January 10, 2019

Compensation and Benefits BP515 Monitoring Report, 5-A

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: EXECUTIVE LIMITATIONS
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 that are signed by the Board of Education Chairperson(s) during and for the periods that the respective contracts apply to.

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. Lane Community College engages members of search committees to objectively screen, interview and recommend qualified finalists to hiring managers and the College President for all budgeted (.50 – 1.0 FTE) positions.

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, and in the interest of retaining competent, talented part-time credit faculty, Lane's instructional deans do attempt to project their academic year scheduling needs. 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 scheduled 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 2018-2019. The College's compensation and benefits do not deviate significantly from the professional market, except for the college's support for health insurance benefits (read below), which does exceed the regional market in terms of Lane's contributions for the total cost of health insurance premiums and Lane's employer contributions for employee flexible spending (section 125) accounts (read below). The level of compensation and benefits are 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 2018/2019 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 ten (10) fiscal years, including implementation of pending tentative agreements for the current 2018-2019 fiscal year:

Employee Group
Classified Bargaining Unit - Terms of Settlements

- ***7/1/07 – 6/30/2008:*** **2.40% salary schedule adjustment plus step for all LCCEF employees. Note*: In June, 2007, LCCEF agreed to re-open their contract and forego the 2.4% COLA increase for FY'08, and accepted days off in lieu of COLA to avoid involuntary layoffs. All LCCEF employees received a 4.3% step increase for FY'08 because of the addition of a new top step on the LCCEF schedules.*
- **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.
- **7/1/2018 – 6/30/2019:** 1.25% salary schedule adjustment for FY'19. 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, 2018. A new, ½ step (2.15%) was added to the top of the classified salary schedule effective July 1, 2018. All C1 and C2 classified employees may sell up to 16 hours of their own accrue vacation leave. 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

- ***7/1/07 – 6/30/08*:** **2.46% salary schedule adjustment plus step (3.75%) for eligible contracted faculty. *2.89% plus step (3.75%) for eligible part-time faculty. Note*: In June, 2007, LCCEA agreed to re-open their contract and adjust the respective salary schedule adjustments noted above in order to avoid involuntary layoffs. The negotiations resulted in a 0.86% COLA for contracted* *faculty, and a 2.46% COLA for part-time faculty, plus a 3.75% step for all faculty except those on the top steps of the respective salary schedules.*

- **<u>7/1/08 – 6/30/09</u>**: 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.
- **<u>7/1/2009 – 6/30/2010</u>**: 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.
- **<u>7/1/2010 – 6/30/2011</u>**: 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.
- **<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.
- **<u>7/1/2017 – 6/30/2018:</u>** 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. **Note:** Salary comparisons for 2017/2018 document that Lane's salary rates for part-time faculty are the highest among the 17 Oregon community colleges.
- **<u>7/1/2018 – 6/30/2019:</u> (Tentative Agreement Subject to Ratification)** 1.25% salary schedule adjustment effective July 1, 2018, for both full-time and part-time salary schedules. Step-eligible full-time faculty (those not already on the top step of the salary schedule) will receive a ½ step adjustment (1.875%) effective July 1, 2018, and step eligible full-time faculty (see above) will receive a second ½ step (1.875%) effective January 1, 2019. Step eligible part-time faculty will earn a full step (3.75%) for every 21 credits taught. A new, ½ step (1.875%) will be added to the top of both full-time faculty and part-time faculty salary

schedules retroactive to July 1, 2018. 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:

- ***9/1/07 – 8/31/08***: *0.00% salary adjustments and zero "step equivalents" were awarded to managers because of the FY'08 budget shortfall.*
- **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.

- **7/1/2018 - 6/30/2019:** 1.25% salary schedule adjustment for FY'19. All eligible management/administrative employees received a one-step equivalent (1.8%) effective July 1, 2018. Managers may sell up to 16 hours of their own accrued vacation leave. College contributions toward the cost of health insurance premiums and section 125 details are covered in the benefits section of this report.

