Updated 2-5-2019:
Supplemental Information

ORANGE WATER AND SEWER AUTHORITY

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

TO: **Human Resource Committee**
Robert Morgan, Chair
Jeff Danner
Ray DuBose
Ruchir Vora
Yinka Ayankoya, Ex-Officio

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: February 1, 2019

SUBJECT: **Human Resource (HR) Committee Meeting**
Tuesday, February 5, 2019, 5:30 pm, OWASA Boardroom

The HR Committee will discuss information and options for deferred compensation benefits and health benefits provided to retirees.

Stephanie S. Glasgow, MESH, MPM, PHR, SHRM-CP
Director of Human Resources and Safety

Stephen Winters, CPA
Director of Finance and Customer Service

Attachment

Background

In 2014, consultants analyzing OWASA's compensation and benefits programs determined that two of our benefit plans are not in sync with the employment market. In summary: our deferred compensation (457) plan benefit plan is below market, whereas our retiree health benefit plan is above market. Based on recommendations in the report, the Board considered changes to our retiree health benefit and deferred compensation (457) plans. The Board ultimately decided to defer action and directed the Human Resource Committee to work with staff to consider options, and to make a recommendation to the Board of Directors.

The Human Resources Committee last met to discuss this topic on June 25, 2018 and asked staff to evaluate four options related to OWASA's 457 and retiree health benefit plans. In addition to the four options the Board requested to have analyzed, staff has included a recommendation (Option 5).

Plan Option	New Hires (as of a date TBD)		Existing Employees	
	Retiree Health	457 Plan	Retiree Health	457 Plan
Current	NA	NA	All or part (depending on age and years of service) of insurance premiums paid by OWASA	Fixed employer contribution per pay-period based on tenure
Option 1	RMSA[1]	457 ++[2]	Employee chooses: Remain on current plans or RMSA[1] and 457 ++[2]	
Option 2	RMSA[1]	457 +[3]	Remain on current plan	457 +[3]
Option 3	RMSA[1]	Remain on current plan	Remain on current plans	
Option 4	None	457 ++[2]	Remain on current plan	457 ++[2]
Option 5	RMSA[1] or none	3% of salary employer contribution with minimum of $1,300	Remain on current plan	3% of salary employer contribution with minimum of $1,300

[1] Retirement Medical Savings Account - trust account established exclusively to receive after tax contributions on behalf of employees to be used for retiree health care expenses. Earnings on the amounts contributed accumulate on a tax-free basis and are not subject to tax if they are used to pay for eligible medical expenses for employees after the employee retires. Eligible expenses include retiree health plan premiums, Medicare premiums, long-term care premiums and out-of-pocket health expenses after retirement.

[2] 457 ++ is to be competitive in the employment market (described below).
[3] 457 + is to be a percentage-based benefit but less competitive in the market (described below)

Retiree Health Benefit

Retirement Medical Savings Account (RMSA) Alternative

One of the Human Resource Committee's considerations is remaining competitive in the employment market. Several of our nearby peers offer a RMSA structured as follows:

- Mandatory employee participation
- Employees contribute 2% each pay period up to $1,000 per plan year
- Employer contributes $35 per pay period with a maximum of $910 per year
- Total annual RMSA contribution not to exceed $1,910

At OWASA's discretion, the plan may include a vesting schedule for employer contributions. Contribution percentages, fixed amounts and limits are determined by OWASA. Those shown above are comparable to OWASA peer organizations and are included for illustration and to estimate cost (see Appendix A for information about peer organizations).

OWASA's Current Retiree Health Benefit

In the current retiree health insurance plan, OWASA pays a percentage of the health insurance premiums for pre-65-year-old retirees and provides a Medicare Supplement for post-65-year-old retirees. An employee's age and years of service determine the percentage of premium paid by OWASA.

Years of Service	Age	Percentage of Premium (Pre-65) or Supplement (Post-65) Paid by OWASA
10 years	60	50%
15 years	60	75%
20 years	60	100%
30 years	Any age	100%

Pre-65-year-old retirees stay on OWASA's group health plan. Post-65-year-old retirees receive a Medicare Supplement where costs vary based on the plan chosen by the retiree (OWASA is not involved in the employee's decision).

Deferred Compensation (457) Plan Alternatives

OWASA's Current Deferred Compensation (457) Plan

The benefit provided by OWASA's current 457 plan includes:

OWASA's Contribution to Employees' 457 Accounts (amount)					
	Employee's Tenure				
	0 to < 4 Years	4 to 9 Years	10-14 years	15-19 Years	20+ Years
Bi-weekly	$0	$40	$60	$80	$100
Annual	$0	$1,040	$1,560	$2,080	$2,600

The following table shows examples of the effective percentage benefit of the current 457 plan benefit.

OWASA's Contribution to Employees' 457 Accounts (percentage)					
	Employee's Tenure				
	0 to < 4 Years	4 to 9 Years	10-14 years	15-19 Years	20+ Years
$40,000	0%	2.6%	3.9%	5.2%	6.5%
$70,000	0%	1.5%	2.2%	3.0%	3.7%
$100,000	0%	1.0%	1.6%	2.1%	2.6%

As noted above, OWASA's 457 plan is not competitive in the employment marketplace. Information about the benefit offered by other local entities is presented in Appendix B.

457 ++

To make OWASA's 457 plan benefit more competitive, at the meeting on June 25, 2018, the Committee outlined the following plan.

