

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 indicates that the requirements and conditions set out by the Board 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.

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.

4-C-1

The collective bargaining process provides 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 agreements.

Compensation: The following negotiated compensation increases were implemented during the past several years, including for the current 2016-2017 fiscal year:

Employee Group

Classified Bargaining Unit - Terms of Settlements

- 7/1/01 – 6/30/02: 3.0% salary schedule adjustment plus step (4.3%) for eligible employees.
- 7/1/02 – 6/30/03: 3.0% salary schedule adjustment plus step (4.3%) for eligible employees.
- 7/1/03 – 6/30/04: 1.4% salary schedule adjustment plus step (4.3%) for eligible employees.
- 7/1/04 – 6/30/05: 2.3% salary schedule adjustment plus step (4.3%) for eligible employees.
- 7/1/05 – 6/30/06: 2.4% salary schedule adjustment plus step (4.3%) for eligible employees.
- 7/1/06 – 6/30/07: 2.4% salary schedule adjustment plus step (4.3%) for eligible employees. Steps on the LCCEF schedule average 4.3%, so in the years noted above the COLA is added to the 4.3% step for all employees eligible for a step increase.
- 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.

4-C-2

- **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.

Faculty Bargaining Unit – Terms of Settlements

- **7/1/01 – 6/30/02:** 3.7% salary schedule adjustment plus step (3.75%) for eligible employees.
- **7/1/02 – 6/30/03:** 1.2% salary schedule adjustment plus step (3.75%) for eligible employees. Also added one-half step changing step 10.5 to 11.
- **7/1/03 – 6/30/04:** 1.4% salary schedule adjustment plus step (3.75%) for eligible employees. Added 1.0% to faculty salaries effective 01/01/04 as part of economic reopener settlement.
- **7/1/04 – 6/30/05:** 1.93% salary schedule adjustment plus step (3.75%) for eligible employees. Created new top step #12 at 2% above step 11, level 3. Steps were between 3% to 4% on the old LCCEA schedules, and are in addition to the salary schedule adjustment.

- 7/1/05 – 6/30/06: Guaranteed 3.0% for contracted faculty with movement to a new single column salary schedule. Steps (3.75%) allowed for those eligible. Guaranteed 2.0% for part-time faculty with movement to new single column salary schedule. Steps (3.75%) are awarded as earned. Steps were standardized in 2006/2007 at 3.75% on the single column schedules, with steps added to the salary schedule adjustment for step-eligible faculty.
- 7/1/06 – 6/30/07: 3.6% salary schedule adjustment plus step (3.75%) for eligible contracted faculty. 2.0% salary schedule adjustment plus step (3.75%) for eligible part-time faculty.
- 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.
- 7/1/08 – 6/30/09: A 1.75% salary schedule adjustment was awarded to faculty related to the OEBS “savings” based upon the assertion by LCCEA leadership that the change to OEBS would result in “permanent savings” for the College between comparable insurance plans (LCCEA “base plan” compared to existing PacificSource 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 “OEBS 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.
- 7/1/2011 – 6/30/2012: 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).

- **7/1/2012 – 6/30-2013:** 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).
- **7/1/2013 – 6/30/2014:** 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.
- **7/1/2014 – 6/30/2015:** 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.
- **7/1/2015 – 6/30/2016:** 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.*
- **7/1/2016 – 6/30/2017:** The College and Association bargaining teams remain engaged in collective bargaining negotiations for an agreement to potentially cover two years through June 30, 2018.

Management Unit – Terms of Agreements:

- **7/1/01 – 6/30/02:** 3.0% plus new management salary bands and ranges system implemented. Management assignments benchmarked in new "broad banded" salary system with no steps.
- **9/1/02 – 6/30/03:** 2.4% salary adjustments w/ no "steps."

