

# MISSOURI COMMISSION ON TOTAL COMPENSATION

## MINUTES

**September 11, 2003**

**Truman State Office Building, Room 750**

**9:00 a.m.**

Members Attending: Chair Steve Mahfood, Gary Findlay, Carol Fischer, Ron Meyer, Norm Robinson, Bill Shaw, Karen Touzeau and Jackie White. Members absent: Senator Wayne Goode, Representative Holly Boykins, Representative B.J. Marsh and David Downs.

The meeting of the Commission on Total Compensation was called to order at 9:10 a.m. by Chair, Steve Mahfood.

### **Approval of the June 5, 2003 Minutes**

Motion was made by Jackie White to approve the minutes as written. The motion was seconded by Ron Meyer. The Commission voted unanimously to approve the minutes.

### **Status of David Downs**

Commission member David Downs has been at home recuperating from a heart attack. David is improving and is expected to return to work in the next couple of weeks. The members and resource staff wish him a speedy recovery. The Commission hopes to see him back at the next meeting.

### **Subcommittee Report Update on Retirees Returning to Work – Norm Robinson**

Norm Robinson brought the group up-to-date on the status of the subcommittee's work regarding retirees returning to work. The subcommittee's recommendation does require a statutory change.

Gary Findlay stated that the subcommittee agreed on consistency for all state employees. Public perception should also be taken into consideration.

Norm Robinson made a motion the Commission vote on the recommendation of allowing the departments to determine benefit eligible positions, stop the retirement benefit if a retiree returns to work in a benefit eligible position, but allowing the retiree to accrue additional service credit and receive life and medical insurance as an active employee, and apply the same policy to all retirement plans administered by MOSERS and MoDOT and Highway Patrol System.

Jackie mentioned that "benefit eligible positions" be defined as positions requiring over 1,000 hours.

Bill Shaw stated he feels if a person retires under Highway or MOSERS and then is elected or appointed to a public office, he should not lose his retirement benefit. Norm Robinson clarified that the employee does not actually “lose” retirement benefits, the benefits are suspended. Benefits are resumed when the person leaves the legislature. The employee will not receive retirement benefits while they serve the legislature. Bill felt that was still a loss to the employee.

Bill Shaw suggested an amendment to the motion of the second item. The amendment should exclude those retirees who are elected to public office or appointed to public office. Mr. Shaw stated if the motion were amended, he would then support the motion.

Mr. Shaw’s motion died for lack of a second.

Norm Robinson recommended adoption of the proposal as presented. Gary Findlay seconded the motion.

Gary Heimericks will work with MOSERS to draft legislation to submit to the Governors’s Office with a recommendation of the Commission.

The motion passed. There was one dissenting vote.

### **Subcommittee Report on Representative Inquiry – Jackie White**

A letter was received from Representative Holand. He had received an inquiry from a constituent asking questions about state employee benefits. A subcommittee met to discuss the issues addressed in the letter. Those issues were state holidays, reducing health care benefits in lieu of higher salaries, and an increase in the age of retirement. Jackie White chaired a subcommittee to address these issues. A subcommittee was composed of Gary Findlay, Ron Meyer, David Downs, Gary Fogelbach and Gary Heimericks. The recommendations of the subcommittee are addressed below.

Increase the Retirement Age to 65 - The constituent suggested that employees exercising early retirement receive a reduced benefit. Current state policy encourages early state retirement. The policy was designed to reward employees with long term service while offering an opportunity to refresh the workforce. A change in the policy would not result in an immediate cost savings to the state. The subcommittee does not recommend changing from the present policy direction.

Reducing the Health Care Benefit in Lieu of Higher Wages – According to information collected by the subcommittee, reducing health care benefits in lieu of higher wages is not the trend in the private or public sector. A national survey stated that workers would rather have lower paying jobs with health care benefits than a higher paying job without health care benefits. The State of Missouri’s overall aim is to attract a high quality workforce. The data and information gained on this approach did not indicate this approach would be advantageous to the state. The subcommittee does not recommend this change.

Holidays – A change in holidays for Missouri state employees has been looked at extensively in the past. The subcommittee found that the number of paid holidays for Missouri state employees approximates the average provided by other states. Ten of the 12 holidays were in statute prior to 1909. Only three state holidays have been added since 1967.

The subcommittee felt that providing services to Missouri's citizens should be the primary objective of any action taken in this area. Therefore, the subcommittee discussed keeping state offices open on the three holidays of Washington's Birthday, Truman's Birthday and Columbus Day. Flexibility or compensation should be provided for employees who work on these holidays. Staff that work on these days should be allowed to select an alternate day for leave. Some state agencies already exercise this flexibility.