- OWASA contributes 2.5% of employee's wages to employee's account
- Maximum contribution is $2,600
- Minimum contribution is $1,300
- Employee may make voluntary contributions

The following table shows examples of the effective percentage benefit of the 457 ++ plan benefit:

Wage Level	Benefit Amount	Benefit Percentage
$40,000	$1,300	3.3%
$52,000	$1,300	2.5%
$75,000	$1,875	2.5%
$100,000	$2,500	2.5%
$125,000	$2,600	2.1%

457 +

The second 457 plan alternative discussed by the Committee was to make a modest improvement in the 457 plan benefit without attempting to equal offerings in the employment market. The following is patterned after the Committee's 457 ++ plan; the level of benefit is an alternative developed by staff.

- OWASA contributes 2.5% of employee's wages to employee's account

- Maximum contribution is $1,500
- Minimum contribution is $1,000
- Employee may make voluntary contributions

The following table shows examples of the effective percentage benefit of the 457 + plan benefit.

Wage Level	Benefit Amount	Benefit Percentage
$40,000	$1,000	2.5%
$52,000	$1,300	2.5%
$75,000	$1,500	2.0%
$100,000	$1,500	1.5%
$125,000	$1,500	1.2%

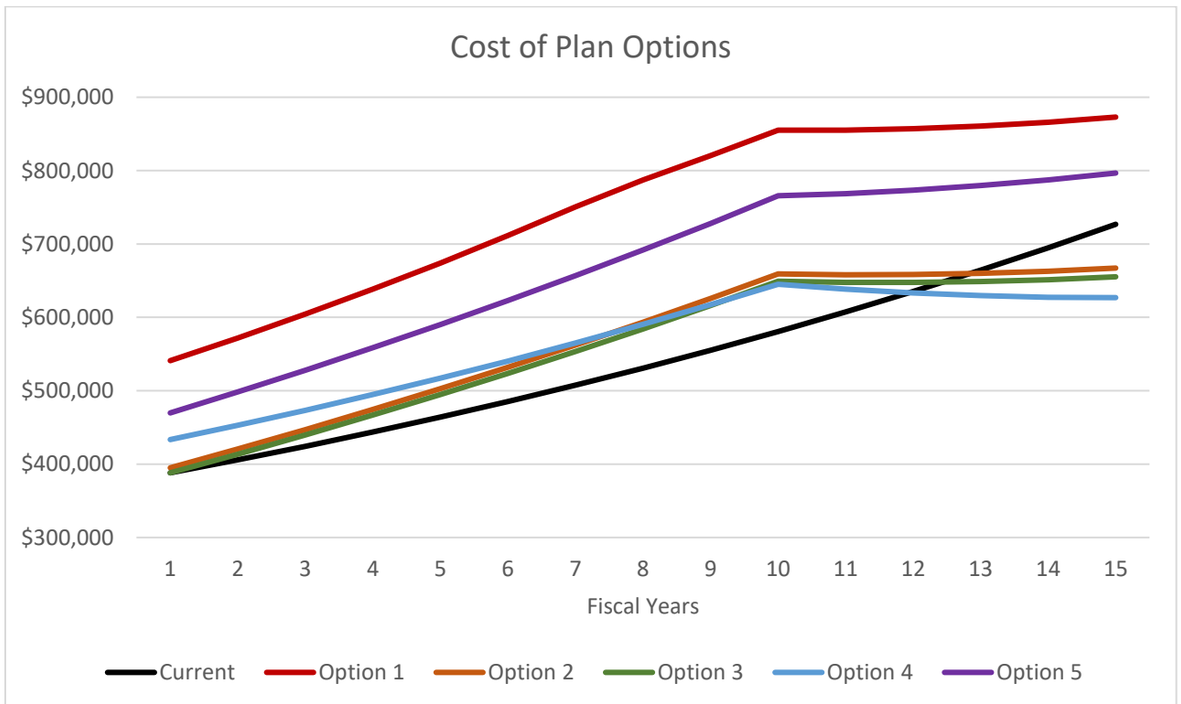
Estimated Financial Impact of Each Option

The following are assumptions used in estimating costs:

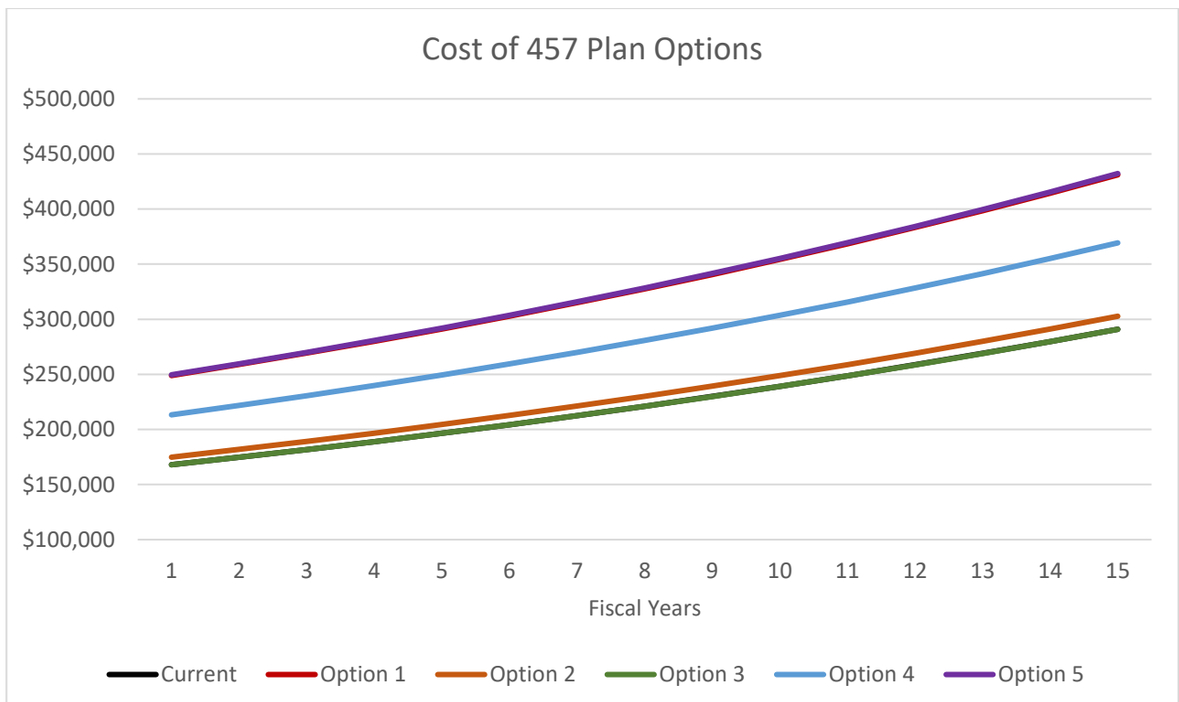
1	Total number of employees	134
2	Annual salary increase	4%
3	Annual average number of new hires (based on experience of last five years)	14
4	Number of retired employees receiving Option 1 retiree health insurance benefit based on average of previous 5-years, reduced by 10% per year beginning in Year 11	Pre-age-65 – 14 Post-age-65 – 18
5	Beginning in Year 11, annual percent reduction in the number of retired employees receiving Option 1 benefits	10%
6	Annual cost inflation adjustment for existing retiree health plan's insurance premiums	5%
7	Base year per-employee annual OWASA contribution to RMSA retiree health benefit plan	$910
8	Annual cost inflation adjustment for Option 2 retiree health benefit	3%
9	Annual contribution to current 457 plan	$168,000
10	Annual cost increase for current 457 plan	4%
11	Number of existing employees who will choose to remain on current 457 plan because the current 457-benefit is greater than the other options.	55

