BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF DEVELOPING A CONTRACT WITH ODS HEALTH PLAN, KAISER PERMANENTE, STANDARD LIFE INSURANCE COMPANY AND THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS))	RESOLUTION NO. 88-949 Introduced by Councilor Van Bergen

WHEREAS, The Metropolitan Service District Code Section 2.02.015 provides that all changes in employee benefits be approved by the Council of the Metropolitan Service District; and

WHEREAS, The Personnel Division had Metro's benefits broker initiate a Request for Proposal to obtain rates on various benefit options; and

WHEREAS, ODS Health Plan, Kaiser Permanente and Standard Life Insurance Company have been designated as the preferred carriers; and

WHEREAS, The Public Employees Retirement System is designated as the preferred retirement plan; and

WHEREAS, A special Council Task Force Committee has approved the above recommendations; now, therefore,

BE IT RESOLVED,

1. That the Council of the Metropolitan Service District authorizes the District to develop contracts with ODS Health Plan, Kaiser Permanente and Standard Life Insurance Company for approval.

2. That the contracts will be in effect from August 1, 1988, through June 30, 1989.

3. That the Metropolitan Service District will enter into an agreement with the Public Employees Retirement System to convert to the Public Employees Retirement System effective January 1, 1989.

ADOPTED by the Council of the Metropolitan Service District

this ______ day of ____________________, 1988.

NOT ADOPTED

Mike Ragsdale, Presiding Officer

RB/drb
9768C/545
06/20/88

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Agenda Item No. 5.2

Meeting Date: Sept. 8, 1988

Date: August 28, 1988

To: Metro Council

From: Councilor Tanya Collier, TC Chair
Council Finance Committee

Regarding: FINANCE COMMITTEE REPORT ON SEPTEMBER 8, 1988, COUNCIL MEETING AGENDA ITEM NO. 5.2 CONSIDERATION OF RESOLUTION NO. 88-894A AMENDING CLASSIFICATION AND PAY PLANS

Committee Recommendations: Committee members present -- Coleman, Collier, DeJardin, Gardner, Van Bergen -- voted unanimously to recommend Council adoption of Resolution No. 88-894A amended with Councilor Collier's "Proposed Revised" Attachment D.

Committee Discussion and Issues: The amended Resolution No. 88-894A removes salary administration actions in Attachment D which affect COLA/merit increases (see Collier memo, Attachment 1, with "Proposed Revised" Attachment D). This action adopts the new pay and classification systems but defers the COLA and merit salary increase provisions of the Pay Plan pending resolution of the collective bargaining efforts. Metro employee Bob Hart and labor union representative Mike Cannarella spoke in favor of the amendment. Councilor Coleman asked about the impact of this amendment on employees at the top of their pay range. Committee members noted that those employees' pay increases would not occur until the collective bargaining unit issue was settled (at least three months -- see Attachment 2, Marlitt memo). Finance and Administration staff summarized the Pay and Classification Study development, public hearings and review process in response to Councilor Van Bergen's questions.

In a related action, the Committee, in a 3 to 2 vote (Collier, DeJardin, Gardner aye; Coleman and Van Bergen nay), tabled Resolution No. 88-949, amending health and retirement plans, noting that these employee benefits would also come under negotiation with COLA/Merit pay increases if the collective bargaining unit is established. There was no public testimony offered on this resolution. Councilors supporting tabling the resolution felt that the health and retirement benefits, along with the COLA/merit increases are all appropriate bargaining pieces to come under union negotiations.

JM:gpwb
Fin.826

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Agenda Item No. 3

Meeting Date August 18, 1988

Date: August 11, 1988

To: Council Finance Committee

From: Donald E. Carlson, Council Administrator

Regarding: AGENDA MATERIALS FOR AUGUST 18, 1988, COMMITTEE AGENDA ITEM NO. 3: RESOLUTION NO. 88-894A (PAY & CLASS PLAN) AND RESOLUTION NO. 88-949 (HEALTH & RETIREMENT BENEFITS)

Attached for Committee consideration are the following materials in reverse chronological order:

Resolution No. 88-894A (Pink Pages)

* Collier memo dated 8/10/88 regarding Resolution No. 88-894A and 88-949
* Resolution No. 88-894A as approved for reconsideration by the Council on July 14, 1988
* Original staff report on Resolution No. 88-894A
* June 20, 1988, Internal Affairs Committee Report on Resolution No. 88-894A
* June 16, 1988, Randy Boose Memo regarding Timeline/Employee Involvement with Pay and Class and Health Benefits Studies
* May 19, 1988, Internal Affairs Committee Report on Resolution No. 88-894A

Resolution No. 88-949 (blue pages)

* Resolution No. 88-949 as proposed
* July 13, 1988, Carlson memo to the Internal Affairs Committee regarding Information on Resolution No. 88-949
* June 21, 1988, Task Force Report on Resolution No. 88-949 and related attachments
* Original staff report on Resolution No. 88-949

DEC/amn
0008D/D2-1

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

ATTACHMENT 2

Date: August 18, 1988

To: Councilor Tanya Collier, Chair
Council Finance Committee

From: Jessica Marlitt, Council Analyst

Regarding: EMPLOYMENT RELATIONS BOARD PROCESS RE: OREGON AFSCME COUNCIL 75 V METROPOLITAN SERVICE DISTRICT, ERB CASE NO. RC-39-88

Per your request, I contacted the Employment Relations Board about the process and projected timeframe for their resolution of Metro's case. As you know, ERB must resolve the case and issue a final order approving the union elections before Metro employees can hold the elections. Sandra Hellemn, Assistant Elections Coordinator, told me that <u>unless Metro management and employees arrive at an outside settlement and compromise on union composition, it will be at least three (3) months before Metro employees can have elections</u>.