The subcommittee's recommendation is to have the chairperson of the Missouri Commission on Total Compensation write a letter to each department asking that they consider having their offices open on the three holidays identified above. Each department would have to determine which offices would be most appropriate to be open on these three holidays to improve service to our citizens and customers. The letter should encourage departments to remain open to the public on these holidays.

Norm Robinson felt the subcommittee has taken the right approach. Carol Fischer agreed.

Jackie made a motion to approve the recommendation that letters be sent to departments from the Chair of the Commission requesting that their appropriate offices remain open to the public on the holidays of Washington's Birthday, Truman's Birthday and Columbus Day. Norm Robinson seconded the motion. The motion was unanimously approved by the Commission.

Chair Mahfood mentioned that a response to Representative Holand should be written. Jackie White and Gary Heimericks will draft the letter for Steve's signature.

### **Report to Governor Per Executive Order – Steve Mahfood**

On July 1, 2003 the Commission sent a report to Governor Holden, the Speaker Pro Tem and Speaker of the House as per the Executive Order 01-15. A formal response has not been received from the Governor, however, discussions on specific issues have occurred with the Governor's staff. In the future, Chair Mahfood will take a more aggressive approach to getting the Commission's discussions to the legislature.

Steve Mahfood stated he has encouraged the Governor's Office to update the legislative appointments on the Commission.

### **Missouri Consolidated Health Care FY05 Budget Proposal – Ron Meyer**

Ron's presentation to the Commission dealt with the medical portion of the FY05 budget proposal for Missouri Consolidated Health Care Plan (MCHCP). Under statute, MCHCP is required to present their proposal to the Commission on Total Compensation for approval before submitting it to Budget and Planning.

The current enrollment and enrollment selections were used to project the FY05 MCHCP budget. Actuarial projections are based on the information received from Price, Waterhouse, Coopers, MCHCP's actuary. Currently there is a standard and premium option for members to choose from. The premium option has a higher premium and lower co-pays while the standard has a lower premium and higher co-pays. The FY05 plan proposes to have one plan.

The two-plan concept was initiated to keep premium costs down after coming off of a five-year contract. The two option approach was successful but lately has resulted in adverse selection issues occurring between the two plans. As a result, the current proposal uses a single plan approach. Various subsidies for active employees are capped at the low cost plan. The active subsidy percentages for the low cost plan are as follows:

Employee Only	94.5%
Employee and Spouse	73.5%
Employee and Child(ren)	94.5%
Employee and Family	78.5%

State subsidies for retirees are based on 2.5% of the low cost plan's premium for each year of service with a maximum contribution of 75%. This policy rewards long-term service to the state, capping the subsidy at thirty years of service. The cap currently is at 60% due to current funding limitations. Ron indicated it would cost approximately \$3million to fund the full 75% subsidy. MCHCP does not subsidize more for the dependents of a retiree than they do for the dependent of an active employee. The dependent portion is capped at the same level as an active employee.

Medical Premium Appropriation Request – The projected state contribution for FY05 is \$321,421,000 which is an increase from last year's appropriation of \$279,206,000. This includes \$4,819,000 for the retiree incentive. The projected state contribution for active employees and their dependents is \$273,884,814, which would be a new decision item. The projected state contribution for retirees/LTD recipients and their dependents is \$47,536,298 for a total of \$321,421,112.

State Subsidies – The percentage the state pays for health insurance coverage, both for the active employees and on a plan-wide basis, are currently 83% and 75% respectively. For calendar year 2005, those numbers would change to 85% and 77%. The reason for the change is because the state will be basing its contribution rate on one plan instead of the standard plan, which is what the state currently uses to set its rate. This recognizes the fact that many members will switch from the premium to the standard option due to the difference in cost.

The state-wide average rate for active employees will remain stable. For medicare retirees the premium will increase by 13%. For non-medicare retirees the premium will increase by 14%.

MCHCP is funded on a fiscal year basis, but their contract runs on a calendar year basis. To clarify again, the Commission is voting on the FY05 budget. The differential cost to the state to adopt a single plan instead of the current two and to recognize the enrollment shift that will continue to occur, is \$5.9 million

Donna Prenger asked what the ratio was of employees who pay for standard versus premium plans. Ron stated approximately 38% of employees have the premium plan. Jackie asked if there was a possibility of anything coming up that would change MCHCP's proposal. Ron stated there was nothing on the horizon that would change MCHCP's position.

The proposal being considered today will go to the Board for their approval at their next meeting.