The following tables and charts show the estimated costs (presented in dollars) of each Option projected over the next 15 years.

Cost of Plan Options															
Year >>	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Current	388,000	406,000	424,000	444,000	464,000	485,000	508,000	531,000	555,000	581,000	607,000	635,000	664,000	695,000	727,000
Opt. 1	541,000	572,000	604,000	639,000	674,000	712,000	751,000	787,000	820,000	855,000	855,000	857,000	861,000	866,000	873,000
Opt. 2	395,000	421,000	447,000	474,000	503,000	532,000	562,000	593,000	626,000	659,000	658,000	658,000	660,000	663,000	667,000
Opt. 3	388,000	414,000	440,000	467,000	495,000	524,000	553,000	584,000	616,000	649,000	648,000	648,000	649,000	651,000	655,000
Opt. 4	433,000	453,000	473,000	495,000	517,000	540,000	565,000	590,000	617,000	645,000	638,000	633,000	630,000	628,000	627,000
Opt. 5	470,000	498,000	528,000	586,000	590,000	623,000	657,000	692,000	728,000	766,000	769,000	773,000	780,000	787,000	797,000

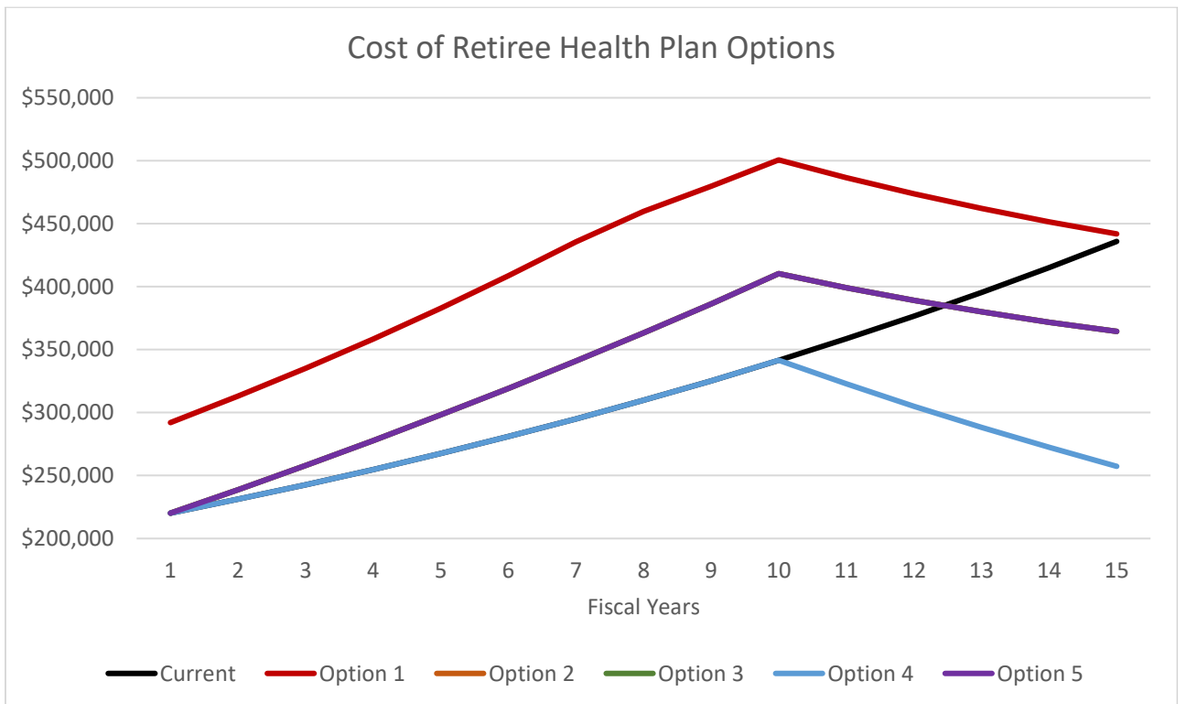


Cost of 457 Plan Options															
Year >>	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Current	168,000	175,000	182,000	189,000	197,000	204,000	213,000	221,000	230,000	239,000	249,000	259,000	269,000	280,000	291,000
Opt. 1	249,000	259,000	269,000	280,000	291,000	303,000	315,000	328,000	341,000	354,000	368,000	383,000	399,000	415,000	431,000
Opt. 2	175,000	182,000	189,000	197,000	205,000	213,000	221,000	230,000	239,000	249,000	259,000	269,000	280,000	291,000	303,000
Opt. 3	168,000	175,000	182,000	189,000	196,000	204,000	213,000	221,000	230,000	239,000	249,000	259,000	269,000	280,000	291,000
Opt. 4	213,000	222,000	231,000	240,000	250,000	259,000	270,000	281,000	292,000	304,000	316,000	328,000	341,000	355,000	369,000
Opt. 5	250,000	260,000	270,000	281,000	292,000	304,000	316,000	328,000	342,000	355,000	369,000	384,000	400,000	416,000	432,000



The cost of Option 1 and 5 are virtually the same. The red line for Option 1 is hidden behind the purple line.

Cost of Retiree Health Plan Options															
Year >>	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Current	220,000	231,000	243,000	255,000	268,000	281,000	295,000	310,000	325,000	342,000	359,000	377,000	395,000	415,000	436,000
Opt. 1	292,000	313,000	335,000	358,000	383,000	409,000	436,000	460,000	480,000	501,000	487,000	474,000	462,000	452,000	442,000
Opt. 2	220,000	239,000	258,000	278,000	298,000	319,000	341,000	363,000	386,000	410,000	399,000	389,000	380,000	372,000	364,000
Opt. 3	220,000	239,000	258,000	278,000	298,000	319,000	341,000	363,000	386,000	410,000	399,000	389,000	380,000	372,000	364,000
Opt. 4	220,000	231,000	243,000	255,000	268,000	281,000	295,000	310,000	325,000	342,000	323,000	305,000	288,000	272,000	257,000
Opt. 5	220,000	239,000	258,000	278,000	298,000	319,000	341,000	363,000	386,000	410,000	399,000	389,000	380,000	372,000	364,000



The cost of Options 2, 3 and 5 are the same. The orange and green lines are hidden beneath the purple line.

Comparison of Plan Features						
	Current	**Option 1**	**Option 2**	**Option 3**	**Option 4**	**Option 5**
457 Plans						
Eligibility	Employees are eligible for an employer contribution after four years of service	Recommend employees eligible after 6 months of service				
Contributions	Contributions are fixed, per-pay-period amounts based on years of service	Contributions are 2.5% of wages subject to minimum and maximum	Contributions are 2.5% of wages subject to minimum and maximum	Contributions are fixed, per-pay-period amounts based on years of service	Contributions are 2.5% of wages subject to minimum and maximum	Contributions are 3% of wages subject to minimum