The case hearing and approval process is outlined below with estimated timeframes for each step.

<u>Oregon AFSCME Council 75 v Metropolitan Service District</u>
- Process and Timeframes-

<u>Process</u>	<u>Timeframe</u>
1) Objections received at the end of July; Hearing on objections tentatively scheduled for September 6, 1988.	September 6, 1988
2) Hearings Officer issues recommended order; at least 1 month process	October 6
3) 14 day period to file objections to Hearings Officer's recommended order.	October 20
4) If objections filed, oral argument hearing scheduled; scheduling time takes 2-4 weeks.	Nov. 3 to 17
5) Full Board issues final order which would include an order on whether or not Metro to hold elections; at least 2-4 weeks to issue.	If Step 4 occurred, final order issued Nov 17 - Dec 15

If no Step 4, final order issued Nov. 3 to 17

jpm\a:\ERBPROC

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: August 9, 1988

TO: Metro Council

FROM: Councilor Tanya Collier TC

REGARDING: RESOLUTION NO. 88-949 (CHANGING EMPLOYEE HEALTH AND RETIREMENT BENEFITS), AND RESOLUTION NO. 88-894A (AMENDING THE PAY AND CLASS PLANS)

The purpose of this memo is to inform you that I have revised my position on these two resolutions and ask you to join me in approving the course of action suggested below. As you know, I served on the Task Force chaired by Councilor Van Bergen which recommended the changes in the health, life and retirement plans described in Resolution No. 88-949. I also worked long and hard as a member of the Internal Affairs Committee to develop a workable compromise on the implementation of the Pay and Class Plans as described in Resolution No. 88-894A.

Several things have changed since the development of the positions expressed in these resolutions. These changes which have led me to alter my position on these matters are as follows:

1. Non-represented employees of the District have filed a petition with the Employment Relations Board requesting an election on the formation of a collective bargaining unit.

2. A substantial number of employees have expressed very clearly that they do not want a change in the coverage level of the health/life benefits.

3. Additional financial information has been presented which indicates sufficient funds have been budgeted in FY 1988-89 to fund the District's current benefits for this fiscal year (see Council staff memo dated July 13, 1988).

<u>RECOMMENDATION</u>

Based on the changes listed above I recommend the following:

1. That Resolution No. 88-949 be tabled. The effect of this action would be to make no change in the health/life/retirement plans during FY 1988-89.

2. That Resolution No. 88-894A be amended to delete the salary administration actions described in Attachment D which refer to COLA/Merit increases, and then Council proceed to adopt the resolution (see suggested amendments to Attachment D attached). The effect of this action would be to adopt the new Pay and Classification systems but defer the salary increase provisions of the Pay Plan pending resolution of the collective bargaining matter.

In conclusion, I feel it is very important to minimize the changes which affect employee benefits while the collective bargaining effort is underway and in light of the clear expression of satisfaction by our employees with the current health coverage. It is clear to me now that the proposed changes are coming too fast for the employees to make reasoned individual judgments. They need and should be given the time to understand completely the ramifications of the proposed changes. After all, this whole matter is dealing with "employee" benefits. Finally, if the employees choose to form a collective bargaining unit, then these matters should be discussed and worked out with the administration for the Council's ultimate approval. If the employees choose not to form the unit, these same matters should be discussed and worked out with the employees prior to Council approval. It is clear to me now that adequate information sharing, discussion, understanding and resolution of these issues has not taken place up to this time.

DEC.12R

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Date: July 13, 1988

To: Internal Affairs Committee

From: Donald E. Carlson, Council Administrator DC

Regarding: INFORMATION ON RESOLUTION NO. 88-949, FOR THE PURPOSE OF DEVELOPING CONTRACTS FOR EMPLOYEE HEALTH AND RETIREMENT BENEFITS

The purpose of this memo is to provide additional information to the Committee on Resolution No. 88-949.

Background

The background on this matter is as follows:

1. The District since the early 1980's has provided medical/dental/life insurance coverage through the use of three providers--Great West and Kaiser-Permanente for the non-represented employees and the Oregon Laborers Trust for the represented employees. The medical/dental/life insurance level of coverage has remained essentially the same during this period of time. The Great-West plan has been a 90/10 plan (90% insurance - 10% employee) and Kaiser has been $2 per visit and $1 cost for drugs.

   Retirement for all employees has been provided through two companies--Principal Financial and Western Retirement Fund. The District has paid both the employer's and employees' contribution for this period of time. The combined contribution rate is 11 percent.

   The District has funded these employee benefits as well as all other payroll expenses through a budgeted fringe rate of 31% of salaries. This fringe rate has remained constant for at least the past five years.

2. During the past year, the administration has been investigating options to control rising health care costs and abilities to convert to PERS. The administration surveyed employees regarding a number of employment issues including health and retirement systems. The Executive Officer has indicated a desire to investigate the feasibility of changing the retirement system to PERS and through the District's benefits broker (Mercer et. al.) requested quotes for the medical/dental/life/LTD plans through an R.F.P. process. The requests for proposals have included the current level of coverage and a "modified" level of coverage

(80/20 for the non-HMO and corresponding employee cost pick up increase for the Kaiser Plan).

While the objective has not been clearly articulated, it appears the administration's preference is to change the retirement system to PERS and change the medical coverage to an 80/20 co-insurance (similarly lessen benefits for the Kaiser plan) and use the savings in the less costly health plan to defray the cost of shifting to PERS.

3. The proposed changes and the manner of making the decision have caused substantial concern to the employees of the District. There is currently an effort underway to create a bargaining unit for the District employees in the downtown office, the Solid Waste gatehouse facilities and the Zoo. In addition, a number of employees appeared at the June 23 Council meeting expressing concern about adoption of Resolution No. 88-949. The principal request of the employees who addressed the Council was to not change the current medical plan coverage and defer a decision on changing to PERS for six months so employees can have adequate time to assess the pros and cons of joining PERS.

