present this information at the HR Committee meeting on May 8, 2014.

Approximate costs:

FY 2015 Health Insurance Costs if no increase in rates	$1,220,000
FY 2015 Health Insurance Costs with an 8.2% increase in rates	$1,320,000
FY 2015 Increase	$100,000

FY 2015 Dental Insurance Costs if no increase in rates	$56,000
FY 2015 Dental Insurance Costs with an 4.2% increase in rates	$58,300
FY 2015 Increase	$2,300

FY 2015 Life, AD & D, LTD Insurance Costs if no decrease in rates	$50,000
FY 2015 Life, AD & D, LTD Insurance Costs with 7.4% decrease in rates	$46,300
FY 2015 Decrease	$3,700

Chapter 162A of the General Statutes prohibits Cities and Counties from providing plans covering elective abortions. OWASA's current plan does not have such exclusion. After review, Robert Epting has determined that OWASA is not prohibited from offering the coverage. Should OWASA elect to remove elective abortions from coverage, the current plan would not be feasible and a new plan would need to be selected.

STAFF RECOMMENDATION

Staff recommends that the HR Committee propose renewal of the BCBSNC contracts maintaining current benefit levels for health and dental insurance to the Board of Directors at their May 22, 2014 meeting.

Attachment 2

4819 Emperor Boulevard, Suite 200
Durham, NC 27703
919-403-1986 (p) 919-869-2063 (f)
www.hcwbenefits.com

HILL, CHESSON & WOODY

Experience the benefit.

May 5, 2014

Dear Stephanie:

The enclosed exhibits reflect the medical and dental renewals for OWASA after carrier negotiations. Additional explanation is provided as follows:

Medical
Blue Cross and Blue Shield of North Carolina (BCBSNC) asked for a 19.9% renewal increase effective July 1, 2014. We negotiated to an 8.2% renewal increase, which we believe is a fair renewal. Approximately 3.5% of the increase is due to healthcare reform taxes and fees. Current medical trend for BCBSNC is 6.3%. So, the renewal increase net of reform fees and taxes is below trend. Several plan design options are included in the exhibit, as well. BCBSNC files benefit packages, so we were unable to change to a $750 deductible without making other benefit changes as well.

There is new a statute that prohibits cities and counties from providing coverage for abortions. OWASA's current benefit plan through BCBSNC does not comply. Robert Epting has reviewed the statute and has determined that since Water and Sewer Authorities are neither cities nor counties, OWASA does not need to comply. Therefore, it is his opinion that the Board of Directors is not prohibited from providing such coverage to OWASA employees.

Dental
An 8.4% renewal increase was requested by BCBSNC. The increase after negotiations is 4.2%, which we believe is a fair renewal based on our analysis.

Ancillary
The life, accidental death and dismemberment (AD&D), and long term disability (LTD) policies were not due to renew this year. However, we negotiated with USAble and were able to obtain an overall 7.4% rate decrease guaranteed until July 1, 2016.