Annual maximum employer contribution	$2,600	$2,600	$1,500	$2,600	$2,600	3% of wages
Annual minimum employer contribution	Zero	$1,300	$1,000	Zero	$1,300	$1,300
Required employee contribution	None					
Market competitive	Below market for many	Below market for some employees	Below market for most	Below market for many	Below market for some employees	Competitive at lower end of market benefit range (2% to 5%)
Number of **current** employees whose benefit will **decrease**	None	None if remain on current plan	64	None	51	42
Number of **current** employees whose benefit will **increase**	None	None if remain on current plan	70	None	79	92

Comparison of Plan Features						
	Current	**Option 1**	**Option 2**	**Option 3**	**Option 4**	**Option 5**
Retiree Health Plans						
Eligibility for **current** employees under current plan	Partial benefit after 10 years of service	Partial benefit after 10 years of service	Partial benefit after 10 years of service	Partial benefit after 10 years of service	Partial benefit after 10 years of service	Partial benefit after 10 years of service
Plan eligibility for **new** employees under current retiree health plan	Partial benefit after 10 years of service	NA	NA	NA	NA	NA
RMSA an option **current** employees?	No	May choose current or RMSA plans	No	No	No	No
RMSA an option **new** employees?	No	Yes	Yes	Yes	No	Yes
Benefit for **current** employees	All or part of insurance paid by OWASA after retirement	All or part of insurance paid by OWASA after retirement or $910 annual employer contribution to a savings account to be used for medical expenses after retirement	OWASA pays 50%, 75%, or 100% of insurance premiums during retirement			
Benefit for **new** employees	All or part of insurance paid by OWASA after retirement	$910 employer contribution to a savings account to be used for medical expenses after retirement	$910 employer contribution to a savings account to be used for medical expenses after retirement	$910 employer contribution to a savings account to be used for medical expenses after retirement	None	$910 employer contribution to a savings account to be used for medical expenses after retirement

Comparison of Plan Features						
	Current	**Option 1**	**Option 2**	**Option 3**	**Option 4**	**Option 5**
Retiree Health Plans						
Required employee contribution for **current** employees	50%, 25%, or 0% of insurance premiums after retirement	Pay 50%, 25%, or 0% of insurance premiums after retirement or 2% of wages up to max of $1,000	50%, 25%, or 0% of insurance premiums during retirement			
Required employee contribution for **new** employees	50%, 25%, or 0% of insurance premiums after retirement	2% of wages up to max of $1,000	2% of wages up to max of $1,000	2% of wages up to max of $1,000	None	2% of wages up to max of $1,000

Observations about Cost Estimates

Current Plan

1. The amount of per-pay-period 457 contributions are based an employee's tenure with no provision for automatically increasing (e.g. for inflation or cost of living). The annual expense fluctuates as the tenure of individual employee's changes. For the purpose of projecting costs of the current 457 plan, we have used FY 2018 as the base year and escalated annual costs by 4% (4% is also the estimated annual increase in wages).
2. Employer contribution amounts were established almost 20 years ago and have not been adjusted since.