4. The Council's involvement with this issue was primarily through the use of a Task Force whose charge was to review the proposals and develop a recommendation for Council consideration on this matter. The Task Force was chaired by Councilor Van Bergen and included Councilors Collier and Gardner. The Task Force reviewed the matter with staff, District consultants and a representative of the Employees' Association. The Task Force recommended the approach contained in Resolution No. 88-949. The Task Force considered cost information, but mainly in a discussion format, and there was very little written information comparing the costs of various alternatives with available resources.

Current Situation

Currently, the existing benefit plans are in place. The Great-West Plan has been extended for a year at current rates, and the Kaiser-Permanente Plan has been extended at rates which have increased approximately nine percent, and mutual benefit life (LTD) has been renewed at current rates through June 30, 1989. These plans can be cancelled on 30-days' notice by the District, and the quotes from the other potential providers (ODS and Blue Cross) have been extended through September 30, 1988.

New Financial Information

The Finance and Administration Department has developed information on several options for benefits coverage which is attached as Exhibit A. Based on this information, the following table shows a summary of the three options.

	A	B	C
	CURRENT PLANS [A]	PROPOSED PLANS [B]	CURRENT HEALTH AND PERS [C]
Health (Medical, Dental, Life)	$ 666,861	$ 626,149	$ 666,861
Retirement	753,463	921,804	921,804
Other (FICA, Unemp., Wrk. Comp.)	687,227	687,227	687,227
Subtotal	2,107,551	2,235,180	2,275,892
Budgeted Fringe Allocation	2,186,772	2,186,772	2,186,772
Difference	$ 79,221	<$ 48,408> [D]	<$ 89,120> [D]

A Great-West second quote (90/10), Kaiser-Permanente, Oregon Laborers Trust and existing retirement

B ODS/Standard (80/20), Kaiser-Permanente, Oregon Laborers Trust, PERS

C Great-West second quote (90/10), Kaiser-Permanente, Oregon Laborers Trust, PERS

D Does not include the one-time deduction of $40,000 for accrued principal forfeitures in current retirement plan.

Option A provides for a continuation of the current situation. It shows that comparing the projected costs against the budgeted fringe allocation, there is a potential surplus of approximately $80,000. Option B provides for a change to the "modified" health and life plans (80/20) and PERS. It shows a deficit of approximately $50,000 (excluding the one time $40,000 deduction). It should be pointed out that the retirement costs in this option are for six months of the current plan and six months of PERS. The annual cost difference between PERS and the District's current retirement plan is approximately $300,000. Option C provides for continuation of the current health and life insurance plans and a change to PERS on January 1, 1989. The table shows an estimated deficit over the budgeted fringe allocation of approximately $90,000. Again, the deficit would be greater on an annual basis, since the PERS costs are for only six months.

A summary of the differences between Options A and B is that Option B provides a savings in 1988-89 of $40,712 in health and life insurance benefit costs and an increase of $168,341 in retirement costs, for a net increase in costs of $127,629.

Basis of Council Review

Resolution No. 88-949 cites the basis of Council review of this matter as a requirement of the Metro Code Section No. 2.02.015 that all changes in employee benefits be approved by the Council. The relevant portion of this section reads as follows:

"2.02.015 Amendment: This chapter shall be amended solely by the Council . . . All proposed amendments dealing with policy and/or benefit changes will be required to be adopted by the Council . . ."

The above quoted language, according to General Counsel, speaks to amendments to the Code rather than changes in the benefits plans. If there are Code changes regarding benefits, then the Council must approve them; but the Code does not require the Council to approve changes in the benefits plan.

Council review of this matter falls under provisions of the Contract Code. Council is required to approve contracts of more than $50,000. It appears to be clear that Council approval will be required for the contracts with new health, life and retirement providers if those options are chosen. It is not clear what Council approval is necessary if the choice is to stay with the current plans. General Counsel has been asked to review the current contracts to determine which action is needed.

If the Council chooses to adopt Resolution No. 88-949, it should delete the first "Whereas" clause and change the "Be it resolved" section to clearly indicate what the actions are. Is the Council authorizing the Department to develop contracts and return to the Council for approval, or is the intent to give the Executive authority to enter into the contracts based upon the information known to date? General Counsel has agreed with Council staff that the language is ambiguous.

Council Staff Recommendation

Based on the information provided to date, staff recommends that the Council take no action to change the health and life insurance coverage for FY 1988-89 and that the Council defer a decision on changing to PERS until there are good and sufficient reasons to make the change and a well thought-out plan for paying the additional costs.

It appears to staff that a good case to make these changes has not been made to justify the time, energy and money necessary to implement them. This is readily apparent based on the reaction of the District's employees. Regarding the health and life insurance benefits, it appears the need to change started out of a desire to curb rising health costs. The District has experienced difficulty over the past few years because of a lack of bidders on our current plans. This year, three providers bid, and the result after getting a second quote from the current indemnity provider was no increase in rates. The net result of changing from current coverage to lower standards of coverage is a savings of approximately $40,000 (see table above).

The change in retirement plans is the place where substantial cost increases to the District will occur. On an annual basis, it appears to be approximately $300,000. The articulated reason to change is that it is a better retirement system and that Metro needs to be in it to attract good people to work for the District. There is little dispute that PERS is a good retirement plan. In comparison with the District's current plan, a significant reason is the increase in employer contribution from 11 percent to 15.6 percent per month. In regard to the latter reason, there is little evidence provided that the District has had difficulty in attracting sufficient numbers of good candidates for employment because of the retirement system.

