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LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
HUMAN RESOURCES COMMITTEE

April 12, 1999
8:30 a.m.

LTD CONFERENCE ROOM
3500 E. 17th Avenue, Eugene
(off Glenwood Blvd.)

Public testimony will not be heard at this meeting

AGENDA

I. CALL TO ORDER

II. ROLL CALL

Bennett (Chair) _____ Kortge _____ Wylie _____

III. EMPLOYEE ASSOCIATION PROPOSAL ON REALIGNMENT OF BENEFITS

V. LTD GENERAL MANAGER SUCCESSION PLAN

VI. ADJOURNMENT

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LTD/EMPLOYEE ASSOCIATION PROPOSAL
ON REALIGNMENT OF BENEFITS

Background

In October 1998, the administrative employees of LTD asked AFSCME union organizers to withdraw its petition for a union election, and in the alternative, accepted the LTD suggestion to form an unaffiliated employee association. The purpose of the employee association is to form an employee council of elected representatives of the employees to communicate their concerns to management. This was accomplished shortly after the withdrawal of the unionization petition to the Employment Relations Board of Oregon.

The newly elected Employee Council, in conjunction with the human resources department, conducted a survey from among administrative employees to determine what the primary concerns of employees were with regard to the employment conditions. Retirement was determined to be the most pressing need for improvement as suggested by the employees. Employees strongly indicated a preference to move to the Oregon Public Employees Retirement System (PERS) or something “PERS like.” The District management determined that PERS was not a good alternative due to the public perceptions of PERS.

The human resources department evaluated the benefits provided administrative employees and determined that savings could be achieved with benefit reductions or realignments. The Employee Council and management, through a series of discussions, arrived at agreement on changes to be made to the benefit plan for LTD administrative employees. The Management Team and the General Manager have endorsed these recommendations. The discussions with the Employee Council have resulted in the following recommendations to the Board of Directors:

Employee Council /LTD Management Proposal

Life Insurance – Currently, life insurance is equivalent to two times the employees' annual pay. This benefit results in excess tax because the benefit exceeds the limit permitted by the IRS ($50,000). The present annual cost to LTD for this benefit is $53,708.04.

- **Recommendation: Reduce the maximum benefit to $50,000. Provide an opportunity for employees to self pay and purchase additional coverage. Cost to the District is $42,460.56, resulting in savings annually of $11,247.48**.

Long Term Disability Insurance – Presently, the District's policy will provide 70 percent replacement of employee income in the event of disability, a 4 percent annual adjustment to the benefit, and unlimited Mental Health disability benefit until the age of 65 for the disabled employee. The current annual cost to LTD for this benefit is $47,656.68.

- **Recommendation: Reduce the benefit to 60 percent replacement of employee income, 3 percent annual adjustment of the benefit and limited (24 months) mental health benefit. Cost to the District is $25,349.28, resulting in annual savings of $22,307.40.**

Supplemental Benefit – Currently, the District provides each administrative employee $800, which may be directed by the employee to either a deferred compensation account or a Section 125 cafeteria plan for day care or medical expense reimbursement. The present annual cost to LTD for this benefit is $61,600.00.

- **Recommendation: Eliminate this benefit for annual savings of $61,600.00.**

The total savings from these three benefit reductions are $95,154.48.

These recommended savings were then redirected to the retirement plan for the employees. The existing retirement plan is a defined benefit plan. The primary elements of the current retirement plan are:

- The retirement age for the plan is 62.
- The calculation formula for the benefit is equal to 1.67 times the years of benefit service to result in a percent of the average final compensation. The benefit provides variable results where the retirement benefit that when combined with the social security, will, for lower paid employees, result in more than 75 percent replacement of income. More highly compensated employees will have lower replacement of income retirement benefits (as low as 61 percent of final income).

- The current plan provides no cash value or employee account for the benefit of employees if the value exceeds $5,000
- The retirement plan has no benefit to dependents in the event of death for a plan participant if they are under the age of 55.

During the next fiscal year, the cost of the current retirement plan to the District is projected to be $265,320.92.

The District has agreed to support modifications to the existing retirement plan with the Board of Directors as follows:

- The retirement age for the plan will be reduced to age 60 or thirty years of consecutive service.
- The defined benefit will equalize the retirement benefit to replacement of 75 percent of final average earnings when combined with the expected Social Security Benefit of the employee.
- The employee will have a defined contribution (employee account, to be directed as to investment and risk by the employee) in the plan equal to 6 percent the gross earning of the employee. This will make the LTD retirement plan more transportable to other retirement plans, in the event an employee leaves LTD, and more comparable to Oregon PERS.
- The revised retirement plan will provide a death benefit to beneficiaries equal to the accrued benefit of the plan participant payable as an annuity for a 10-year period.

The Human Resources Committee previously was presented information that indicated a 3 percent base salary adjustment for 1999-2000. Because Oregon law does not permit a mandatory employee contribution to retirement, the proposed salary increase was eliminated, and the District will contribute the 6 percent retirement contribution in the defined contribution portion of the retirement plan.

The total cost for the improvements to the defined benefit plan is $326,284.63, which is an increase of $60,963.71. The new employee account (defined contribution portion of the retirement plan) will result in a cost of $206,074.50.

The net cost (which includes the identified savings stated above) for these total changes is $171,883.73.

With no base salary adjustment (which was projected at 3 percent or $103,037.25), the benefit cost increase would have been $68,846.08.

Proposed Motion: ***I move to accept the recommendation for approval of these benefit reductions and retirement plan improvements as contained in this summary and forward the committee recommendation to the Board of Directors.***

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