Option 1

1. As of a to-be-determined future date, then-current employees may choose either to remain on the current 457 and retiree health plans or switch to the new RMSA and 457 ++ plans.
2. New hires are eligible only for the RMSA and 457 ++.
3. We have assumed that if the new 457 ++ benefit is greater than the current 457 benefit for an employee, the employee will choose the new plan package.
4. The 457 ++ benefit is escalated by 4% per year.
5. The cost of the retiree health benefit increases annually until Year 11 when the number retirees covered by the plan begins to decrease.
6. Adopting the RMSA for new hires eventually results in lower costs. However, costs of the current retiree health plan will continue until no retirees remain covered by the current plan.

Option 2

1. As of a to-be-determined future date, new hires are eligible only for the RMSA and 457 +.
2. Current employees remain on the current retiree health plan.
3. Current employees are moved to the new 457 + plan (no option for remaining on current 457 plan).
4. Almost all of the 64 employees who would realize a decrease in benefit have tenures of more than 10 years. In total, the amount of the benefit reduction for these 64 employees is about $48,000.
5. The cost of the retiree health benefit increases annually until Year 11 when the number retirees covered by the plan begins to decrease.
6. Adopting the RMSA for new hires eventually results in lower costs. However, costs of the current retiree health plan will continue until no retirees remain covered by the current plan.

Option 3

1. As of a to-be-determined future date, new hires are eligible only for the RMSA.
2. Current employees remain on the current retiree health plan and the current 457 plan.
3. New hires also participate in the current 457 plan.
4. The cost of the retiree health benefit increases annually until Year 11 when the number retirees covered by the plan begins to decrease.
5. Adopting the RMSA for new hires eventually results in lower costs. However, costs of the current retiree health plan will continue until no retirees remain covered by the current plan.

Option 4

1. As of a to-be-determined future date, new hires are eligible only for the 457 ++ plan: no retiree health benefit would be offered.
2. Current employees remain on the current retiree health plan.
3. Current employees switch to the 457 ++ plan.
4. The 51 employees who would realize a decrease in benefit have tenures of more than 10 years and almost all have salaries of $75,000 or less. In total, the amount of the benefit reduction for these 51 employees is about $36,000.
5. The cost of the retiree health benefit increases annually until Year 11 when the number retirees covered by the plan begins to decrease.
6. Eliminating the retiree health benefit for new hires eventually results in lower costs. However, costs of the current retiree health plan will continue until no retirees remain covered by the current plan.

Option 5

1. As of a to-be-determined future date, new hires are eligible only for the new 457 plan and either the RMSA or no retiree health benefit. Cost shown includes an RMSA for new hires.
2. Current employees remain on the current retiree health plan and switch to the new 457 plan.
3. The 42 employees who would realize a decrease in benefit have tenures of more than 10 years and all have salaries of $75,000 or less. In total, the amount of the benefit reduction for these 42 employees is about $24,000.
4. The cost of the retiree health benefit increases annually until Year 11 when the number retirees covered by the plan begins to decrease.
5. Eliminating the retiree health benefit for new hires eventually results in lower costs. However, costs of the current retiree health plan will continue until no retirees remain covered by the current plan.

Additional Staff Observations

1. Employees have been kept aware of the Board's work on the 457 plan benefit to be more competitive in the employment marketplace. Offering a new, more competitive 457 plan but requiring employees to give up their current retiree health insurance benefit to receive it could be viewed as taking away a current benefit.
2. Many of our peer organizations have terminated retiree health insurance benefit plans like OWASA's, instead offering a retiree health savings account (for employees hired after a certain date, grandfathering existing employees).
3. A retiree health saving account has the advantage of providing funds for future healthcare costs that are portable (go with the employee even if they leave employment at OWASA).
4. With an annual contribution of $1,910 ($910 by employer, $1,000 by employee) and assuming a 5% rate of return, an employee's account balance would be approximately $185,000.
5. The outlook for U.S. healthcare is uncertain; some employees may value the benefit of having funds in a savings account more than the promise to pay their future health insurance premiums when the market for the latter could be far different when they retire.
6. OWASA's current 457 plan does not require employees to make a contribution. Peer organizations with 457 plans contribute 2% to 5% without requiring an employee matching

contribution. Requiring an employee match could adversely impact participation in the plan, especially for those with limited discretionary income.

7. Any fixed benefit amounts, such as a minimum or maximum 457 contribution, should include a mechanism for increasing with the cost of labor or another index. The per-pay-period contributions of the current 457 plan were established almost 20 years ago.

Staff Recommendation

Staff recommends Option 5 for the following reasons.

- Eliminating the current retiree health insurance benefit for employees hired after a to-be-determined date and, instead, offering a RMSA is responsive to the market and begins the process of eliminating the long-term liability created by the current plan.
- Offering a 457 plan that includes employer contributions that are based on a percentage of an employee's salary in the 2% to 5% range without requiring an employee matching contribution brings our 457 benefit in-line with peer organizations and provide a more valuable benefit to employees.
- Including a minimum 457 employer contribution amount ensures a meaningful benefit for employees.
- Option 5 results in the fewest number of employees realizing a reduction in the amount of their 457 benefit.

Staff recommends that we provide information to employees and get their feedback before the Board of Directors takes action.

Action Requested

Review information and provide guidance to staff.