Finally, this issue is related to the pay and classification plan (Resolution No. 88-894A). Presiding Officer Ragsdale has served notice of possible reconsideration of Resolution No. 88-894A so both resolutions can potentially be considered together. Resolution 88-894A, among other things, contains an implementation strategy for the pay plan portion (Attachment D). One view of this matter is to consider the pay plan, health and life insurance plans and retirement plans as the total compensation package. Considering them altogether enables one to mix and match the compensation to employees. The budget as adopted contains approximately 5.46 percent additional (approximately $250,000) in the accumulated salary line items over the current payroll. That money is proposed to be dispersed according to the provision of Attachment D in Resolution No. 88-894A (3 percent COLA on satisfactory evaluation and potential merit increase on above satisfactory evaluation). It is possible for the Council to change the implementation strategy in Attachment D and rebudget a portion of the money in the salary line items to the fringe line item to cover the costs of changing the health and life insurance and retirement plans.

If the Council staff recommendation is followed, it would be unnecessary to change the pay and class plan since sufficient funds are budgeted to provide health, life insurance and retirement benefits at current levels and implement the pay and classification plan changes.

DEC:gpwb
IAC.713

attachment

EXHIBIT A

REFLECTS ALL TRUE COSTS

	Great West First Quote Current level with Pers	Great West Second Quote Current level with Pers	ODS/Stand Modified with Pers	Great West Second Quote Modified With Pers	BC/BS Modified with Pers
Fringe Allocation	1,722,163	1,722,163	1,722,163	1,722,163	1,722,163
Health Costs:					
Indemnity	251,859 *	233,633 *	214,064	203,516 *	206,552
HMO	119,481	119,491	113,935	113,935	113,935
Dental	104,505 *	96,951 *	90,168	89,000 *	69,802
Life	20,348	20,348	15,048	20,348	15,048
LTD	21,024	21,024	17,520	21,024	17,520
Other (FICA, Unemp., Worker Comp)	506,204	506,204	506,204	506,204	506,204
Retirement	727,510	727,510	727,510	727,510	727,510
BALANCE AVAILABLE	(28,768)	(2,998)	37,714	40,626	65,592
UNION					
Fringe Allocation	464,609	464,609	464,609	464,609	464,609
Health Costs (medical, dental, life)	175,414	175,414	175,414	175,414	175,414
Other (FICA, Unemp., Worker Comp)	181,023	181,023	181,023	181,023	181,023
Retirement	194,294	194,294	194,294	194,294	194,294
	(114,890)	(89,120)	(48,408)	(45,496)	(20,530)
Offset by Principal Forfeitures	40,000	40,000	40,000	40,000	40,000
	(74,890)	(49,120)	(8,408)	(5,496)	19,470

* If Life Insurance and Long Term Disability benefits are moved to Standard Insurance Company, Great West medical and dental coverage will increase 3.5%

NOTE: Current retirement plan annual costs including MERC employees are $753,463. The difference between the cost of PERS and the cost of our current program is $168,341.

a(pers1):\benall
7/12/88

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Agenda Item No. 8.6

Meeting Date June 23, 1988

Date: June 21, 1988

To: Metro Council

G.V.B.

From: Councilor George Van Bergen, Chair
Council Task Force on Medical/Dental and Retirement Plans

Regarding: TASK FORCE RECOMMENDATION ON COUNCIL AGENDA ITEM 8.6: RESOLUTION NO. 88-949, FOR THE PURPOSE OF DEVELOPING CONTRACTS FOR HEALTH, LIFE INSURANCE AND RETIREMENT BENEFITS

The Task Force on Medical/Dental and Retirement Systems was created by the Presiding Officer on June 2, 1988 to review possible changes in the District's medical/dental plans and retirement system and make a recommendation to the Council regarding the provision of these benefits. Councilors on the Task Force were Collier, Gardner and Van Bergen.

The Task Force met on June 6 and June 16 to discuss proposed changes in the benefits. On June 6, representatives of Mercer Meidinger Hansen (Metro's consultants) provided information and a recommendation on medical, dental, vision, life insurance and long term disability coverage. As indicated in Exhibit A, attached, the recommendation is to select a proposal from ODS and Standard Insurance. The Task Force also met with a representative of PERS to discuss the options and impacts of joining the Public Employees Retirement System. Exhibit B (memo from Randy Boose dated May 26, 1988) provides an analysis and recommendation on changing to PERS.

The Task Force included representatives of the Employees Association in the two meetings and asked for information from the employees regarding these changes. Attached as Exhibit C is a memo from the EA Chairperson, Joan Saroka, regarding these proposed changes.

Finally, the Task Force received a recommendation from the Executive Officer to contract with the ODS Health Plan, Kaiser Permanente and Standard Insurance for health and life insurance benefits and with PERS for retirement benefits. Attached as Exhibit D is the staff report from the Department of Finance and Administration which provides reasons for the recommendations including the assurance that the changes can be accommodated within the approved FY 1988-89 budget.

Based on this information, the Task Force recommends that the Council adopt Resolution No. 88-949 which resolves the following:

1. that the Council authorizes the District to develop contracts with

ODS Health Plan, Kaiser Permanente, and Standard Life Insurance Company for approval;

2. that the contracts will be in effect from August 1, 1988 through June 30, 1989;

3. that Metro will enter into an agreement with the PERS system effective January 1, 1989.