Bargaining Agreements for FY'19: 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. Bargaining for a two-year economic re-opener is scheduled to begin in January, 2019. The College has a collective bargaining agreement in place for faculty (LCCEA) through June 30, 2018, with the "tentative agreement" noted above for a one-year agreement pending ratification for 2018/2019. 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 in health insurance markets moving forward because of changes and a lack of clarity concerning continuation of the federal Patient Protection and Affordable Care Act (ACA). There will also be significant uncertainty concerning possible changes for health insurance guidance and costs at the federal level in calendar 2019 that may impact how health insurance is provided through employers. Combined with the mature demographics of Lane's workforce, the legislative volatility impacting health insurance market uncertainty may negatively impact (increase) the cost of health insurance for both employers and employees in calendar 2019 and beyond. 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 generous access to health insurance coverage for part-time employees in all three Lane employee groups who work more than .33 FTE but less than "30 hours/week." Lane provides access to health insurance benefits at a much lower level of hours worked per week by employees than is mandated under federal ACA guidelines. A minimum number of hours worked at 30 hours/week is the ACA minimum standard for health insurance coverage eligibility. The College is also carefully following guidance from our third-party insurance benefits consultant concerning prospective compliance requirements of the ACA, as well as potential federal changes to employer provided health insurance coverage 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 nearly 20 years requires a thoughtful analysis of Lane's health insurance benefits profile. Based upon a study of all Oregon community colleges through the Oregon Community College Association (OCCA) that has again been updated for fall, 2018, 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 2018-2019 employer/employee insurance 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 5% per employee for all classified and management employees. Lane's employer premium contributions for employee only coverage for faculty also 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 10% for budgeted (.50 – 1.0 FTE) employees in all three employee groups.

The above assessments are accurate concerning Lane's employer health insurance contributions despite that fact the Lane "froze" the employer health insurance contributions during the 2015/2016 fiscal year, and has not increased the employer contribution levels since 2015/2016. Lane currently (2018/2019) makes the highest employer insurance premium contributions per employee among all Oregon Community Colleges even though Lane's employer contributions have not increased during the last three fiscal years. In addition to making the highest employer health insurance premium contributions 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 more than the 15 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" the employer's health insurance premium contributions for less-than 1.0 FTE employees.
- The College currently provides subsidized access for many Lane employees who commit to pay $2.00/payroll period to primary healthcare services through the College Health Clinic including reduced service fee rates and no billing of the employee's health insurance.
- The College also provides an exceptionally generous and extraordinarily rare 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 2019 ($670/year Employee Only, $1,340/year for E + 1, and $1,715/year for Full Family) while the College's 2019 (FY'19) employer contributions for faculty and management flexible spending accounts were increased to $450 Employee Only, $700 E + 1, and $900.00 Full Family.
- Lastly, for 2018/2019, only two other Oregon community colleges make an employer insurance premium contribution for part-time faculty who fall below the ACA 30-hour/week standard (those Lane faculty assigned .20 - .499 FTE); Portland Community College, Rogue Community College. Lane's employer insurance premium contributions for part-time faculty exceeds the PCC

contribution level by over 34% ($637.09/mo. compared to $474.50/mo.) for Employee Only coverage.

Based upon all the facts outlined above concerning Lane's support for employee access to health insurance coverage and health care services, it is accurate to conclude that Lane Community College provides health insurance benefits for employees that support an exceptionally competitive benefits package. Lane Community College 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, and Lane's support exceeds the benefits provided by other private and public employers for comparable professional markets.

Health Insurance, 2018-2019 and Beyond: The one-year agreements with LCCEF (classified employees) and with MSC (managers/administrators), through June 30, 2019 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 maintains the employer's contributions toward the total cost of health insurance premiums at the same levels that applied in 2015/2016.