Regards,

Ellen Tucker
Principal
Health and Welfare Consultant
etucker@hcwbenefits.com

Orange Water & Sewer Authority

Medical Benefit/Cost Analysis

July 2014

	Current / Renewal		Option 1		Option 2		Option 3	
Carrier	BCBSNC Blue Options		BCBSNC Blue Options		BCBSNC Blue Options		BCBSNC Blue Options	
Name of Plan	Quote #4591716		Quote #4618864		Quote #4618866		Quote #4618868	
Type of Plan	PPO		PPO		PPO		PPO	
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar/Contract Yr.	Contract		Contract		Contract		Contract	
Office Visit	$10/$20 Copay	80%*	$20/$40 Copay	70%*	$15/$30 Copay	70%*	$10/$20 Copay	80%*
Prescription Drugs (Tier 1/Tier 2/Tier 3/Tier 4)	Retail: $4/$35/$50/25%[1] Mail: 3 x Copay	Copay + charge over in-network allowed amount	Retail: $4/$35/$50/25%[1] Mail: 3 x Copay	Copay + charge over in-network allowed amount	Retail: $4/$35/$50/25%[1] Mail: 3 x Copay	Copay + charge over in-network allowed amount	Retail: $4/$35/$50/25%[1] Mail: 3 x Copay	Copay + charge over in-network allowed amount
Emergency Room	$150 Copay	$150 Copay	$300 Copay	$300 Copay	$150 Copay	$150 Copay	$150 Copay	$150 Copay
Urgent Care	$20 Copay	$20 Copay	$40 Copay	$40 Copay	$30 Copay	$30 Copay	$20 Copay	$20 Copay
Annual Deductible	$500/$1,000	$1,000/$2,000	$750/$1,500	$1,500/$3,000	$750/$1,500	$1,500/$3,000	$1,000/$2,000	$2,000/$4,000
Out of Pocket Maximum	Current: $500/$1,000 (includes deductible & coinsurance) Renewal: $1,500/$3,000 (includes deductible, coinsurance & copays)	Current: $2,250/$4,500 (includes deductible & coinsurance) Renewal: $3,000/$6,000 (includes deductible, coinsurance & copays)	$1,750/$5,250 (includes deductible, coinsurance & copays)	$3,500/$10,500 (includes deductible, coinsurance & copays)	$1,750/$3,500 (includes deductible, coinsurance & copays)	$3,500/$7,000 (includes deductible, coinsurance & copays)	$2,000/$4,000 (includes deductible, coinsurance & copays)	$4,000/$8,000 (includes deductible, coinsurance & copays)
Inpatient Care	100%*	80%*	100%*	70%*	90%*	70%*	100%*	80%*
Outpatient Care	100%*	80%*	100%*	70%*	90%*	70%*	100%*	80%*
Routine Vision Exam	100% (every benefit period)	Network Only	100% (every benefit period)	Network Only	100% (every benefit period)	Network Only	100% (every benefit period)	Network Only
Vision Hardware	Not Covered		Not Covered		Not Covered		Not Covered	
Lifetime Maximum	Unlimited		Unlimited		Unlimited		Unlimited	
Grandfathered Plan Status	Not Grandfathered		Not Grandfathered		Not Grandfathered		Not Grandfathered	
Eligibility	30 Hours / Week		30 Hours / Week		30 Hours / Week		30 Hours / Week	
Participation Requirement	Current: 75% of Net Eligible Renewal: 70% of Net Eligible		70% of Net Eligible		70% of Net Eligible		70% of Net Eligible	
Actuarial Value Estimate	Current: 95.6% Renewal: 90.0%		87.2%		88.1%		88.0%	

***Coverage provided after deductible.**

[1]There is a $50 Drug Minimum and a $100 per Drug Maximum for each 30-day supply of Tier 4 Specialty Brand Drugs.

	Current	Renewal			
Change from Current	-	8.2%	2.5%	1.8%	4.6%

Notes:

1. Benefits illustrated above are high level benefits only. The plan document supersedes this exhibit if there are any discrepancies.
2. For Medicare Part D, all plans are considered creditable coverage.
3. For the Renewal, Option 1, Option 2, and Option 3, Prescription Drug Copays accumulate towards the Out of Pocket Maximum.

Orange Water & Sewer Authority

Proposal Assumptions and Contingencies

July 2014

BCBSNC

1. This proposal is valid until 6/1/14.
2. Minimum employer contribution is 50% of the employee rate or its equivalent when applied to both employee and dependent coverage.
3. BCBSNC reserves the right to invalidate or re-rate this proposal if total enrollment or enrollment by contract type varies by more than +/- 10% from the numbers presented in this proposal or if the demographic composition of the enrolled group varies by more than +/- 10% from the anticipated demographic composition.
4. This quote is null and void and may be rescinded back to the original quote date should we determine that this "group" is a Multiple Employer Welfare Association (MEWA), a Variable Employer Benefit Association (VEBA), or part of a Professional Employer Organization (PEO) and we have not previously approved it.
5. This quote is null and void and may be rescinded back to the original quote date should we determine that this "group" is comprised of multiple "related" entities and has not submitted a Common Ownership Certification for Underwriting Approval.
6. Employer Funding of a portion of the deductible may increase utilization of benefits. This may cause the renewal rate increase to be higher than expected. Any increase in utilization will be part of the group's future claims experience and will be accounted for in future renewal increases.

