January 11, 2018

Compensation and Benefits, BP515, Monitoring Report, 4-D

BACKGROUND:

The board has scheduled a monitoring report for Board Policy BP515, Compensation and Benefits.

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RELEVANT BOARD POLICY

POLICY NUMBER: BP515
POLICY TYPE: Human Resources
POLICY TITLE: Compensation and Benefits

INTERNAL MONITORING REPORT

POLICY TYPE: HUMAN RESOURCES
POLICY TITLE: COMPENSATION AND BENEFITS
POLICY NUMBER: BP515

GLOBAL POLICY PROHIBITION: With respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, the president shall assure fiscal integrity and public image.

A review of this policy, and specifically because compensation and benefits for faculty and classified employees are resolved via the collective bargaining processes, confirms the requirements set out by the Board in this policy have been met.

1. POLICY PROHIBITION: The President shall not change his or her own compensation and benefits.

By policy and practice, no employee, including the President, may authorize changes in his or her own compensation and benefits. The President's compensation and benefits are authorized by actions of the Board of Education and are enumerated in employment contracts signed by the Board Chairperson(s) during the respective periods.

2. POLICY PROHIBITION: The President shall not promise permanent or guaranteed employment.

The respective classified and faculty collective bargaining agreements, and the management working conditions agreement, provide no guarantees of permanent employment. Language in each document assures that the College may terminate employees during the trial service or probationary period, including extended trial service probationary periods, for any good faith reason. The College may also terminate employees during the period of regular employment and continued service beyond probation under "just cause" standards, or in the event of financial exigency (layoffs).

Part-time credit faculty are hired and assigned on a term-by-term basis. No guarantees of additional academic terms of employment are made to part-time credit faculty. Given that part-time faculty assignments are made on a term-by-term basis, in the interest of retaining competent, talented part-time credit faculty, Lane's instructional deans do attempt to project their academic year scheduling needs in advance. Projected academic year schedules for Fall, Winter and Spring terms are routinely discussed with part-time credit faculty for purposes of projecting potential annual instructional assignments. Other employees in non-budgeted assignments such as hourly classified ("time sheet") employees are hired on an as-needed basis with no guarantee of permanent employment and no assurances of ongoing levels of hours or employment.

3. A. POLICY PROHIBITION: The President shall establish current compensation and benefits which do not deviate materially from the professional market for the skills employed, are competitive, and are consistent with Board-approved collective bargaining agreements.

The collective bargaining processes provide an opportunity to periodically adjust salaries and benefits to reflect current market conditions. Compensation and benefits to Lane employees are competitive for 2016-2017, do not deviate materially from the professional market, and are being provided to employees consistent with the respective collective bargaining agreements.

In addition to the collective bargaining processes to resolve compensation and benefits for classified and faculty employees the College committed to, and is completing, compensation and classification studies for classified and management employees during the 2017/2018 academic year. There are no guarantees that the two studies will raise compensation rates for current classified or management employees, and the results of the studies will inform bargaining discussions with classified employees as well as inform internal equity considerations for College managers.

Compensation: The following negotiated compensation increases were implemented during the past several years, including for the current 2017-2018 fiscal year:

Employee Group
Classified Bargaining Unit - Terms of Settlements

- **7/1/08 – 6/30/09:** 1.0 % salary schedule adjustment plus a ½ step (2.15%) increment for all step-eligible classified employees. In addition, 81 hours of time in lieu of compensation was awarded to all classified employees (prorated for less than 1.0 FTE).
- **7/1/09 – 6/30/2010:** 2.3% salary schedule adjustment plus a ½ step (2.15%) for all eligible classified employees. The ½ step was then forfeited (-2.15%) for FY'10 to help balance the budget. Result: +2.3% salary schedule adjustment for FY'10.
- **7/1/2010 – 6/30/2011:** 1.6% salary schedule adjustment for FY'11, and ½ step (2.15%) for all step-eligible classified employees.
- **7/1/2011 – 6/30/2012:** 1.0% salary schedule adjustment for FY'12, and ½ step (2.15%) for all step eligible classified employees. A one-time stipend of 2.15% was awarded to all classified employees on the top step (who were not step eligible). Three paid non-contract days were also awarded to all .50 – 1.0 FTE classified employees for 2011-2012.
- **7/1/2012 – 6/30/2013:** 1.0% salary schedule adjustment for FY'13, and a ½ step (2.15%) for all step eligible classified employees. Three paid non-contract days (valued at approximately 1.2% of total salary) were also awarded to all .50 – 1.0 FTE classified employees for 2012-2013.
- **7/1/2013 – 6/30/2014:** 1.75% salary schedule adjustment for FY'14, and a one full step (4.30%) for all eligible classified employees. A $500.00 "top step stipend" was awarded to all non-step eligible .50 – 1.0 FTE employees. In addition, a 16-hour vacation sell option and 16 hours of non-contract leave (pro-rated for .50 - 1.0 FTE employees) were also awarded for 2013/2014.
- **7/1/2014 – 6/30/2015:** 1.0% salary schedule adjustment for FY'15, and a ½ step (2.15%) on July 1, followed by a ½ step (2.15%) on January 1, 2015. A $500.00 "top step stipend" was awarded to all non-step eligible .50 – 1.0 FTE employees. In addition, a 16-hour vacation sell option and 16 hours of non-contract leave (pro-rated for .50 - 1.0 FTE employees) were also awarded for 2014/2015.
- **7/1/2015 – 6/30/2016:** Zero salary schedule adjustment for FY'16. Step eligible classified employees receive one step (4.3%) and those step eligible classified

employees on the highest ½ step receive a ½ step (2.15%) effective July 1, 2015. All C1 and C2 employees may sell up to 16 hours of their own accrued vacation leave. All C1 and C2 employees also receive a one-time-only payment of $175, and those with 8 hours or more of personal leave on December 31, 2015, may roll one-time-only no more than 8 hours of their accrued personal leave into 2016.

- **7/1/2016 – 6/30/2017:** A one-year agreement based upon ERB mediation included a 1.5% salary schedule adjustment for FY'17. Step eligible classified employees receive a ½ step (2.15%) on July 1, 2016, followed by a second ½ step (2.15%) effective January 1, 2017. All C1 and C2 employees may also sell up to 16 hours of their own accrued vacation leave. Classified employees who were not step eligible on July 1, 2016 shall receive a one-time-only top step stipend of $500.00. Classified health insurance plan options were expanded from 3 to 6 plans for 2016/2017, and significant increases were made by the College to the employer contributions for calendar 2017 toward section 125 flexible spending accounts. The insurance and section 125 details and adjustments are covered in the benefits section of this report.
- **7/1/2017 – 6/30/2018:** 2.25% salary schedule adjustment for FY'18. Step eligible full-time classified employees (those in budgeted assignments between .50 – 1.0 FTE) received a ½ step adjustment (2.15%) on July 1, 2017, and step eligible full-time classified employees will receive a second ½ step adjustment (2.15%) on March 1, 2018. College contributions toward the cost of health insurance premiums and section 125 details are covered in the benefits section of this report.

Faculty Bargaining Unit – Terms of Settlements

- **7/1/08 – 6/30/09**: A 1.75% salary schedule adjustment was awarded to faculty related to the OEBB "savings" based upon the assertion by LCCEA leadership that the change to OEBB would result in "permanent savings" for the College between comparable insurance plans (LCCEA "base plan" compared to existing PacificfSource plan). In addition, faculty received a 1.0% salary schedule adjustment, plus a .25% onetime payment was awarded. One-half steps (1.875%) were awarded to step-eligible faculty and a new one-half step (1.875%) was created at the top of the contracted faculty salary schedule.
- **7/1/2009 – 6/30/2010**: 2.3% salary schedule adjustment plus a ½ step (1.875%) for all step-eligible faculty. An adjustment was then made for anticipated six (6) furlough days subsequently (post-contract ratification in July) reduced to three furlough days for FY'10 budget savings and with agreement that "OEBB savings" will not result in an additional salary schedule adjustment for 2009/2010. Three furlough days equals -1.743% savings. A "reserve account" was established equal to 1.0% of the FY'10 budget should EFB exceed 5% and the CCSF not be reduced. This "reserve account" was used to buy back 2.4 furlough days for faculty equal to 1.4% added back to faculty salaries. Result: +3.832% increase for faculty eligible for the ½ steps, or +1.957% for those not eligible for steps in FY'10.
- **7/1/2010 – 6/30/2011**: 1.0% salary schedule adjustment for FY'11, and a ½ step (1.875%) for all step eligible faculty.