Because classified employees and managers did not agree to go into the OEBB plans effective October 1, 2018 (faculty have been in the OEBB plans since 2008/2009), the College/HR supported a competitive bidding (RFP) process during 2017/2018 for health insurance coverage options for classified and management employees to assure that the College (as well as classified and management employees) would have the opportunity to compare both health insurance plan options and insurance premium cost options from multiple health insurance companies. That RFP process resulted in only two health insurance carriers being assessed as qualified to provide coverage for Lane classified and management employees. The health insurance RFP process in spring of 2018 resulted in classified and management employees remaining with PacificSource as a carrier, and significant modifications for plan designs and plan options for the ongoing PacificSource plans were approved/accepted in an effort to control health insurance plan premium costs for 2018/2019. The renewal of the PacificSource plans on June 1, 2018, resulted in insurance premium costs that were lower than initially projected and is effective for 18 months through September 30, 2019. It is not likely to be effective at this time to attempt to go through yet another competitive health insurance RFP process a mere one year after a similar process yielded limited competition, and limited choice.

Bargaining with both unions and the agreement with MSC has now reduced the number of health insurance plan options from 15 different plan design options for employees in the three groups in 2017/2018, down to 8 basic plan design options for 2018/2019 (4 for full-time and part-time faculty, and 4 for classified employees and managers), with a very significant variety of dental and vision choices for each of the 8 plans that adds to the complexity of administering the health insurance plan choices for Lane employees. Lane's health insurance claims experience, or "utilization," has been exceeding total insurance premiums paid to PacificSource for several years. In addition, 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 supporting 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 by covered members.

Total Premium Costs: The total annual cost of health insurance premiums (medical, pharmacy, dental and vision insurance coverage) now exceeds 14% of total budget expenditures in FY'19 (health insurance premiums will cost the College approximately $13.5M dollars for FY'19) 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 September 30, 2019:

Employee Group	**Increases – In Total Premium Costs Since 2000 * (see note below)**	
Classified Unit	Employee Only:	226.7%
	Employee + One:	279.3%
	Full Family:	276.9%
Faculty Unit	Employee Only:	168.4%
	Employee + One:	186.2%
	Full Family:	230.5%
Management Unit	Employee Only:	164.7%
	Employee + One:	200.8%
	Full Family:	200.9%

Insurance cost "inflation" compared to CPI "inflation": By way of comparison to the health insurance premium inflation increases noted above for the period 2000 – 2018, CPI inflation measures went up by approximately 48% for the eighteen years between 2008 and 2017. Effective October 1, 2008, faculty (LCCEA) 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.

Insurance Plan Changes for 2018-2019 to Mitigate Premium Increases:

Managers and classified employees collaborated in the spring of 2018 to elect a higher deductible plans through PacificSource that reduced the projected FY'19 renewal rate increases from an initial renewal quote over 10% to an average of about 6.0% for an 18-month renewal through October 1, 2019. The plan design changes for 2018/2019 for classified and management employees through PacificSource, such as higher office visit co-pays, higher deductibles, and higher out-of-pocket maximums for several plans, made significant benefits changes to the medical plan designs of the four plans that managers and classified employees enroll in. These changes resulted in the lower-than-anticipated overall 6.0% increase for the PacificSource plans for 2018/2019.

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 rates. The OEBB governing board is under significant pressure from a State budget perspective to limit the annual insurance premium increases to no more than 3%. After several consecutive years of plan design changes the total cost of OEBB health insurance premiums has now dropped below the college's employer contribution toward the total cost of health insurance premiums. As a result of the OEBB plan design changes during the past several years, and coupled with the very large state-wide pool of covered members in the OEBB plans which distributes the "risk" of high impact claims, the vast majority of full-time faculty now make a zero or relatively small employee out-of-paycheck premium contribution for their health insurance coverage. Employee out-of-paycheck insurance premium contribution levels for part-time faculty eligible for health insurance coverage have also decreased over the past several years including for FY'19.