Orange Water & Sewer Authority

Dental Benefit/Cost Analysis

July 2014

	Current / Renewal	
Carrier	**BCBSNC**	
	In-Network	**Out-of-Network**
Calendar / Contract Year	**Contract**	
Preventive Care	**100%**	
Basic Care	**80%***	
Major Care	**50%***	
Orthodontia	**50% (Child Only)**	
Endodontics	**Basic**	
Periodontics	**Basic**	
Deductible	**$50/$150**	
Annual Maximum	**$1,000**	
Annual Maximum Rollover	**N/A**	
Orthodontia Lifetime Maximum	**$1,000**	
Deferral of Benefits	**Timely - None Late - Basic; 12 months Major & Ortho: 24 months**	
Enrollment	**When 1st Eligible or Upon a Qualifying Event**	
UCR Level	**Negotiated Fee**	**90th**
Dependent Age Limit	**To Age 26**	
Eligibility	**30 Hours / Week**	
Participation Requirement	**Current: 75% Renewal: 50%**	
Rate Guarantee	**12 months**	

***Coverage provided after deductible.**

	Current	Renewal
Change from Current	**-**	**4.2%**

Note: Benefits illustrated above are high level benefits only. The plan document supersedes this exhibit if there are any discrepancies.

Attachment 3

STAFF TO PROVIDE INFORMATION REGARDING THE DEFERRED COMPENSATION (457) PLAN

BACKGROUND

During the April 15, 2014 Human Resource Committee meeting discussion regarding OWASA's Deferred Compensation (457) plan, the Committee supported the importance of maintaining a competitive plan and expanding the current benefit to include employees with six months of service or more.

The Committee favored contributing a fixed amount per pay period to employee's accounts, subject to a maximum annual limit. Additionally, Committee members would like to include an option providing an employer match of employee contributions, also subject to an annual limit. The Committee determined that should an option be selected where benefit levels are below what current employees receive, there was interest in grandfathering current employee benefit levels.

Based on our analysis of their practices, peer employers provide a benefit of approximately 4% of employee wages. Direction from the Committee was for staff to provide additional options for OWASA with a market value benefit of approximately 4% of payroll or $300,000 annually.

The Committee also requested comparison information regarding the typical level of employee participation in voluntary employee contribution programs.

The Committee also expressed interest in adding a loan provision to OWASA's plan and requested comparison information regarding the percentage of an employee's account that would be eligible to be take out as a loan.

Note: The local entity comparison discussed at the last meeting, appended for loan information, can be found on page 8.

OWASA'S CURRENT DEFERRED COMPENSATION PLAN (457)

Note: In the options below, the information is based on personnel costs included in the draft FY 2015 operating budget. In order to present an estimate of the greatest potential financial impact, it assumes full-employment of the funded authorized positions and tenure of at least six months.

Below is the current benefit provided to employees and the cost to OWASA.

Current 457 Plan						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		0	$40	$60	$80	$100
OWASA Annual Contribution >>		0	$1,040	$1,560	$2,080	$2,600
		Annual contribution percentage of annual wage				
Wage example	$32,000	0	3.3%	4.9%	6.5%	8.1%
OWASA's median wage	$48,578	0	2.1%	3.2%	4.3%	5.4%
Wage example	$70,000	0	1.5%	2.2%	3.0%	3.7%
Wage example	$100,000	0	1.0%	1.6%	2.1%	2.6%
	Total					
Employees covered out of 131	95	36	28	21	21	25
Approximate FY15 total annual cost to OWASA		$170,000				

Observations regarding the current deferred compensation plan competitiveness

- The existing contribution amounts have remained the same since 2001. This results in the OWASA contribution as a percentage of base pay decreasing over time as salaries increase.
- OWASA is the only employer to provide no deferred compensation benefit for employees with less than four years of service.
- For existing employees with 15 years or more of service and earning the median wage or less, OWASA's current benefit is competitive in the local market.
- For existing employees with less than 15 years of service, the current benefit is less competitive in the local market, especially for employees earning the median wage or above.
- Peer employers provide a benefit of approximately 4% of employee wages.