- **<u>7/1/2011 – 6/30/2012</u>**: 1.0% salary schedule adjustment for contracted faculty in FY'12, and a ½ step (1.875%) for step eligible contracted faculty effective at the start of 2011/2012, with a second ½ step (1.875%) awarded at the end of 2011/2012. A 1.0% one-time stipend was paid to contracted faculty on the top step. A 0.50% salary schedule adjustment was agreed for part-time faculty in FY'12, as well as ½ steps as earned (depends upon credits taught).
- **<u>7/1/2012 – 6/30-2013</u>**: 1.0% salary schedule adjustment for contracted faculty in FY'13, and a full step adjustment (with the first ½ step in July, 2012, and the second ½ step in June 2013) awarded for step eligible contracted faculty. A 1.0 % salary schedule adjustment was also agreed for part-time faculty in FY'13, as well as ½ steps as earned for part-time faculty (depends upon credits taught).
- **<u>7/1/2013 – 6/30/2014</u>:** 1.59% salary schedule adjustment for contracted faculty in FY'14, and a full step adjustment (equal to 3.75%) retro to July 1, 2013 to be awarded to step eligible contracted faculty. Contracted faculty on the top step of the salary schedule at the end of the 2012/2013 academic year (and NOT step eligible) will receive $1,000 top step stipend for 2013/2014. A 1.59% salary schedule adjustment was also made for the part-time faculty salary schedule, and full steps (equal to 3.75%) retro to July 1, 2013 were also awarded. Part-time faculty on the top step of the 2012/2013 part-time faculty salary schedule effective June 30, 2013 were also awarded a $600.00 part-time top step stipend.
- ***Note:*** Salary comparisons for 2013-2014 document that Lane's part-time faculty are compensated at the highest per credit salary rate among all Oregon community colleges.
- **<u>7/1/2014 – 6/30/2015</u>:** 1.00% salary schedule adjustment for contracted faculty in FY'15, with a ½ step adjustment effective July 1, 2014, followed by a second ½ step adjustment effective January 1, 2015, for step-eligible contracted faculty. A new and additional ½ step was added to the top of the 2014/2015 contracted faculty salary schedule, and contracted faculty on the former top step of the 2013/2014 salary schedule effective June 30, 2014, will move to the new top step of the 2014/2015 salary schedule effective July 1, 2014. 1.00% salary schedule adjustment was also made to the 2013/2014 part-time faculty salary schedule, and effective July 1, 2014 part-time faculty earn full step adjustments based upon 21 credits taught. A new ½ step was added to the top step of the part-time faculty salary schedule effective July 1, 2014; part-time faculty on the former top step of the 2013/2014 part-time faculty salary schedule effective June 30, 2014 were moved to the new 2014/2015 top step effective July 1, 2014.
- **<u>7/1/2015 – 6/30/2016</u>:** Zero salary schedule adjustment for FY'16. Step eligible full-time faculty employees receive one step (3.75%) and those step eligible full-time faculty employees on the highest ½ step receive a ½ step (1.875%) effective July 1, 2015. Step eligible part-time faculty continue to be eligible for step advancements (3.75%) based upon 21 credits taught until they reach the top of the part-time salary schedule. *Note: LCCEA "rolled over" the 2014/2015 contract.*
- **<u>7/1/2016 – 6/30/2017</u>**: 1.50% salary schedule adjustment effective July 1, 2016, for contracted and part-time faculty for FY'17. Step eligible contracted faculty received a ½ step (1.875%) effective July 1, 2016, and a second ½ step on January 1, 2017. Contracted faculty on the top step who were not eligible for step advancements on July 1, 2016, received a "top step stipend' of $1,000. Step

eligible part-time faculty continue to be eligible for step advancements (3.75%) based upon 21 credits taught until they reach the top of the part-time salary schedule. Part-time faculty on the top step who were not eligible for step advancements on July 1, 2016, received a "top step stipend' of $500.