Attachments: Appendix A – Retiree Health Benefit Plan Comparative Data
Appendix B – Deferred Compensation (457) Plan Comparative Information

Appendix A
Retiree Health Benefit Plan Comparative Information

<table>
<tr><th>Entity</th><th>Retiree Benefits</th></tr>
<tr><td>Cape Fear Public Utility Authority</td><td>Cape Fear Public Utility Authority formed in July 2008 from a merger of the City of Wilmington and New Hanover County. Existing employees hired prior to July 2008 are eligible for individual health polices until age 65. If hired after July 2008, no retiree benefits available.</td></tr>
<tr><td>City of Durham</td><td>Employees hired prior to July 1, 2008 are eligible to participate in the medical benefits up to age 65. Those hired after July 1, 2008 must participate in a Retirement Health Savings (RHS) plan by contributing 2% each pay period up to $1,000 per plan year. The City of Durham contributes $35.00 per pay period with a maximum of $910 per year. The total annual RHS contribution will not exceed $1,910 for the plan year. The plan includes a vesting schedule for employer contributions.
<table>
<tr><th>Hire Date</th><th>10 Years of Service</th><th>15 Years of Service</th><th>20+ Years of Service</th></tr>
<tr><td>Prior July 2008</td><td>Active Employee Cost + 50% of City Cost</td><td>Active Employee Cost + 25% of City Cost</td><td>Pays Active Employee Cost</td></tr>
<tr><td>After July 2008</td><td>50% Vested</td><td>75% Vested</td><td>100% Vested</td></tr>
</table></td></tr>
<tr><td>Greenville Utilities Commission</td><td>Retirees remain on the group plan until age 65 and may participate in Medicare Supplemental Plan and Medicare Part-D at the same percentage based on the eligibility schedule below.
<table>
<tr><th>Years of Service</th><th>Base Plan Contribution Percentage Age 55 - 59</th><th>Base Plan Contribution Percentage Age 60 - 64</th></tr>
<tr><td>20 – 24 Years</td><td>50% for retiree</td><td>65% for retiree</td></tr>
<tr><td>25 Years or more</td><td>75% for retiree</td><td>95% for retiree</td></tr>
</table></td></tr>
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<table>
<tr><th>Entity</th><th>Retiree Benefits</th></tr>
<tr><td>Orange County</td><td>
If hired on or before June 30, 2012 retirees must have worked 10 years as permanent employees for Orange County. If hired after, retirees must have worked 20 years as permanent employees. After age 65, Orange County pays for Medicare Supplement Plan and Part D at same percentage.
<table>
<tr><th>Hire Date</th><th colspan="2">Before* - 6/30/2012</th><th colspan="2">7/1/2012 and later</th></tr>
<tr><td>Age</td><td>Under age 65</td><td>65 or older</td><td>Under age 65</td><td>65 or older</td></tr>
<tr><td>Years of Service (Minimum)</td><td>10</td><td>10</td><td>20</td><td>20</td></tr>
<tr><td>Retiree Coverage</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Age</td><td>Under age 65</td><td>65 or older</td><td>Under age 65</td><td>65 or older</td></tr>
<tr><td>Years of Service (Minimum)</td><td>n/a</td><td>5</td><td>n/a</td><td>10</td></tr>
<tr><td>Retiree Coverage</td><td>n/a</td><td>50%</td><td>n/a</td><td>50%</td></tr>
</table>
*Prior to 7/1/2008, County subsidized the cost of retiree dependent health premiums.
</td></tr>
<tr><td>Town of Carrboro</td><td>
If hired before July 1, 2007 the retiree may remain on the group health plan until age 65 at which time they participate in a Medicare Supplement Plan based on the same eligibility schedule. If hired after July 1, 2007 the same schedule applies but retiree receives a monetary stipend for their own plan. The stipend amount is based on the current active employee individual premium rate.
<table>
<tr><th>Years of Service</th><th>Percentage
Insurance Premium or Stipend Amount</th></tr>
<tr><td>10 – 14 Years</td><td>50%</td></tr>
<tr><td>15 – 19 Years</td><td>75%</td></tr>
<tr><td>20 or more Years</td><td>100%</td></tr>
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<table>
<tr><th>Entity</th><th>Retiree Benefits</th></tr>
<tr><td>Town of Cary</td><td>Retirees with 15 years of service are eligible for the Town to subsidize 50% of the individual rate. Each additional year of service beyond 15 years increases the percentage of the subsidy by 5%, with a maximum subsidy of 100% for 25 years of service. When the retiree is no longer covered by the group health insurance plan due to coverage under Medicare or some other form of a Federal Government-sponsored health insurance program, the Town will continue to provide a subsidy to the retiree to be applied to the cost of the retiree's Medicare supplemental plan, Part D prescription drug plan, Town-sponsored group vision plan, and Town sponsored group dental plan, or any other applicable health-related supplemental plan. The amount of the subsidy applied toward these plans shall not exceed 100% of the amount due each month to keep these plans in force, will not change more than once each fiscal year, and will never exceed the amount of the subsidy provided to the retiree still active on the Town's group health insurance plan. The retiree is responsible for paying any balance due after the Town's subsidy (if applicable) has been applied. Current, monthly subsidy amount is $718.</td></tr>
<tr><td>Town of Chapel Hill</td><td>Retirees hired prior to July 1, 2010 receive health insurance or Medicare Supplement premiums paid by employer on a vested schedule based on their time in service. If hired after July 2010, enrollment is mandatory in a Retirement Health Savings (RHS) plan with employee contributions of 1% of compensation, and the Town contributes $35 each pay date (26 pay periods). The plan includes a vesting schedule for employer contributions.
<table>
<tr><th>Hire Date</th><th>5 Years of Service</th><th>10 Years of Service</th><th>15 Years of Service</th><th>20+ Years of Service</th></tr>
<tr><td>Prior July 2010</td><td>25% of Premiums Paid by Town</td><td>50% of Premiums Paid by Town</td><td>75% of Premiums Paid by Town</td><td>100% of Premiums Paid by Town</td></tr>
<tr><td>After July 2010</td><td>25% Vested</td><td>50% Vested</td><td>75% Vested</td><td>100% Vested</td></tr>
</table></td></tr>
<tr><td>Town of Hillsborough</td><td>The retiree may continue to receive health insurance coverage comparable to that being provided for regular employees without cost either for the life of the retiree or until eligible for Medicare. No post-65 benefits available.
<table>
<tr><th>Hire Date</th><th>Minimum Age</th><th>Continuous service with Town</th></tr>
<tr><td>Before Feb. 2009</td><td>55</td><td>20</td></tr>
<tr><td>After Feb. 2009</td><td>60</td><td>30</td></tr>
</table></td></tr>
</table>

