# MINUTES OF COMPENSATION COMMITTEE MEETING

# LANE TRANSIT DISTRICT BOARD OF DIRECTORS

September 15, 1994

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The Compensation Committee of the Lane Transit District Board of Directors met on Thursday, September 15, 1994, at 12:00 p.m. in the District conference room at 3500 E. 17th Avenue, Eugene.

Present: Rob Bennett
Tammy Fitch, Committee Chair
Thom Montgomery
Phyllis Loobey, General Manager
Mark Pangborn, Director of Administrative Services
Tim Dallas, Director of Operations
Bill Nevell, Personnel Administrator
Jo Sullivan, Recording Secretary

**CALL TO ORDER**: Ms. Fitch called the meeting to order at 12:10 p.m.

**DISCUSSION OF COMPENSATION ISSUES FOR FY 94-95 AND 95-96**: Ms. Loobey informed the committee that there were several issues for the committee to discuss during the next few months. The two issues scheduled for discussion that day were the applicability of the "PERS Initiative" to LTD employees and the General Manager evaluation instrument. Ms. Loobey explained that Board President Pat Hocken had been interested in revising the evaluation form. Because of the new Board, this discussion, and the General Manager's evaluation, had been delayed. The Compensation Committee would need to review the form to determine if there were a better way to evaluate any of the elements of the General Manager's job.

Ms. Loobey said that staff also wanted to talk to the Committee about conducting a salary survey for bargaining unit employees, but not as a requirement of the labor agreement.

**Applicability of "PERS Initiative" to LTD Employees**: The Board first discussed the initiative being called the "PERS Initiative" that would be on the November 1994 ballot. Attorney Craig Smith, counsel for the District's Salaried Employee Retirement Plan, was present for this discussion. He provided an overview of the ballot measure, which, if approved by the voters, would require that any employee of the State or a subdivision of the state who was in a retirement plan would have to contribute 6 percent of earnings to that plan. Further, after the first of the new year, the employer could not relieve the employee of that obligation, and could not enhance the salary or benefits to make up for the 6 percent loss. Mr. Smith stated that the rest of the ballot measure did not apply to LTD.

LTD's deferred compensation plan was a voluntary plan for employees; a 457 could not be offered as a mandatory plan. Mr. Smith said that a second issue was whether the law would require contributions to all the employer plans the employer offered. He said it was a reasonable interpretation that the employee would be required to contribute 6 percent to only one plan, and the 457 plan did not apply as a retirement plan, but this was an issue to consider.

Mr. Smith outlined options the District could take. If the District did nothing and the PERS Initiative became law, a significant burden would be imposed on the employees. Not only would the employees have to contribute 6 percent of gross income to their retirement plans, but that income would be subject to taxes, as well, so employees' take-home pay would be reduced by more than 6 percent. Secondly, Mr. Smith discussed the contribution pick-up issue. It appeared that Oregon law would allow employers to pick up the mandatory tax requirements, thus lessening the impact on employees. The 6 percent employee contribution would become a pre-tax contribution, limiting the effect on employees to 6 percent. Mr. Smith said that the dynamics of requiring employees to make the contributions and lessening the LTD obligation by that amount would mean that LTD would have more money available for other purposes.

For current employees, LTD could increase their salaries by 6 percent and require the employees to make the retirement contribution under Measure 8, with fairly even results for the employees. To anticipate the impact on future employees, the District would have to increase all wage scales by 6 percent. Another possibility being considered by School District 4J was to create an association of employees for purposes of negotiating this pick up and incorporating higher compensation in the future as part of that. Mr. Smith said he wasn't sure yet how that would be put together. Another facet to this issue was what would happen to the retirement plan money under this plan if LTD reduced its funding. The one difference would be the vesting schedule--if it were employee money, at least a portion of the retirement money would not be subject to a vesting schedule.

If the District were to leave its funding level the same and add the employee contributions, it would be an opportunity for people to have more money for retirement in a sub-account, like having two plans within one. However, this would require employees to make less money.

Ms. Fitch asked about the possibility that the initiative would pass. Ms. Loobey said that it was still expected to pass, but a new anti-measure campaign had just begun. The Eugene Chamber of Commerce was discussing the issue but had mixed views so far. The Medford Chamber of Commerce did not take a position on it.

There was some discussion about LTD's relationship to PERS (Public Employee Retirement System). It was explained that the PERS contribution was about double that of LTD, because there originally had been employee and employer contributions, but the employers and employees had agreed during collective bargaining in the past that the employers would pick up the employee share in lieu of wage increases. LTD had only an employer contribution, currently at 7.75 percent. The PERS Initiative would repeal the PERS sick leave payoff to increase salaries in the last year of employment. LTD's retirement plan also had not automatic cost of living increase, and sick days could build up to only approximately a half-year of salary. The PERS plan allowed for retirement at 20 and 30 years of employment, with full benefits, which drove up the cost of the plan. The PERS plan also provided disability pay for permanent disability while employed. LTD had a separate long-term disability plan that was paid for separately, as well as a much smaller group of employees. PERS covered employees all over the state.

From an employee perspective, PERS was a more generous plan. Mr. Bennett said that the initiative focused on a system that the private side did not see themselves in, and that it did not consider the total compensation package of private-side management. He said the District needed to be careful about how it approached this issue, and he hoped there was a way to lessen the impact on employees that did not align the District with what the school board did. He explained that he had been hearing from others that the school board's action was felt to be an unusual approach, given the people's position on tax issues.

Ms. Loobey stated that the District's employees were unsettled by two issues. First, they were feeling unsettled and somewhat left out of the bigger scheme because so much emphasis had been placed on the labor agreement for so long. Second, they were very concerned about the fact that LTD's situation was not like PERS, and LTD had behaved prudently, but still got swept up into something that was directed at a different group of employees and their retirement plan, and could cost LTD employees up to 10 percent. From the standpoint of the local market, she said, LTD salaried employees were below market in many positions. In spite of that, they were skilled, worked hard, and were good employees. She hoped that the Committee could find a way for the employees not to have a 10 percent reduction in pay.

Mr. Smith stated that Bill Sizemore, who had started the petition for this initiative, had said that he never meant for it to apply to places like LTD. However, it was written in a way that did make it applicable.

Ms. Fitch asked if any agencies were working together on litigation in case the initiative passed. Ms. Loobey said she did not know if special districts were doing so or not.

Mr. Bennett suggested increasing administrative employees' salaries by 6 percent. Mr. Smith added that picking up those contributions in order to make them pre-tax dollars would result in as close to an even situation as possible.