- **7/1/2017 – 6/30/2018:** 1.00% salary schedule adjustment effective July 1, 2017, for contracted and part-time faculty for FY'18. Step eligible contracted faculty received a ½ step (1.875%) effective July 1, 2016, and a second ½ step on January 1, 2018. Contracted faculty on the top step who were not eligible for step advancements on July 1, 2017, received a "top step stipend' of $1,200. Step eligible part-time faculty continue to be eligible for step advancements (3.75%) based upon 21 credits taught until they reach the top of the part-time salary schedule. Part-time faculty on the top step who were not eligible for step advancements on July 1, 2017, received a "top step stipend' of $600. College contributions toward the cost of health insurance premiums and section 125 details are covered in the benefits section of this report.

Management Unit – Terms of Agreements:

- **7/1/08 – 6/30/09**: 1.0 % salary adjustment for FY'09, plus ½ (0.009 or .9 %) step equivalent adjustment (*). Also, 81 hours of days in lieu of compensation was awarded on a one-time-only basis (only for the FY'09 year) for 1.0 FTE managers.
- **7/1/09 – 6/30/2010**: 2.3% salary adjustment for FY'10, plus the ½ step equivalent (0.9%) was awarded to eligible managers. Managers each took six (6) furlough days equal to a 2.3% "give back" - or contribution to balance the FY'10 budget. The "reserve account" referenced above under faculty compensation resulted in a buy-back of 3.68 of the six (6) management furlough days, equal to 1.4% added back to management salaries for FY'10. Result: +2.3% for FY'10.
- **7/1/2010 – 6/30/2011**: 1.6% salary adjustment for FY'11, and zero step equivalent or zero ½ step award for FY'11.
- **7/1/2011 – 6/30-2012**: 1.0% salary adjustment for FY'12, plus ½ step equivalent (0.9%) awarded to eligible managers. Three paid non-contract days were also awarded for 2011-2012.
- **7/1/2012 – 6/30/2013**: 1.0% salary adjustment for FY'13, plus ½ step equivalent (0.9%) awarded to eligible managers. Three paid non-contract days were also awarded for 2012-2013.
- **7/1/2013 – 6/30/2014**: 1.75% salary adjustment for FY'14, plus step equivalent. In addition, a 40-hour vacation sell option and two days of non-contract leave were also awarded to managers for 2013/2014.
- **7/1/2014 – 6/30/2015:** 1.0% salary schedule adjustment for FY'15, and a ½ step (0.9%) on July 1, followed by a ½ step (0.9%) on January 1, 2015. In addition, a 40-hour vacation sell option and two days of non-contract leave were also awarded to managers for 2014/2015.
- **7/1/2015 – 6/30/2016:** Zero salary schedule adjustment for FY'16. All eligible management/administrative employees receive one step equivalent (1.8%) effective July 1, 2015. In addition, managers may sell up to 40 hours of their own accrued vacation leave.

- **7/1/2016 – 6/30/2017:** 1.5% salary schedule adjustment for FY'17. All eligible management/administrative employees receive a one-step equivalent (1.8%) effective July 1, 2016. Managers/administrators may sell up to 60 hours of their accrued vacation leave. Adjustments to health insurance benefits for Lane managers are covered in the benefits section of this report.
- **7/1/2017 – 6/30/2018:** 1.38% salary schedule adjustment for FY'18. All eligible management/administrative employees receive a one-step equivalent (1.8%) effective July 1, 2017. Managers/administrators may sell up to 40 hours of their accrued vacation leave. College contributions and adjustments to health insurance benefits for Lane managers are covered in the benefits section of this report.

Bargaining Agreements for FY'17 and FY'18: The College has a collective bargaining agreement in place for classified employees (LCCEF) through June 30, 2023, with economic re-openers planned every two years to resolve compensation and benefits (plus one additional issue) during the term of the Agreement. The College has a collective bargaining agreement in place for faculty (LCCEA) through June 30. 2018. Negotiations will resolve salary schedule adjustments and step adjustments for faculty and classified employees moving forward.