DEC:gpwb
IACPERS.1

attachments

WILLIAM M.
MERCER MEIDINGER HANSEN
INCORPORATED

To: Randall L. Boose, Personnel Officer
Kathy Bartlett, Personnel Analyst

From: Jean M. Poling, Administrative Assistant

Date: May 25, 1988

Re: METROPOLITAN SERVICE DISTRICT
RFP Analysis

The following report will summarize carrier response to the Request For Proposals for Medical, Dental, Vision, Life, Dependent Life, LTD, and Supplemental Life coverage for Metropolitan Service District. To facilitate our analysis of carrier response, we have prepared a number of exhibits which compare financial, rate, claims service, and administrative issues between carriers.

In preparing our financial illustrations, we have taken care to exhibit total costs on an equal basis for all questions. Total costs have been annualized to reflect the cost of coverage for a 12-month plan year. Furthermore, each carrier response is exhibited using the same number of employees to compute annual premium and carrier charges. Throughout the report, total annual costs are illustrated based on the duplication of current benefit levels with the exception of the modified plan response. In the case of the PPO optional coverage, the two carriers have based their quote on their own provider network.

- Rate and Financial Comparisons

  - Medical/Dental/Vision

    The result of carrier rate response to Metro's current Health and Life benefits represents a savings of 10% to 18.5% depending upon varying carrier combinations.

    Carrier response to the modified plan represents savings to Metro of 11.5% to 29.9% over current plan costs.

    Only two carriers responded with PPO overlay options. The PPO option with current plan benefit levels results in savings of 5.5% to 14%.

    The PPO option with the modified plan benefit levels represents a savings of from 16% to 27% over current plan costs.

  - Life and Disability Coverages

    Standard Insurance offered a two-year rate guarantee for the Life and LTD coverages. Other carriers who did not respond with extended guarantees on their rates will retain their quoted rates for the first plan year.

A Marsh & McLennan Company
900 S.W. Fifth Avenue • Suite 1000 • Portland, Oregon 97204 • 503-273-8600

- Experience Rating Approach

  Due to the size of the group, ODS has not experience rated the Medical portion of the contract, but rather treated it as fully pooled giving no credibility to the size of the group. However, Blue Cross Blue Shield has given 60% credibility for Medical experience rating.

  ODS will completely experience rate the Dental portion while Blue Cross Blue Shield developed a 80% credibility rating for the Dental coverage. Neither carrier will refund any Medical plan surpluses nor will they carry forward Medical plan deficits. With regard to Dental coverage, ODS will carry forward Dental losses.

  Great-West Life was the sole carrier to require that Life coverage be purchased in conjunction with Health coverage. Should Metro choose to purchase Life coverage from an alternative carrier, Great-West Life will add 3.5% to the quoted Health rates. All remaining carriers responded with stand-alone plans for the Life and Health coverages.

- Claim Service and Administrative Issues

  Carriers were requested to duplicate current plan benefits. The only areas where benefits were to be changed was in the modified plan quotes.

  All carriers have local claims offices and similar claims turnaround time.

  Although each carrier states that they pay claims at the 90th percentile, each carrier's version of UCR for selected procedures varies widely.

  Only one carrier indicates a charge for Medical conversion at $500.

  When evaluating the carrier's PPO proposals it is important to note that the overall number of doctors and hospitals is less significant than the number who are accessible to your employees. In that respect, Blue Cross Blue Shield offers the widest access and Great-West Life the least. Both of these carriers are continually attempting to upgrade their provider list. It is likely that Great-West Life will have more doctors in the near future.

- Recommendation

  With respect to cost savings, the ODS Health quote for the current plan of benefits is the most attractive. The added advantage of retaining current plan benefits should be appealing to Metro's employees. In the past, ODS has also displayed their flexibility working with their clients.

  Both Mutual Benefit and Standard Insurance developed competitive Life and LTD rates. Standard Insurance is suggested due to their local accessibility as they are domiciled in Oregon.

RATE COMPARISON - MODIFIED PLAN

REVISED 6/3/88

MODIFIED PLAN	GW	ODS/MBL	BCBSO	ODS/STNDRD
MEDICAL/VISION				
SINGLE	87.34	102.99	97.90	102.99
TWO-PARTY	193.21	195.69	195.85	195.69
FAMILY	286.67	257.49	271.45	257.49
COMPOSITE	186.37	196.03	189.15	196.03
ANNUAL COST				
STEP RATE	$213,541	$205,042	$210,195	$205,042
COMPOSITE	$194,570	$204,655	$197,473	$204,655
DENTAL				
SINGLE	21.47	24.32	19.20	24.32
TWO-PARTY	46.26	43.77	38.35	43.77
FAMILY	71.89	65.66	53.20	65.66
COMPOSITE	47.24	47.86	37.05	47.86
ANNUAL COST				
STEP RATE	$88,851	$84,803	$69,636	$84,803
COMPOSITE	$86,733	$87,871	$68,024	$87,871
BASIC LIFE				
EE/1000	0.22	0.18	0.19	0.17
AD&D	0.05	0.03	0.05	0.03
DEPENDENT	0.65	0.47	0.40	0.46
ANNUAL COST	$16,636	$12,898	$14,582	$12,298
LTD				
% OF PAYROLL	0.60	0.47	1.20	0.47
ANNUAL COST	$25,586	$20,042	$51,172	$20,042
TOTAL				
STEP RATE	$344,613	$322,785	$345,586	$322,185
COMPOSITE	$323,525	$325,467	$331,251	$324,867

EXHIBIT B

METRO

Memorandum

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Date: May 26, 1988

To: Ray Phelps, Director of Finance & Administration

From: Randy Boose, Personnel Manager
Kathy Bartlett, Benefits Administrator

Regarding: PERS

This memo will outline outstanding questions regarding the implementation of PERS.

OUTLINE OF CURRENT PLAN

Western Retirement Savings Plan -- 6 percent employer contribution begins with the first paycheck.

This plan is 100 percent vested immediately, has an average administrative cost of $1,500 per quarter. This plan also has an optional salary deferral to a 401K option and a voluntary non-deduct plan (after tax contribution).