Given the very significant cost of health insurance benefits for both Lane Community College, as well as the very significant insurance premium costs for Lane's classified and management employees and their enrolled dependents, it is now timely to make an effort to compare the respective insurance premium costs for the most comparable PacificSource and OEBB health insurance plans.

Enroll Tier	**Pac.Source Plan $800 Ind. Ded. Total Cost**	**Classified & Managers Pac.Source Plan $800 Ind. Ded. SmartCho. College Pays**	**Classified & Managers Pac.Source Plan $800 Ind. Ded. SmartCho. Empl. Pays**	**OEBB Birch Plan $800 Ind. Ded. Total Cost**	**Full-time Fac. OEBB Plan Birch Plan $800 Deduct. "Synergy" College Pays (Total Cost Plan)**	**Full-time Faculty OEBB Plan Birch Plan $800 Deduct. "Synergy" Employee Pays**
E. Only	**$986.11/M.**	$824.48/M.	$161.63/Mo	**$740.44/Mo.**	$740.44/Mo.	Zero
E. +1	**$2,242.49/ Mo.**	$1,770.99/ Mo.	$471.50/Mo	**$1,601.43/ Mo.**	$1,601.43/ Mo.	Zero
F. Fam.	**$2,796.00/ Mo.**	$2,209.6/ Mo.	$586.40/Mo	**$2,283.30/ Mo.**	$2,283.30/ Mo.	Zero

The primary impact after several years of OEBB plan design changes is that the vast majority of contracted faculty now make a zero or relatively small employee out-of-paycheck insurance premium contribution for their health insurance coverage. By contrast, the total cost of premiums for Lane's classified employees and managers on the PacificSource plans have continued to increase every year for many years despite good faith efforts at relatively minor plan design changes. Rates for the PacificSource plans are also "experience-rated" based upon the relatively small pools of all Lane classified employees and managers plus their enrolled family members. The "experience-rated" smaller pool of classified employees and managers (and dependents) covered by PacificSource means that large claims among Lane's enrollees have a significantly larger impact on rate renewals for the PacificSource plans.

Insurance Premium Cost Distribution Effective FY'19 for "Most Expensive" Plans:

Employee Group	College Contribution/Mo	Employee Contribution/Mo
Class. & Mgt. Empl. O./Mo.	$ 824.48/83.6%	$ 161.63/16.4%
Class. & Mgt. Empl. + 1/Mo.	$1,770.99/79.0%	$ 471.50/21.0%
Class. & Mgt. Full Fam./Mo.	$2,209.60/79.0%	$ 586.40/21.0%
Faculty Empl. Only/Mo.*	$ 729.62/100.0%	$ 0.00/0%
Faculty Empl. + Sp./Mo.*	$1,601.43/100.0%	$ 0.00/0%
Faculty Full Family/Mo.*	$2,283.30/100.0%	$ 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 toward the total cost of health insurance premiums are currently linked to the faculty "base plan." Therefore, faculty employee out-of-paycheck premium contributions for all other lesser expensive OEBB plans are also zero. Only about 5% of faculty currently enroll on the most expensive OEBB "base plan."

Important 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 over 30%. 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 = $665.57/Mo., E + Spouse = $1,065.20/Mo., and Full Family = $1,197.21/Mo. employer contribution.

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 (for FY'19) exceeds $13.5 million per fiscal year (up over 21.6% 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 after the ACA was implemented in 2014 that may prospectively 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 premium cost dollar over the "Cadillac tax" limits. The "Cadillac tax" could also be applied to the value of employer contributions for 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 the most expensive PacificSource plans already exceeded (in January, 2016) the "Cadillac tax" thresholds noted above for "expensive" health insurance plans. The OEBB plan design 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 total costs for health insurance premiums if the College continued to maintain these "high premium" plans.

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 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 resulted in 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 2000/2001 and 2017/2018 when many Oregon public employers implemented wage freezes or health insurance benefit reductions because of revenue declines due to 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 prior commitments or plans.

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