4-c-5

- 9/1/03 – 6/30/04: 1.4% salary adjustments w/ no “steps.”
- 9/1/04 – 8/31/05: 3% salary adjustments, plus “step equivalent” (*) and “catch-up” provisions (2 x 1.8% = 3.6% with 3.28% awarded in FY’05 and 0.32% awarded in FY’06) for the two years (see above) when no experience “step equivalent” (*) adjustments were awarded. *Note**: The “step equivalent” on the management schedule henceforth will be 1.8%, added to management salaries.
- 9/1/05 – 8/31/06: 3.03% salary adjustments, plus step equivalent (*) and .32% “catch-up” adjustment (see above).
- 9/1/06 – 8/31/07: 2.84% salary adjustments, plus step equivalent (*).
- 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.

4-C-6

Bargaining Agreements for FY'16: The College has collective bargaining agreements in place for classified employees (LCCEF) through June 30, 2017. Negotiations continue with the faculty Association (LCCEA). Negotiations will resolve salary schedule adjustments and step adjustments for faculty and classified employees moving forward.

Health Insurance Benefits: There is significant volatility and uncertainty in health insurance markets currently (2016-2017) because of all the changes related to implementation of the federal Patient Protection and Affordable Care Act (ACA), as well as significant uncertainty concerning changes at the federal level in calendar 2017 that may impact how health insurance is provided through employers as well as 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 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 fifteen 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, 2016, 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 2016-2017 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.

- The College does not pro-rate 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)

4-c-7

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 employees to primary healthcare services through the College Health Clinic with limited billing of health insurance and no requirements for employees to pay health insurance deductibles or provider co-pays or co-insurance.
- The College provides an employer contribution toward pre-tax flexible spending, section 125 contributions based upon the insurance enrollment tier of employees. Accessing the employer flexible spending contribution only requires a minimum section 125 contribution from eligible employees. The College’s employer contribution to the section 125 flexible spending accounts for classified employees were also very significantly increased for calendar 2017 (\$670/year Employee Only, \$1,340/year for E + 1, and \$1,715/year for Full Family) while the College’s employer contributions for faculty and management flexible spending accounts remain generous (\$150 Employee Only, \$250 E + 1, and \$300.00 Full Family). The 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 2016/2017, 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 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, 2016-2017 and Beyond: The one-year agreements with LCCEF (classified employees), and with MSC (managers/administrators), through June 30, 2017 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 bargaining proposals with LCCEA also propose zero increase in 2016/2017 to the College’s employer contributions toward the total cost of health insurance premiums. 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 will also support competitive bidding processes during the 2016/2017 academic year to assure that: (1) The College receives 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 eighteen (18) different medical plan designs (6 for classified employees, 8 for faculty employees and 4 for management employees), with multiple dental and vision plan options as well. The large number of plan options creates significant complexity for Lane employees and adds to workload for Lane HR benefits staff to administer and support this large variety of plans. For Lane classified and management employees where our health insurance premium renewal rates are analyzed based upon actual claims experience, the large number of medical insurance plan options through PacificSource potentially adds to the actual cost of premiums because the health insurance company also has added administrative costs for the multitude of plan options. There is also an “adverse selection” cost factor added (at least by PacificSource) for a higher risk exposures to losses because of the large variety of plan designs and combined (medical, dental and vision) options.

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’17 (health insurance premiums will cost the College approximately \$14M dollars for FY’17) for all covered employees and their eligible dependents.

The College has experienced the following increases in the total costs including both employer and employee premium contributions for health insurance premiums (medical, pharmacy, dental and vision) between January 1, 2000 and June 30, 2017:

<u>Employee Group</u>	<u>Increases – In Premium Costs Since 2000</u> <u>* (see note below)</u>	
Classified Unit	Employee Only:	225.5%
	Employee + One:	277.8%
	Full Family:	275.5%
Faculty Unit	Employee Only:	161.1%
	Employee + One:	176.0%
	Full Family:	218.0%
Management Unit	Employee Only:	159.3%
	Employee + One:	194.6%
	Full Family:	194.7%

Insurance cost “inflation” compared to CPI “inflation”: By way of comparison to the insurance premium inflation increases noted above for the period 2000 – 2016, CPI inflation measures went up by approximately 19.5% for the ten years between 2006 and 2016.