Principal Financial (Bankers) -- 5 percent employer contribution begins the first of the month following date of hire. This plan uses a vesting schedule, outlined below. Administrative costs average approximately $550.00 per month.

40 percent after two years
60 percent after three years
80 percent after four years
100 percent after five years

Both of these plans are qualified under 401(a) of the IRS Code.

PROPOSED BY PERS

Base employer rate of 8.71 percent provided by Mark Johnson, Actuary at Milliman & Robertson.

Integration of funds -- deposited to employer account -- starts at 1.64 percent and is reduced by .08 percent for every $100,000 integrated.

Sick leave conversion -- approximate cost given by Bob Andrews is .79 percent.

To buy vesting with .10 percent

To buy prior service for vesting -- determined by each employee's date of hire will add .10 percent to the base employer rate.

Buying prior services will vest employees with five + years of service, and give them prior service credits.

Vesting allows employees to leave funds in the system until retirement even if they are no longer working for a PERS eligible employer.

Prior service serves two purposes: 1) is used to meet the 30 years needed to retire with full benefits at age 55; and 2) will help satisfy the 10 years needed to qualify for ordinary disability.

INTEGRATION OF FUNDS

PERS does accept funds from other retirement programs as long as they are a qualified plan under section 401(a) of the tax code. Metro's base rate would increase to 10.35 percent (8.71 percent + 1.64 percent) to fully fund the account. The 10.35 percent would be reduced by .08 percent for each $100,000 deposited to the employer account.

INTEGRATING FUNDS

Western Retirement:

Metro could integrate funds because it is a qualified plan.

However, problems with outstanding loans limit this option because: 1) loans would have to be paid in full prior to integration; or 2) we could integrate account balance but employees with loans would have their loans reported as income to the IRS, charged a 10 percent excise tax, plus pay state and federal.

Would not be able to integrate employee salary deferral money QVEC, or voluntary non-deduct (do not recommend).

Principal Financial:

Integration of funds is defined as a plan termination by Principal Financial which would vest each employee 100 percent immediately. If we were to integrate, each employee must sign an authorization to integrate their funds. If we did this, employees would not be apt to put their funds into an employee account so we would not reduce our employer contribution rate.

FREEZING

Western Retirement:

We can freeze current program. Amend contract to discontinue employer contributions, allow employee to salary defer to 401K -- employees' loans against the plan would still have to be repaid.

Principal Financial:

We can amend plan to freeze current assets. All accounts become 100 percent vested. Funds would not be available until termination, retirement or death. Metro would continue to pay approximately $550 per month in administrative cost.

PLAN TERMINATION: OR ROLLOVER TO IRA

Western Retirement:

We could terminate plan, disperse all funds or allow employees to roll monies into IRAs.

Problems: Withdrawal of funds could cause tax consequences to employees. There would be a 10 percent excise tax, plus payment of state and federal withholding on salary deferral, and state, federal and FICA on the employer contribution (6 percent). Outstanding loans would be reported as income if not repaid in full.

If employees roll their money into IRAs (they would have 60 days to do so), they would not have tax consequences and they would assume the cost of plan administration. (May have option to roll into IRA with Western Retirement or to IRA of own choosing -- still investigating.)

Principal Financial:

Through this option employees' accounts would become 100 percent vested immediately. Upon withdrawal of funds employees are charged a 10 percent excise tax, plus payment of state, federal and FICA withholding.

Rollover -- employees could rollover funds to IRA either with Principal Financial, an outside carrier, or could integrate with their Western Retirement account. (I would recommend this option.)

RECAP OF INTEGRATION

Pros: Consolidates employer's funds to one account. Provides higher account balance for calculating retirement benefits, death benefits or disability benefits. Relieves Metro's administrative cost with the other two plans, approximately $15,000 per year.

Cons: PERS requires two-thirds employee vote for integration. The current plan would require employees to sign authorization to integrate funds.

Leaves employer account unfunded in the event of death, disability or retirement which could mean increased employer contributions upon future plan evaluations by PERS. And does not reduce the employer contribution of 10.35 percent (8.71 percent + 1.64 percent) (1.64 percent is to offset the unfunded employer liability).

Employees with outstanding loans with Western Retirement would be charged a 10 percent excise tax and have to pay state and federal taxes because of reporting unpaid loans as withdrawals to the IRS.

RECOMMENDATION

Based on these facts, I do not recommend integration of funds:

I recommend going with the .10 percent to buy prior service for vesting purposes, based upon employees date of hire.

Terminate the Principal Financial plan (5 percent), allow employees to either withdraw their fund -- pay penalties; roll money to IRA with Principal or another qualified IRA, or to Western Retirement to consolidate funds.

Amend the Western Retirement plan to cease the 6 percent employer contribution, freeze current funds, and allow employees to salary defer money into the 401K plan. Add investment vehicles to the 401K, and eliminate the loan provision.

SICK LEAVE CONVERSION

Sick leave conversion benefit will cost us approximately .79 percent in addition to our 8.71 percent + .10 percent for a total of 9.60 percent.

This figure would not be decreased initially if we put a cap on this sick leave bank it would only be recognized as a savings some time in the future.

Because of language in our Collective Bargaining Contract Section 14.8 and 14.9, which extends sick leave conversion privileges to both the PERS retirement plan and the private pension plans, we may have to provide this as part of our program initially, based upon an interpretation by Bob Andrews, but he was going to investigate further and let us know.

PERS BENEFITS DEFINED

Vesting: Allows employees to leave funds in the system even if they are no longer working for a PERS eligible employer.