Health Insurance Benefits: There will continue to be significant volatility and uncertainty in health insurance markets moving forward because of changes and a lack of certainty and/or clarity concerning implementation of the federal Patient Protection and Affordable Care Act (ACA). There will also be significant uncertainty concerning possible changes at the federal level in calendar 2018 that may impact how health insurance is provided through employers. These external sources of insurance market uncertainty could potentially negatively impact (increase) the cost of health insurance for both employers and employees. Lane Community College is currently fully compliant with ACA requirements for maximum participation of eligible employees under the ACA in part because the College has historically provided access to health insurance coverage for part-time employees in all three Lane employee groups who work less than "30 hours/week" which is the ACA standard for coverage eligibility. The College is also carefully following guidance of our third-party insurance benefits consultant concerning prospective compliance requirements of the ACA, as well as potential federal changes that may impact how health insurance is delivered through employers.

The above noted, the very significant ongoing increases in the cost of health insurance premiums during the past ten fiscal years requires a thoughtful analysis of Lane's health insurance benefits. Based upon a study of all Oregon community colleges by the Oregon Community College Association (OCCA) that has again been updated for fall, 2017, Lane Community College currently contributes the highest employer contributions toward the total cost of health insurance premiums among all seventeen (17) Oregon community colleges. Using the 2017-2018 employer/employee premium contribution data, among the Oregon community colleges that provide access to health insurance coverage on a tiered basis (examples: Employee Only, E + Spouse, E + Children and Full Family coverage) the updated cost comparison data document that Lane's employer contributions toward the total cost of health insurance premiums for employee only coverage exceed the second highest contributing college by over 10% for classified and management employees, and Lane's employer contributions for employee only coverage for faculty exceed the second highest contributing community college by over 5%. Using the same data sources, Lane's current employer contributions at the full family level also exceed the employer contributions of the second highest contributing college by over 16% for budgeted (.50 – 1.0 FTE) employees in all three employee groups.

In addition to making the highest employer health insurance premium contributions that we can document from among all regional private and public employers, Lane Community College also supports access for College employees and their families to quality primary health care through the following strategies.

- For well more than the ten years covered by this Internal Monitoring Report, the College has not pro-rated the employer health insurance premium contribution based upon less-than 1.0 FTE assignments. Lane faculty and classified employees working .50 - .99 FTE receive the same College employer contributions toward the total cost of health insurance that full-time (1.0 FTE) employees receive. Most employers, including most community colleges, do "pro-rate" employer health insurance premium contributions for less-than 1.0 FTE employees.
- The College provides subsidized access for many Lane employees to primary healthcare services through the College Health Clinic with reduced or limited billing of health insurance.
- The College also provides an exceptionally generous employer contribution toward eligible employees' pre-tax flexible spending section 125 accounts based upon the insurance enrollment tier of Lane employees. Accessing the employer contribution for employees' flexible spending accounts only requires a minimum section 125 contribution of $240/year from eligible employees. The College's employer contribution to the section 125 flexible spending accounts for classified employees remain significantly increased for calendar 2018 ($670/year Employee Only, $1,340/year for E + 1, and $1,715/year for Full Family) while the College's 2018 (FY'18) employer contributions for faculty and management flexible spending accounts were increased to $450 Employee Only, $700 E + 1, and $900.00 Full Family. The College's employer contributions to employee's section 125 flexible spending accounts are an exceptional benefit not matched by any private or public employers we have identified.
- For 2017/2018, only three Oregon community colleges make an employer contribution for part-time faculty (those faculty assigned .20 - .499 FTE) health insurance premiums; Portland Community College, Rogue Community College and Lane Community College. Lane's contribution for part-time faculty exceeds the PCC contribution level by over 34% ($637.09/mo compared to $474.50/mo).

Based upon all of the above facts outlined above concerning the College's support for employee access to health insurance coverage and health care services, with regard to this Board of Education standard it is accurate to conclude that Lane Community College provides health insurance benefits for employees that support a very competitive benefits package and it is also accurate to conclude that Lane Community College provides health insurance benefits that materially match or exceed the benefits provided by other private and public employers for comparable professional markets.