***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

4-c-9

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 relative 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, co-pays and/or 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 2016/2017.

Insurance Plan Changes for 2012-2013 through 2016-2017 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 2016/2017 for classified and management employees 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.

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’17 (2016/2017) have resulted in an actual premium cost reduction for all the OEBB medical insurance plans. The College agreed to maintain the same employer premium contribution levels that were in place for faculty effective October, 2015, so 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’17.

Insurance Premium Cost Distribution Effective FY'15:

<u>Employee Group</u>	<u>College Contribution/Mo</u>	<u>Employee Contribution/Mo</u>
Classified Empl. Only/Mo.	\$ 824.48/83.9%	\$ 157.80/16.1%
Classified Empl. + 1/Mo.	\$1,770.99/79.3%	\$ 463.12/20.7%
Classified Full Family/Mo.	\$2,209.60/79.3%	\$ 575.37/20.7%
Faculty Empl. Only/Mo.*	\$ 698.41/100.0%	\$ 0.00/0%
Faculty Empl. + Sp./Mo.*	\$1,522.55/100.0%	\$ 0.00/0%
Faculty Full Family/Mo.*	\$2,175.33/100.0%	\$ 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 10% 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 = \$698.41/Mo. employer contribution, E + Spouse = \$1,019.58/Mo. employer contribution, and Full Family = \$1,145.93/Mo employer contribution.

<u>Employee Group</u>	<u>College Contribution/Mo</u>	<u>Employee Contribution/Mo</u>
Mgt. Empl. Only/Mo.	\$ 824.48/85.4%	\$ 141.30/14.6%
Mgt. Empl. + 1/Mo.	\$1,770.99/80.7%	\$ 425.17/19.3%
Mgt. Full Family/Mo.	\$2,209.60/80.7%	\$ 528.85/19.3%

Important Note for 2016/17: 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 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 \$14.0 million per fiscal year (up over 26.5% 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 \$140,000 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 includes a variety of fees and taxes that will be implemented during the next several years starting in 2014 that will increase the cost of health insurance premiums.

Of particular note, recent Congressional actions now specify that the ACA "Cadillac Tax" will be implemented in January, 2020 (changing the implementation date from January, 2018). 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 exceed (in January, 2016) the "Cadillac tax" thresholds noted above for "expensive" health plans. The OEBC plan changes for all 2016/2017 plans actually resulted in reducing the total cost of all OEBC 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 - Importance: Finally, concerning efforts to control health insurance costs in the future, it has been helpful for the Board of Education to support the College's strategy to establish and expand an employee health clinic access option as one means by which the institution may control future increases in the total cost of health insurance premiums. Recent health insurance premium rate increases, and the fact that Lane no longer has the benefit of access to aggregated claims experience data through OEBC for faculty, is motivation for the college and the unions to re-double efforts to encourage all college employees to consider and adopt healthy lifestyles and engage in active wellness changes in order to attempt to reduce health insurance claims utilization. The fact that hundreds of Lane employees could take care of preventative health services such as prescription renewals, physical health assessments and immunizations, as well as other types of diagnostic services and preventative health care with the support of primary care medical services through the Lane Health Clinic could help reduce insurance costs that otherwise would have been added to the College's claims experience, potentially impacting higher annual insurance premium renewal rates.

A strong partnership has also continued to develop between the College's Wellness Program, the Lane Community College Health Clinic and employee education about wise and prudent use of health care resources. PacificSource has continued to be a strong partner with the College Wellness Program in these employee health care education efforts. The above noted, the College and Unions need to encourage more frequent use of the Lane Health Clinic by eligible employees because maintaining or increasing

4-C-12

employee user counts for primary health care services through the Lane Health Clinic reduces the number of claims through the college's health insurance carriers. College employees also need to increase their individual commitments to personal health and wellness registration through active engagement with the College's Wellness Program.

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 2015/2016 when many Oregon public employers implemented wage freezes or benefit reductions because of the Great Recession and 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.

O:\BOARD\ITEMS\ Compensation and Benefits Monitoring Rpt 1.17.doc

4-C-13