Prior Service Credits as it pertains to the .10 percent factor: By using each employee's date of hire this will determine the number of years to be applied to prior service. This figure will be used to offset the 30 years needed to receive full benefits at age 55. If an employee does not have 30 years in the system and they retire at age 55, their retirement benefits are reduce by 8 percent for each year under age 58, for a total of 24 percent, otherwise employees can retire at age 58 with full benefits without 30 years of service.

Credible Service: Credible service is used in determining eligibility for ordinary disability benefits, 10 years are required and is also used in the calculations of retirement benefits. Without integrating funds everyone's credible service period would begin the date Metro implements PERS.

Death Benefits: Death benefits are paid as a lump sum annuity or monthly payment for life. 100 percent of the employees account balance plus an amount equal to that from the employee's account. Must be employed by participating employer at time of death, or on an official leave of absence at the time of death, or as a result of injury sustained while at work, or employee dies within 120 days after termination of employment.

Disability: Two types: 1) Duty disability -- sustained as a result of injury while at work; 2) Ordinary disability injury or illness sustained of the job -- must have 10 years "credible service" otherwise no benefits are available. If employee qualifies, benefits are the same monthly benefit as if the employee had worked until age 60.

Disability coordination of benefit: Duty disability -- Workers' Compensation pays primary, PERS is secondary.

Ordinary disability -- Coordinate with our private carrier and Social Security. If permanent and total, PERS and Social Security pay before our private plan, therefore, could reduce Metro's long-term disability premiums slightly.

KB/sm
9597C/500

Date: June 16, 1988

To: Benefits Package Task Force
Internal Affairs Committee
Rena Cusma, Executive Officer

From: Joan Saroka, Employee Association Chairperson

RE: Proposed changes in employee benefits package

As the EA chairperson I met with a group of employees downtown and then a group of employees at the Zoo. Each meeting was attended by approximately 15 people.

Downtown Meeting - 2 motions were made:

1. At a meeting of the Employee's Association, those present stated that due to the lack of information and the lack of time to consider changes in health care and retirement, the process as a whole is unacceptable. We request a six month delay for adequate employee review and consideration during which time we oppose any benefit changes.

2. At a meeting of the Employee's Association, those present support the Pay and Classification Study in concept, but expressed their concerns about:

a. People who have attained their maximum incentive rate for some time.

b. Size of the merit pool to make appropriate adjustments

c. Administration of the cost of living increase.

d. Equitable adjustments for people with late anniversary dates.

And, those present would like a more formalized process to work with the Council to find solutions.

Zoo Meeting

The Zoo employees did not make formal motions but they did have a consensus on the following:

1. They felt the process did not give them enough time to study the issues.

2. They would like more time but understand the critical timeline in view of the medical benefits decision and strongly recommend selecting the

consultants recommendation of ODS rather than the lowest bidder, Blue Cross.

3. They feel they have not been kept up to speed on the Pay/Class implementation issue. They recommend following the consultants recommendation for implementation. They realize there are inequities but are willing to live with them as long as the Pay/Class is indeed implemented. They feel the employees should be made officially aware of changes made from the originial recommendations.

4. In view of the administration's recommendation for a January 1, 1989 date for joining PERS, they felt this decision was not absolutely critical and they would have the opportunity to look at this a bit longer.

5. They feel a greater amount of lead time on proposals that effect the employee's, to the extent that the medical and retirement benefits do, is necessary and conducive to good employee/employer relations.

Employee Association Chairperson comments:

Very few employees had time to attend the meetings and there was very short notice on both. I have received calls from 11 employees saying they support the PERS program and aren't thrilled with the change in medical benefits but realize the need to do so in view of the medical benefit marketplace.

I have recieved 1 written notice and one call in opposition to the changes in medical and retirement benefits.

As you can see by the turn out at the meetings, the majority of employees have not come forth to favor or oppose the changes.

cc: Ray Phelps
Randy Boose

EXHIBIT D

STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 88-949 FOR THE PURPOSE OF DEVELOPING A CONTRACT WITH ODS HEALTH PLAN, KAISER PERMANENTE, STANDARD LIFE INSURANCE COMPANY AND THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Date: June 20, 1988

Presented by: Ray Phelps
Randy Boose

FACTUAL BACKGROUND AND ANALYSIS

Metro provides a fringe benefit package to regular employees working a minimum of 20 hours per week in addition to wages and salaries. These are listed and described briefly in Attachment A. As an employer, Metro must provide Social Security, Workers' Compensation and unemployment benefits. The organization has elected to provide a health plan (including medical, dental, vision, and prescription coverage) as well as life insurance, disability plan and retirement plans. The benefits are administered by the Personnel Division under applicable federal and state laws and carrier contracts. Except as described below, all contracts are ongoing and do not require renewal. Because of projected future renewal increases, we are proposing the following changes for approval.

NON-UNION PLANS

Medical Plans:

ODS Health Plan: METRO's broker, Mercer-Meidinger-Hansen, Inc., requested proposals for METRO's coverage on our current level of health benefits and coverage at a modified level. Of 13 invitations, we received four responses; three responses for our current plan and modified plan, one response on a preferred provider plan only, and nine carriers declined to respond. Three responses were received from Great-West Life, ODS Health Plan and Blue Cross/Blue Shield. These bidders provided options for rate reductions.

Based on reference checks, consultation with our broker, employee comments, and the coverage offered, ODS Health Plan was determined the best bidder. Cost containment features were added to the modified plan which will be beneficial for the control of future rate increases. The modified plan will include the following cost containment features: $100 calendar year deductible, $300 family maximum; and a 80/20 co-insurance.

Kaiser Permanente: Metro also offers a health plan with this health maintenance organization. While looking at cost containment features for our indemnity plan, we also looked at features for modifying the Kaiser plan. They are to increase the office visit co-pay from $2.00 to $5.00, and the prescription drug benefit from $1.00 to $3.00.