Health Insurance, 2017-2018 and Beyond: The one-year agreements with LCCEF (classified employees) and with MSC (managers/administrators), through June 30, 2018 called for the College's employer premium contributions for health insurance to remain the same as the College's employer contributions in 2015/2016. The College's current agreement with LCCEA also maintain the employer's contributions toward the total cost of health insurance premiums at the same levels that applied in 2015/2016.

Lane currently contributes the very highest employer contributions among all Oregon community colleges toward the total cost of health insurance premiums for health insurance coverage for employees in all three employee groups. The College/HR supported competitive bidding (RFP) processes during the 2016/2017 academic year to assure that: (1) The College received the best possible health insurance agent-of-record advocacy now and in the future, and (2) The College gets the opportunity to compare health insurance plan and cost options from multiple health insurance companies.

Bargaining with both unions and the agreement with MSC has now resulted in the College/HR administering and supporting forty-two (42) different medical plan designs (7 each for classified and management employees, and 28 different plan design options for faculty), when one includes the multiple dental and vision plan options. The large number of plan design options creates significant complexity for Lane employees and adds to workload for Lane HR benefits staff who must administer and support this large variety of plan design choices during open enrollment periods. For Lane classified and management employees where our health insurance premium renewal rates are analyzed based upon actual claims "utilization" experience, the large number of medical insurance plan options through PacificSource potentially adds to the actual total cost of premiums because the health insurance company may add administrative costs for the multitude of different plan design options. There is also an "adverse selection" cost factor added (at least by PacificSource) for a higher risk exposure to losses because of the large variety of plan designs and combined (medical, dental and vision) options.

Administering the health insurance plan design options for faculty through OEBB is further complicated by the fact that OEBB allows enrollees to "unbundle" their enrollment elections and pick & choose among medical, dental or vision coverage, while declining one or more sources of coverage. This practice of allowing "unbundling" of the three primary sources health insurance coverage also adds to the cost of health insurance coverage in the form of higher administrative costs as well as the potential for "adverse impact" in terms of plan elections.

Total Premium Costs: The total annual cost of health insurance premiums (medical, pharmacy, dental and vision insurance coverage) now exceeds 17% of total budget expenditures in FY'18 (health insurance premiums will cost the College approximately $13.5M dollars for FY'18) for all covered employees and their eligible dependents.

The College has experienced the following (closely estimated) increases in the total costs including both employer and employee premium contributions for the most expensive health insurance plan design premiums (medical, pharmacy, dental and vision) between January 1, 2000 and June 30, 2018:

Employee Group	Increases – In Premium Costs Since 2000 * (see note below)	
Classified Unit	Employee Only:	173.2%
	Employee + One:	199.5%
	Full Family:	197.2%
Faculty Unit	Employee Only:	166.9%
	Employee + One:	184.7%
	Full Family:	228.6%
Management Unit	Employee Only:	121.2%
	Employee + One:	137.6%
	Full Family:	137.8%

Insurance cost "inflation" compared to CPI "inflation": By way of comparison to the insurance premium inflation increases noted above for the period 2000 – 2018, CPI inflation measures went up by approximately 22.33% for the ten years between 2007 and 2017. ***Note:** Effective January 2003, the classified and faculty bargaining units, as well and MSC, agreed with the College to reduce the number of health (medical, dental and vision) insurance plan options and established a single plan with an identical level of benefits for all college employees. However, in 2007 the three respective Lane employee groups changed to different medical co-pay levels. In addition, effective September 1, 2008, LCCEA (faculty) opted to move to the Oregon Educator Benefits Board (OEBB) health insurance plans. Therefore, at this time the cost increase comparisons outlined above are not based upon identical plans or the same levels of benefits for the three respective employee groups between 2000 and the present, and comparisons are especially challenging concerning the costs of plans for the three employee groups since the faculty group moved into the OEBB plans in 2008.

