MINUTES OF HUMAN RESOURCES COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

March 19, 2008

Pursuant to notice given to *The Register-Guard* for publication on March 17, 2008, and distributed to persons on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Human Resources Committee was held at 4:30 p.m. on Wednesday, March 19, 2008, in the District's conference room at 3500 E. 17th Avenue, Eugene.

Present:
Mike Eyster
Gerry Gaydos, Chair
Mark Pangborn, General Manager
Stefano Viggiano, Assistant General Manager
Mary Adams, Director of Human Resources and Risk Management
Diane Hellekson, Director of Finance and Information Technology
Jo Sullivan, Clerk of the Board/Recording Secretary

Absent:
Michael Dubick

CALL TO ORDER: Mr. Gaydos called the meeting to order at 4:33 p.m.

MOTION **APPROVAL OF MINUTES**: Mr. Eyster moved that the minutes of the December 11, 2007, HR Committee meeting be approved as amended. The motion was seconded by Mr. Gaydos
VOTE and approved 2 to 0.

REVISED DRUG & ALCOHOL PROGRAM: Mr. Gaydos noted that a revised Drug and Alcohol Program was on the agenda for the Board meeting that evening, and asked if it should have come to the Board HR Committee for discussion first. Ms. Adams agreed that it should have, and said that staff would be sure to bring those kinds of discussions to the Committee in the future.

Mr. Gaydos asked for an explanation of the changes. Ms. Adams explained the Federal Transit Administration (FTA) had reduced the testing requirements, so staff were proposing to reduce LTD's testing to the FTA-approved level. Doing so would cut the District's cost by about half. She explained that employees tested positive only about one time every two years with the numbers of employees currently being tested.

HEALTH REIMBURSEMENT ARRANGEMENTS: Ms. Adams explained that a question about LTD's Health Reimbursement Arrangements (HRAs) for administrative employees had been raised by Board Member Dean Kortge at a Board Finance Committee meeting. He had asked that the Board HR Committee discuss the issue.

Basically, he was concerned that the District was building up a liability because there was no cap on the balance an employee could accumulate in his or her HRA account. Ms. Adams explained that the private sector generally designed the plans with caps, but the public sector usually did not. She explained a briefing paper that she handed out at the meeting, "Executive Briefing on Health Reimbursement Accounts."

Ms. Hellekson explained that LTD expenses 100 percent of the amount of the HRA as if it were paid out, but the cash was still earning interest in LTD's account. It was a future liability, and staff thought it was prudent to reserve an amount of cash for future payment. To that end, 88 percent was reserved, rather than the full amount. The HRAs were no more expensive than the previous year, because they involved a fixed amount of money per employee per year. The actual cost depended on who used what amount each year, but in general the liability was increasing.

Ms. Hellekson said that there were roughly 100 HRA accounts. Of those, 50 percent had at least $4,000 in the account and 15 percent had at least $6,000. A few people had spent their account each year. The accounts had received $1,750 per administrative staff member on January 1, 2008. This benefit began with $1,526 per staff member in the first year, and $1,750 from the second year forward.

It was explained that the total amount of health care premiums spent in 2004 had been set as the maximum for the following year. Administrative staff had discussions about how best to structure the new plan within that spending limit. The result had been a high-deductible health plan with lower premiums backed up by the Health Reimbursement Arrangements.

There were a few options in terms of HRA plan design. Private employers tended to put caps on their plans, with a clause that the employee would lose the account when terminating employment. This was based on an assumption that the employee would use the account every year, combined with a less expensive health care plan. Staff had found no public employer plan with a cap, based on a fundamental difference in how private and public employers viewed health care plans. Public employers viewed them as part of the compensation plan, hoping that employees would use the plan in a judicious way and save money to help fund their health care into retirement.

LTD's HRA plans had been set up after a lot of discussion with employees in a collaborative process to develop the model. The rationale was to contain future health care costs and to encourage employees to use health care in a more managed way. A goal was to move from a 100 percent managed care plan to a less expensive health care plan, with some protection for employees in the event of a health care catastrophe. After retirement, the employee is able to use the balance in his or her account to pay health care premiums. If an employee leaves LTD before retirement, the balance can be used to pay for COBRA benefits.

Ms. Hellekson said that LTD had paid less than a 20 percent increase in premiums over a 3.5-year cycle. The HRA appeared to have helped LTD control costs. A private employer's model would have a less expensive model that was spent down each year.

Mr. Pangborn said that the private sector wanted to control long-term costs. In the public sector, however, there was pressure to have some form of medical care coverage between retirement and the age of Medicare. He believed it was better for an organization to have the employees managing their health care costs and planning for retirement.

Ms. Hellekson explained that LTD also had flexible spending accounts, and employees had to spend that money before using the HRA. If the HRA were capped and could not be carried forward, employees would no longer contribute to the flexible spending accounts.

Ms. Adams said she had talked with Mr. Kortge about his concerns. He told her he was not expecting any particular outcome; he just wanted to make sure that HRAs were reviewed in a prudent way, to either keep or change this program for the right reasons. He believed that the Board HR Committee was the right place to make that assessment.

Mr. Gaydos said that LTD's health insurance costs had been contained, and he did not see any true advantage in having a cap. The current year's budget of $147,400 would increase over time, but he said that was not enough money for him to change the way things were currently being done. He did not think there would be much to gain economically, and there would be a loss from a morale standpoint, because the Board had made a commitment to HRAs.

Mr. Eyster also thought there would be a large impact on morale. Mr. Pangborn said that might depend on where the cap was set, but it also would be a change in what he believed had been a collaborative decision with staff.

Mr. Gaydos said there may be a reason to have a cap at some point, in thinking about a 20-year-old employee and the number of years available to work and build up an HRA account. Mr. Eyster said that there also may be a reason to change the whole program at some point.

Mr. Pangborn noted that LTD did not yet have a lot of operating experience with HRAs, and might develop a sort of bell curve over time. He noted that national health care also could change over time.

There was agreement to leave the HRA benefit as it stood and have Ms. Hellekson raise a flag if it became an issue. He thought it was an encouragement for employees to be able to care for themselves as well as for retirement. He said that LTD did not have enough experience yet to know how employees would use the HRA accounts, and needed to monitor it to see how it was being used, and if employees were saving the funds for retirement. He said that any cap would have to be high enough, but he was not sure it was a good time to make any changes.

Mr. Eyster said he appreciated having the opportunity to review this issue.

NEXT MEETING: Ms. Adams said that the Leadership Council had had some discussion about pursuing a compensation study (full market survey). The last one had been completed 11 years before. Staff wanted some sense of if and when the HR Committee thought this might be an appropriate action. Mr. Pangborn explained that each year staff performed a reclassification review for some positions, which affected the entire system to some degree. Staff felt the need for a more global look, whether that be in the next year or farther into the future.

Mr. Eyster said that the diversity action plan included a lot of activities, and he wondered if LTD was really going to work on all of them. He asked to have a more in-depth discussion.

The next meeting was scheduled for the next regular meeting date of Tuesday, April 8, 2008, at 4 p.m. Potential topics for that meeting were (1) potential compensation study; (2) HR Plan (*Looking to the Future*) update; (3) diversity action plan update.

ADJOURNMENT: There was no further discussion, and the meeting was adjourned at 5:18 p.m.

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Recording Secretary