Dental Insurance:

ODS Health Plan: Metro offers a dental plan in addition to medical. This benefit also was included in an RFP.

The modified plan encompasses a $50 calendar year deductible, $150 family maximum for restorative and major work only. Preventative treatment has a waived deductible and is paid at 100 percent. Restorative treatment is paid at 80 percent, and major work (dentures) are paid at 50 percent. We retained the current level orthodontia package.

The medical and dental plans came as a combined package from ODS.

Life and Disability Plans

Standard Insurance Company: Metro provides a life insurance benefit at one and one-half times an employee's annual salary to a maximum of $50,000 with an accidental death and dismemberment rider. This plan is currently provided with the current medical plan, Great-West Life. Because the proposed medical carrier does not offer a life insurance package, we have combined it with our disability plan.

Through the bid process, we asked for a proposal for a modified disability benefit. The modified plan reduced the waiting period from 90 calendar days to 30 calendar days and reduces the monthly benefit from 66-2/3 percent to 60 percent.

Standard Insurance Company responded with the most competitive bid for a combined life and disability package. In addition, their rate reduced our cost by 17.5 percent. This rate is guaranteed, in writing, for two years.

Retirement Benefits

PERS: Metro currently provides a retirement benefit for all regular full-time and part-time employees (represented and non-represented) who work at least 20 hours per week. See Attachment A for details of the plan.

We are proposing a change to the PERS program effective January 1, 1989. The proposed retirement program will have a contribution of 15.6 percent of salary. Six percent of the salary is employee-owned contributions paid by the employer. The additional 9.60 percent is employer contributions only available upon retirement. This proposed plan will vest current employees with five or more years of service.

The additional cost for implementing PERS January 1, 1989, will be offset by a reduction in cost for the modified health plan, therefore, we are proposing these changes as a complete package and are not requesting a change in the adopted FY 1988-89 budget.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Resolution No. 88-949.

RB/drb
9768C/545
06/20/88

ATTACHMENT A

METROPOLITAN SERVICE DISTRICT

RECAP OF BENEFITS FOR NON-UNION EMPLOYEES

July 1987

1. Health Coverage*

Metro offers complete medical insurance for the entire family. There is a choice of two plans: Great-West Life and Kaiser Permanente. Both provide comprehensive coverage including vision and prescription drugs. Currently premiums are fully paid by Metro for employees and dependents. With Kaiser you may select a primary care physician only at a Kaiser facility.

2. Dental Coverage*

Metro offers complete, fully paid dental coverage through Great-West Life for your entire family: there is a $50 lifetime deductible per family member -- after the deductible is met, coverage is paid at 100 percent of usual and customary for routine treatment, and 50 percent for major treatment up to an annual maximum of $1,000 per family member.

Orthodontic benefits are available for dependent children between the ages of 6-18 years. Benefit is 50 percent up to $1,000 lifetime maximum.

3. Life Insurance, Accidental Death and Dismemberment*

Fully paid life insurance of 1-1/2 times your annual salary; accidental death and dismemberment (AD & D) is paid at 1-1/2 times an employee's annual salary, or a fraction thereof.

Long-Term Disability

Long-term disability benefits provide 66-2/3 percent of salary up insured salary of $4,500 per month after satisfying a waiting period of three consecutive months. Premiums are fully paid by Metro.

4. Optional Insurance

Optional life insurance, cancer insurance and auto/home owners insurance is available for employees and spouses at reasonable rates paid by the employee through after tax payroll deduction.

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* Eligibility Rules: Employees are eligible for Health & Welfare benefits the first day of the month following the first 30 days of service. Example: Hire date of January 15; the first 30 days of employment is February 15; the first day of the month after that is March 1. Date of eligibility for coverage is March 1.

5. Retirement

Metro's retirement benefit is 11 percent of your salary. The plan is in two parts -- one of which Metro contributes an amount equal to 5 percent of an employee's salary through Principal Life. The vesting schedule for Metro's contribution is as follows:

After 2 years of employment	40%
After 3 years of employment	60%
After 4 years of employment	80%
After 5 years of employment	100%

The second part of the plan is a 401K Plan through Western Retirement Trust to which Metro contributes an amount equal to 6 percent of an employee's salary on behalf of the employee. The employee is 100 percent vested in this program at all times. With the 401K, an employee may elect to contribute pre-tax dollars in addition to the 6 percent. Employees may contribute up to 14 percent of annual salary not exceed $7,313.

6. Sick Leave, Vacation, Holidays

Sick leave accumulates at the rate of approximately four hours per pay period (13 days per year). May be used for yourself or immediate family members residing in your home -- illness or injury as outlined in the Personnel Rules.

Vacation leave is earned according to the following schedule:

Date of hire to	3 years	=	10 days
	4 to 9 years	=	15 days
	10 + years	=	20 days

Maximum Accrual: 200 hours.

Metro observes nine regular holidays, plus two floating holidays of the employee's choice.

Holidays observed:

New Year's Day
Washington's Birthday
Independence Day
Veteran's Day
Christmas Day
Martin Luther King Day
Memorial Day
Labor Day
Thanksgiving Day

Floating Holidays are available at the start of each fiscal year July 1, but may not be carried over -- use it or lose it!

7. Education Benefits

Tuition is reimbursed for courses beneficial to Metro and the employee subject to budgetary constraints. Typically, only tuition is reimbursable.

8. <u>Savings Account/Loan Automatic Payroll Deductions</u>

City of Portland Employees Credit Union, 3010 S.E. Belmont, Portland, OR 97214, Phone: 234-9851

$25.00 minimum deposit in share account (savings)
.50 filing fee
$25.50

CV/sm
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