These facts make any direct comparisons of premium cost increases among the three respective employee groups problematic because the differences and increases in premium costs may be more influenced by claims experience ("utilization") by the respective groups, which are impacted by the differences in levels of benefits such as differing deductibles, different co-pays/coinsurance and/or differing coverage plan elections. The above insurance premium percentage cost increase data are factually accurate for the respective employee groups for the referenced period strictly based upon the total cost of the health insurance premiums (medical, pharmacy, dental and vision) and using the most expensive plans in place for each of the three employee groups from the year 2000, compared to the total cost of current health insurance premiums for 2017/2018.

Insurance Plan Changes for 2012-2013 through 2017-2018 to Mitigate Premium Increases:

It is important to note that each of the three employee groups experienced insurance plan benefit level design changes for FY'12, for FY'13, and again for FY'14 that reduced the projected renewal rates for 2011-2012, for 2012-2013 and for 2013-2014. Managers and classified employees collaborated to elect a higher deductible plans through PacificSource that reduced the projected FY'12 renewal rate increase from over 16% to 7.4%, and plan design changes reduced the FY'14 rate increase to 3.82%. The plan design changes for 2017/2018 for classified and management employees through PacificSource added a significant number of new medical plan designs, as well as adding more dental and vision options, which MAY reduce overall total premium costs on an aggregated level but have created significant complexity and workload impacts for the College Human Resource Department to administer all the plan options on an individual employee basis through the annual open enrollment processes.

Concerning the OEBB health insurance plans and premium costs, Lane faculty are exposed to potential benefit level adjustments during each annual renewal cycle as the OEBB board works to adjust plan designs in order to reduce premium renewal increases and control total premium costs. OEBB plan changes for FY'14 implemented in October, 2013 reduced the rate renewals for FY'14 to about the 5.0% level for the LCCEA faculty "base plan." OEBB plan design changes for FY'15 implemented in October, 2014 also resulted in reduced rate renewals at about the 5.0% level for the LCCEA faculty "base plan." OEBB plan design changes for FY'18 (2017/2018) have resulted in an actual premium cost reduction for all the OEBB medical insurance plans. The College agreed in bargaining to maintain the same employer premium contribution levels that were in place for faculty effective October, 2015. Therefore, because the total cost of OEBB health insurance premiums has now dropped for two successive annual renewal cycles, the vast majority of contracted faculty now make a zero or relatively small employee out-of-paycheck premium contribution for their health insurance coverage. Employee out-of-paycheck contribution levels for premiums for part-time faculty eligible for health insurance coverage have also decreased for FY'18.

Insurance Premium Cost Distribution Effective FY'18:

Employee Group	**College Contribution/Mo**	**Employee Contribution/Mo**
Classified Empl. Only/Mo.	$ 824.48/83.8%	$ 158.98/16.2%
Classified Empl. + 1/Mo.	$1,770.99/79.2%	$ 465.84/20.8%
Classified Full Family/Mo.	$2,209.60/79.3%	$ 578.71/20.7%
Faculty Empl. Only/Mo.*	$ 725.45/100.0%	$ 0.00/0%
Faculty Empl. + Sp./Mo.*	$1,581.92/100.0%	$ 0.00/0%
Faculty Full Family/Mo.*	$2,259.30/100.0%	$ 0.00/0%

***Note** – The above calculations are for the faculty "base plan" which is the most expensive of the OEBB plans. The College's contributions are currently linked to the faculty "base plan" and faculty employee out-of-paycheck premium contributions for all other OEBB plans are also zero. Only about 5% of faculty currently enroll on the most expensive OEBB "base plan."

Also note that Lane's College contributions toward the total cost of health insurance premiums for eligible part-time faculty exceed the second highest contributing Oregon community college by 34%. Part-time faculty who are eligible for health insurance coverage receive the following employer contributions from Lane Community College toward the total cost of health insurance premiums; Empl. Only = $725.45/Mo. employer contribution, E + Spouse = $1,044.95/Mo. employer contribution, and Full Family = $1,174.46/Mo employer contribution.