Appendix B
Deferred Compensation (457) Plan Comparative Information

Organization	Deferred Compensation	Effective	Employee Contribution	Last Update
Town of Chapel Hill	401K - employer 5% contribution	At hire	Not Required	Not sure of exact date but 18+ years ago
Town of Hillsborough	401K - employer 5% contribution	At hire	Not Required	Employer reported "Unknown"
Town of Carrboro	401K - employer 3% contribution	At hire	Not Required	July 1, 2013
Greenville Utilities Commission	401K - employer contributes flat amount $40 per pay period ($1,040 annually)	At hire	Not Required	Employer reported "Unknown"
Cape Fear Public Utility Authority	401K and 457 offered; employer 2% contribution, plus another 2% match if the employee contributes 2% or greater	First of the month following employment	Not Required to receive employer contribution; matching option available	January 1, 2018
Town of Cary	401K and 457/401a plan offered; employer will contribute 5% to employee's choice of 401K or 401a	At hire	Not Required	Not sure of exact date 17+ years ago
City of Durham	401K and 457 offered; employer contributes 5% to 401K	At hire	Not Required	Unknown

Organization	Deferred Compensation	Effective	Employee Contribution	Last Update
Orange County	401K and 457 offered; employer contributes $715 per year; if an employee contributes employer will matches up to $63 each pay period for a matching total of $1,512 per year; employee can choice either 401K or 457 for the employer contribution/matching option	At Hire	Not Required to receive employer contribution; matching option available	July 1, 2014

Supplemental Information
OWASA Human Resource Committee
February 5, 2019

This information is being provided as a supplement to the packet of information provided for tonight's (February 5, 2019) Human Resource Committee meeting.

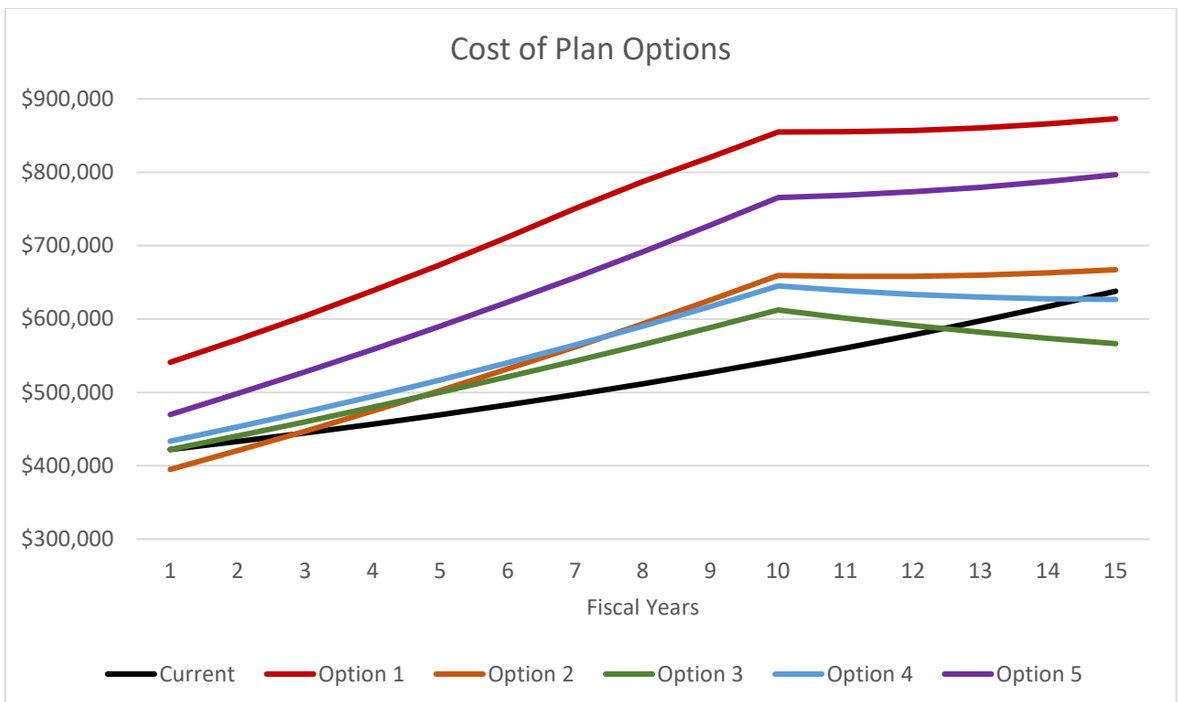
The information provided in the Committee's packet included analyses comparing the costs of OWASA's current 457 Plan to the costs of alternative options. OWASA's current 457 Plan provides a fixed, per-pay-period contribution to an employee's retirement account. The amount of the contribution depends on how long the employee has worked at OWASA. (See page 3 of the agenda packet.) The fixed per-pay-period amounts were established almost 20 years ago, and the policy does not provide for periodic adjustments for inflation or cost of living.