OPTIONS TO IMPROVE OWASA'S COMPETITIVENESS

Option 1: Same as current plan but establish a $40 per pay period benefit for employees with at least six months of service.

- Creates a benefit for all employees who have completed 6 months of service.
- Not as competitive for all wage categories.
- Total benefit is below peer employers.

Below is the benefit provided to employees and the cost to OWASA for Option 1.

Option 1						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$40	$40	$60	$80	$100
OWASA Annual Contribution >>		$1,040	$1,040	$1,560	$2,080	$2,600
		Annual contribution percentage of annual wage				
Wage example	$32,000	3.3%	3.3%	4.9%	6.5%	8.1%
OWASA's median wage	$48,578	2.1%	2.1%	3.2%	4.3%	5.4%
Wage example	$70,000	1.5%	1.5%	2.2%	3.0%	3.7%
Wage example	$100,000	1.0%	1.0%	1.6%	2.1%	2.6%
	Total					
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost to OWASA		$209,000				
Estimated additional cost over existing plan		$39,000				

Option 2: Increase the contribution and add new tier for employees with 6 months to less than 4 years of service. Includes Option 1 and increases contribution rates as noted in the table and adds a new tier for employees with 6 months to less than 4 years of service.

- Creates a benefit for all employees who have completed 6 months of service.
- Improves competitiveness but remains below peer employers.
- All employees with similar service time receive the same contribution regardless of salary.

Below is the benefit provided to employees and the cost to OWASA for Option 2.

Option 2						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$40	$60	$80	$100	$120
OWASA Annual Contribution >>		$1,040	$1,560	$2,080	$2,600	$3,120
		Annual contribution percentage of annual wage				
Wage example	$32,000	3.3%	4.9%	6.5%	8.1%	9.8%
OWASA's median wage	$48,578	2.1%	3.2%	4.3%	5.4%	6.4%
Wage example	$70,000	1.5%	2.2%	3.0%	3.7%	4.5%
Wage example	$100,000	1.0%	1.6%	2.1%	2.6%	3.1%
	Total					
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost to OWASA		$260,000				
Estimated additional cost over existing plan		$90,000				

Option 3: Provide a 4% (or alternate percentage) contribution to all employees who have completed at least 6 months of service with a cap of $3,500 (or alternate cap) - As an alternative to a fixed amount based on years of service, OWASA could provide a contribution as a percentage of an employee's base pay with a cap not to exceed $3,500.

- Provides a benefit to all employees who have completed 6 months of service without regard to service time.
- 100 employees would see an increase in contributions.
- 31 employees would see a decrease in contributions.
- Not as competitive for all wage categories.
- Total benefit slightly below peer employers.

Below is the benefit provided to employees and the cost to OWASA for Option 3. Budgeted total FY 2015 payroll is approximately $7.2 million; 4% of which is $287,000. The cost shown below is less because of the cap of $3,500.

Option 3		
Employee Tenure >>		6 mos+
OWASA Contribution >>		4.0%
Annual cap		$3,500
		Annual contribution percentage of annual wage
Wage example	$32,000	4.0%
OWASA's median wage	$48,578	4.0%
Wage example	$70,000	4.0%
Wage example	$100,000	3.5%
Employees covered out of 131	131	
Approximate FY15 total annual cost to OWASA	$275,000	

Option 4: Along with current benefits, provide a match of employee voluntary contributions up to 2%.

- Encourages employee contributions.
- Improves competitiveness with peer employers.
- Does not provide benefits for employees with less than 4 years of service.

Below is the benefit provided to employees and the cost to OWASA for Option 4.

Option 4						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		0	$40	$60	$80	$100
OWASA Annual Contribution >>		0	$1,040	$1,560	$2,080	$2,600
OWASA matching contribution		0	2%	2%	2%	2%
		Annual contribution percentage of annual wage				
Wage example	$32,000	0	5.3%	6.9%	8.5%	10.1%
OWASA's median wage	$48,578	0	4.1%	5.2%	6.3%	7.4%
Wage example	$70,000	0	3.5%	4.2%	5.0%	5.7%
Wage example	$100,000	0	3.0%	3.6%	4.1%	4.6%
	Total					
Employees covered out of 131	95	36	28	21	21	25
Approximate FY15 total annual cost assuming 100% participation in match	$314,000					
Approximate FY15 total annual cost assuming 60% participation in match	$257,000					

Option 4a: Add a new $40 tier for employees with 6 months to less than 4 years of service, no changes to other current tiers, provide a match of employee voluntary contributions up to 2%.