Employee Group	College Contribution/Mo	Employee Contribution/Mo
Mgt. Empl. Only/Mo.	$ 824.48/83.8%	$ 158.98/16.2%
Mgt. Empl. + 1/Mo.	$1,770.99/79.2%	$ 465.84/20.8%
Mgt. Full Family/Mo.	$2,209.60/79.3.7%	$ 578.71/20.7%

Important Note for 2017/18: It is important to note that effective in FY'14 all three employee groups now have "plan choice" allowing employees to select from among multiple plan design options including the opportunity to elect less expensive insurance plans than the "most expensive plans" upon which the calculations above are based. The total cost of health insurance premiums for the College now exceeds $13.5 million per fiscal year (up over 21.8% from the slightly over $11.1 million/year in 2009/2010) including both employer and employee health insurance premium contributions. Therefore, every 1.0 % increase in total health insurance premium costs for the College adds approximately $135,000 to the College's budget for the cost of health insurance premiums.

In addition to the increasing health insurance premium costs from insurance carriers, state and federal law makers have developed legislation to "tax" employer paid health insurance premium contributions – including premiums paid by public entities such as Lane Community College - as a means of funding low-income and children's health insurance programs. For example, the Oregon legislature added a "1.0% plus administrative fee" insurance premium surcharge in late June, 2009, to generate funds to pay for a children's health insurance program under the Oregon Health Plan. The ACA also still includes a variety of fees and taxes that could still be implemented during the next several years as ACA was implemented in 2014 that will increase the cost of health insurance premiums.

It also remains unclear whether Congressional actions that currently call for the ACA "Cadillac Tax" to be implemented in January, 2020 (changing the implementation date from January, 2018) will remain a part of health insurance legislation. The "Cadillac tax" includes an excise tax of 40% on every dollar of premium costs in excess of the annual total premium cost limits set by Congress. The maximum total cost of premium limits that had been scheduled to take effect in January, 2018 were $10,200/year for employee only coverage and $27,500/year for full family coverage, after which the 40% excise tax would be applied to every dollar over the limits. The "Cadillac tax" could also be applied to the value of flexible spending section 125 accounts as well as employer sponsored health clinics and wellness plans. The current total premium costs that the College pays for several of the most expensive classified and management plans through PacificSource, already exceeded (in January, 2016) the "Cadillac tax" thresholds noted above for "expensive" health plans. The OEBB plan changes for all 2016/2017 and for all 2017/2018 plans actually resulted in reducing the total cost of all OEBB plans below the "Cadillac tax" levels. Estimates completed in fall, 2015, indicate that the "Cadillac plan" 40% excise tax could add well over a million dollars per fiscal year, and potentially several million dollars per year, to the College's costs for health insurance premiums.

Employee Health Clinic and Employee Wellness – Impact?: Finally, concerning efforts to control health insurance costs now and in the future, it is unclear whether the multiple year efforts to encourage employees to consider using Lane's Health Clinic rather than their own doctors or clinics for at least some primary care services have reduced the rate of insurance premium increases. We cannot presently conclude that Lane's Health Clinic and Wellness Programs have had an impact to reduce the health insurance claims experience of College employees.

3. B. POLICY PROHIBITION: The President shall establish compensation and benefits which do not create obligations over a longer period than prudent.

The President and College managers are compliant with this guideline and have taken a prudent and fiscally sustainable approach during the past several years concerning negotiations with the unions for one and two-year collective bargaining agreements for compensation and benefits. These short-term agreements have been negotiated and ratified in support of moderate adjustments to compensation and benefits for Lane employees. Lane Community College is rare among Oregon public employers because Lane has consistently provided increases for employee compensation and benefits between the years of 2008/2009 and 2017/2018 when many Oregon public employers implemented wage freezes or benefit reductions because of the Great Recession and because of declining student enrollment resulting in reduced operating revenues. Lane Community College must maintain a reasonable and prudent approach to compensation and benefits to assure a fiscally sustainable future.

4. POLICY PROHIBITION: The President shall not establish deferred or long-term compensation and benefits which cause any employee to lose benefits already accrued under any foregoing plan.

The changes and challenges noted above have not been, and will not be, implemented in a manner that causes any employee to lose deferred or long-term benefits already accrued under any foregoing plan. No other changes are planned or have been implemented that cause any employee to lose benefits already accrued from any foregoing plan.

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