The annual expense to OWASA for 457 Plan contributions fluctuates depending on the demographics, in terms of tenure at OWASA, of the team. For the analyses in the Committee meeting packet, we started with the FY 2018 Budget as the base year for 457 Plan costs (about $168,000). To account for the costs increasing with the change in employee demographics, we applied a 4% annual escalation rate.

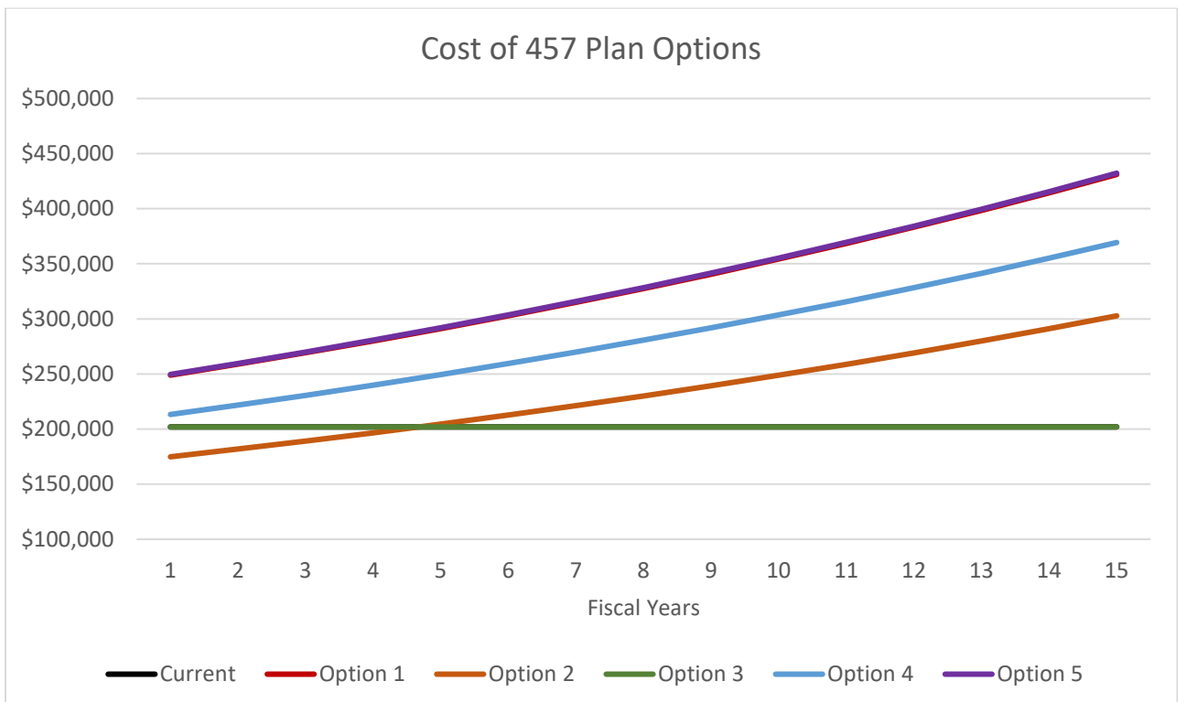
In a conversation with John Young today, we decided to show additional analyses based on an annual 457 Plan cost that remains unchanged from year-to-year, using the average of the last five year's 457 Plan annual cost (about $202,000).

This change impacts the costs of the Current 457 Plan and the costs of Option 3. Updated tables and graphs for Total Cost of Plan Options and the Cost of 457 Plan Options follow this page.

Cost of Plan Options															
Year >>	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Current	422,000	433,000	445,000	457,000	470,000	483,000	497,000	512,000	527,000	544,000	561,000	579,000	597,000	617,000	638,000
Opt. 1	541,000	572,000	604,000	639,000	674,000	712,000	751,000	787,000	820,000	855,000	855,000	857,000	861,000	866,000	873,000
Opt. 2	395,000	421,000	447,000	474,000	503,000	532,000	562,000	593,000	626,000	659,000	658,000	658,000	660,000	663,000	667,000
Opt. 3	422,000	441,000	460,000	480,000	500,000	521,000	543,000	565,000	588,000	612,000	601,000	591,000	582,000	574,000	566,000
Opt. 4	433,000	453,000	473,000	495,000	517,000	540,000	565,000	590,000	617,000	645,000	638,000	633,000	630,000	628,000	627,000
Opt. 5	470,000	498,000	528,000	586,000	590,000	623,000	657,000	692,000	728,000	766,000	769,000	773,000	780,000	787,000	797,000



Cost of 457 Plan Options															
Year >>	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Current	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000
Opt. 1	249,000	259,000	269,000	280,000	291,000	303,000	315,000	328,000	341,000	354,000	368,000	383,000	399,000	415,000	431,000
Opt. 2	175,000	182,000	189,000	197,000	205,000	213,000	221,000	230,000	239,000	249,000	259,000	269,000	280,000	291,000	303,000
Opt. 3	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000	202,000
Opt. 4	213,000	222,000	231,000	240,000	250,000	259,000	270,000	281,000	292,000	304,000	316,000	328,000	341,000	355,000	369,000
Opt. 5	250,000	260,000	270,000	281,000	292,000	304,000	316,000	328,000	342,000	355,000	369,000	384,000	400,000	416,000	432,000



The Current Plan and Option 3 are the same. The black line for the Current Plan is hidden behind the green line for Option 3.

The cost of Option 1 and 5 are virtually the same. The red line for Option 1 is hidden behind the purple line for Option 5.