- Encourages employee contributions.
- Improve competitiveness with peer employers.
- Creates a benefit for all employees who have completed 6 months of service.

Following is the benefit provided to employees and the cost to OWASA for Option 4a.

Option 4a						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$40	$40	$60	$80	$100
OWASA Annual Contribution >>		$1,040	$1,040	$1,560	$2,080	$2,600
OWASA matching contribution		2%	2%	2%	2%	2%
		Annual contribution percentage of annual wage				
Wage example	$32,000	5.3%	5.3%	6.9%	8.5%	10.1%
OWASA's median wage	$48,578	4.1%	4.1%	5.2%	6.3%	7.4%
Wage example	$70,000	3.5%	3.5%	4.2%	5.0%	5.7%
Wage example	$100,000	3.0%	3.0%	3.6%	4.1%	4.6%
	Total					
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost assuming 100% participation in match	$352,000					
Approximate FY15 total annual cost assuming 60% participation in match	$295,000					

Option 5: Add a new tier for employees with 6 months to less than 4 years of service, increase current tiers by $20 per pay period and offer a 1% matching contribution with OWASA's contribution capped at $3,500.

- Creates a benefit for all employees who have completed 6 months of service.
- Encourages employee contributions.
- Not as competitive for all wage categories.
- No employee's benefit is reduced.
- Improves competitiveness with peer employers.

Below is the benefit provided to employees and the cost to OWASA for Option 5.

Option 5						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$40	$60	$80	$100	$120
OWASA Annual Contribution >>		$1,040	$1,560	$2,080	$2,600	$3,120
OWASA matching contribution		1%	1%	1%	1%	1%
OWASA contribution max	$3,500					
		Annual contribution percentage of annual wage				
Wage example	$32,000	4.3%	5.9%	7.5%	9.1%	10.8%
OWASA's median wage	$48,578	3.1%	4.2%	5.3%	6.4%	7.2%
Wage example	$70,000	2.5%	3.2%	4.0%	4.7%	5.0%
Wage example	$100,000	2.0%	2.6%	3.1%	3.5%	3.5%
	Total					
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost assuming 100% participation in match	$323,000					
Approximate FY15 total annual cost assuming 60% participation in match	$297,000					

Option 6: Provide all employees with at least 6 months of service $100 per pay period and offer 1% matching contribution with OWASA's contribution capped at $3,500.

- This option is included for illustration purposes. OWASA's total investment would exceed $300,000.

Below is the benefit provided to employees and the cost to OWASA for Option 6.

Option 6						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$100	$100	$100	$100	$100
OWASA Annual Contribution >>		$2,600	$2,600	$2,600	$2,600	$2,600
OWASA matching contribution		1%	1%	1%	1%	1%
OWASA contribution max	$3,500					
		Annual contribution percentage of annual wage				
Wage example	$32,000	9.1%	9.1%	9.1%	9.1%	9.1%
OWASA's median wage	$48,578	6.4%	6.4%	6.4%	6.4%	6.4%
Wage example	$70,000	4.7%	4.7%	4.7%	4.7%	4.7%
Wage example	$100,000	3.5%	3.5%	3.5%	3.5%	3.5%
	Total					
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost assuming 100% participation in match	$407,000					
Approximate FY15 total annual cost assuming 60% participation in match	$379,000					

Option 7: Provide all employees with at least 6 months of service $65 per pay period and offer 2% matching contribution with OWASA's contribution capped at $3,500.

- Creates a benefit for all employees who have completed 6 months of service.
- Encourages employee contributions.
- Not as competitive for all wage categories.
- For the amount of employees' benefit to remain the same, they must participate in the matching component. Therefore to remain whole, employees would have to contribute to the plan. If all employees participate in the matching component to the full 2%, three employees will see a reduction in their benefit.
- If no employees participate in the matching component of this option, 46 employees will see a reduction in their benefit.
- Since the benefit is reduced for some employees, it would require grandfathering the current plan for at least those employees adversely affected. This increases administrative complexity and creates inequality among employees.

Following is the benefit provided to employees and the cost to OWASA for Option 7. This analysis is based on the profile of our current workforce. The actual cost will be impacted by grandfathering the current plan.

Option 7						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$65	$65	$65	$65	$65
OWASA Annual Contribution >>		$1,690	$1,690	$1,690	$1,690	$1,690
OWASA matching contribution		2%	2%	2%	2%	2%
OWASA contribution max	$3,500					
		Annual contribution percentage of annual wage				
Wage example	$32,000	9.1%	9.1%	9.1%	9.1%	9.1%
OWASA's median wage	$48,578	6.4%	6.4%	6.4%	6.4%	6.4%
Wage example	$70,000	4.7%	4.7%	4.7%	4.7%	4.7%
Wage example	$100,000	3.5%	3.5%	3.5%	3.5%	3.5%
	Total					
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost assuming 100% participation in match	$357,000					
Approximate FY15 total annual cost assuming 60% participation in match	$302,000					

STAFF RECOMMENDATION

Staff prefers to transition to a plan in which contributions are based on percentages rather than fixed dollar amounts. However, to accomplish this without reducing the benefit of any current employee, we would have to operate two plans for some period of time: the current plan to keep longer-term employees whole and a new percentage-based plan for others. If grandfathering is a feasible option, staff recommends allowing current employees to choose to stay with the current 457 plan or transition to a version of Option 3 without a cap. With no cap and no fixed dollar contribution amounts, the plan will adjust with inflation. All new employees would participate in the Option 3 plan.

If grandfathering the current plan is not feasible, staff prefers Option 5. It is competitive with peer employers, provides a benefit for all employees who successfully complete the six-month probation period, encourages employee contributions, and does not result in a reduction of the employees' current benefit. The disadvantage of Option 5 is that the per pay period benefit loses value over time due to inflation and the 1% employer match is modest.

Note: We are investigation the feasibility of offering two different deferred compensation plans and what our options may be. We hope to have more information in time for the May 8, 2014 HR Committee meeting.

With the exception of Option 5, we recommend requesting employee feedback prior to the Committee recommending other options to the Board of Directors.

LOCAL ENTITY COMPARISON

As can be seen in the table below, local government contributions for employee deferred compensation plans vary. The typical benefit is approximately 4% of the employee's wages. Additionally, responding entities maintain the loan provision at 50% of the account balance.

Organization	Deferred Compensation	Loan Available to Employees	Voluntary Employee Participation Level
OWASA	457 Plan Offered 4-9 = $40 per pay period 10-14 = $60 per pay period 15-19 = $80 per pay period 20+ = $100 per pay period	n/a	44%
Town of Carrboro	401(k) Plan Employer contributes 3% for non-LEO staff	Did not respond	Did not respond
Town of Chapel Hill	401(k) and 457 Plan Employer contributes 5% to 401(k) Plan	50%	46%
Orange County	401(k) and 457 Plan Non-LEO: Employer contributes $715 plus match up to $1200 of employee voluntary contribution	Did not respond	Did not respond
Town of Cary	401(k) and 457 Plan Offered Employer contributes 5% to either 401(k) or 401(a) – employee choice	50% not to exceed $50,000	457 Plan 13% 401(k) Plan 37%
Town of Hillsborough	401(k) Plan Offered Employer contributes 5%	50% not to exceed $50,000	62%
City of Durham	401(k) and 457 Plan Offered Employer contributes 4.5% to 401(k) Plan	Did not respond	Did not respond
City of Raleigh	401(k) and 457 Plan Offered Employer makes a 200% matching contribution on the first 1% of employee contribution to 457	Did not respond	Did not respond
Asheville-Buncombe Municipal Utility District	401(k) and 457 Plan Offered Employer contributes 5% to 401(k) Plan	Did not respond	Did not respond
Greenville Utilities Commission	401(k) and 457 Plan Offered Employer contributes $1,040 annually to 401(k) for full-time and designated part-time employees	50%	64%