Marty Drewel asked Norm Robinson what the Department of Transportation was going to do. Norm referred Marty to Jeff Padgett in the Human Resources program of the department.

Marty also asked which, if any, of these proposals were derived from negotiations with any union bargaining units. Ron stated that the increased dependent subsidy relates to discussions with unions. It was brought before the Joint Labor Management Council which voted to recommend it to the Commission. The employee and spouse and employee and family subsidy would be increased to 83% of the low cost plan. That component will cost \$3.9 million (six month cost 1/05 – 6/05) and would be a new decision item.

Johnny See made a motion to increase the state contribution for employees and spouse and employees and family to 83%. Jackie seconded the motion.

The final decision item would be \$3.5million (six month cost) to establish reserves for additional self-funded plans. If the reserves do not have to be built into the premium, the rates can be lower and much more competitive with the insured plans. This would allow continuation of increased self-funding.

The motion was approved unanimously.

Marty Drewel also brought up the question he receives quite often, which is, why does an employee with one child have to pay the same amount as an employee with four or five children. Ron mentioned that this has been discussed in the past. Gary Findlay stated that this issue gets complicated in that the state could get into issues of saying how many children a family can have.

Motion was made with the approved amendment to support the MCHCP Budget and the associated decision items presented to the Commission. Motion was seconded. The Commission voted unanimously to approve the budget and the decision items.

### **Highway Patrol Salary Survey**

Colonel Jerry Adams of the Missouri State Water Patrol, made a presentation to the Commission regarding the discrepancies in the salaries of the Missouri State Water Patrolmen (he also presented the Commission with a report). Colonel Adams stated it is critical to have competitive

salaries so that the Water Patrol has qualified staff in the field. The Water Patrol, according to the Colonel is losing officers to other state departments.

Missouri has 4,289 miles of shoreline on the major lakes and 26 major rivers totaling 2,177 miles. Since 1984, the number of active boat registrations has gone from 221,867 to 298,152. These figures do not include approximately 220,000 additional watercraft not required to be registered and an additional 30,000 out-of-state boaters using Missouri's waterways each week. The Water Patrol is appropriated 78 officers assigned to the six districts. An independent study conducted in 1984 indicated that 126 officers were needed to provide adequate protection. Since 1991 the Water Patrol has lost 11 officers and two radio dispatchers. Four of these were lost to the Highway Patrol, three to other law enforcement agencies and four for other personal and professional reasons. Nine of the 11 officers and both dispatchers left for higher pay. While that is the number one reason for leaving, other factors affect employment. Water Patrol officers are only allowed one weekend off per summer. The officers also spend 12-14 hours in a boat, under much harsher environmental conditions, rather than a vehicle.

Water Patrol is a merit system agency. The Highway Patrol is a non-merit system agency. Beginning salaries of Water Patrol and Highway Patrol officers are similar at the beginning of employment. The major difference occurs over time. Retaining experienced officers is a critical factor in effective law enforcement.

The Highway Patrol is paid from highway funds. The Water Patrol is paid primarily from General Revenue funds. The Water Patrol must have 944 hours of training. In addition, the Water Patrol requires 60 hours of college credit or two years of law enforcement experience prior to employment.

The Water Patrol is requesting salaries that mirror the Highway Patrol's. The cost would be approximately \$900,000 to \$1 million. Jackie White asked why the Water Patrol was treated differently than the Highway Patrol when it was established. Colonel Adams stated that the Water Patrol started as a Commission in 1959. At that time, there were only 221,000 registered boats.

Sandy Karsten of the Missouri Highway Patrol answered questions regarding duties of the Highway Patrol. She stated there were some differences in responsibilities. The Highway Patrol does criminal records requests, accident reports, commercial vehicle weigh stations, etc. Ms. Karsten stated that in 2003 the Highway Patrol spent approximately \$4 million on training to gain three troopers.

Chair Mahfood asked that Jackie White have the Division of Personnel review the material presented as part of their salary survey of the Highway Patrol. Based upon their findings they should make a recommendation to the Commission. Karen Touzeau will work with Jackie on this issue.

### **Update on Senate Bill 248 Retirement Incentive – Jackie White**

The retirement incentive resulted in approximately 40% of those eligible to retire under the proposal to accept the proposal. The utilization and impacts will affect each department differently. According to Jackie White, a hearing was held today, September 11, 2003. The legislative committee felt too many critical classes were exempt from the incentive. Jackie felt confident the classes identified in the legislation needed to be exempt. It would be difficult for some agencies to run without those classes. Not all emergency workers were listed.

Karen Touzeau asked if in general, the incentive was successful. The answer is unclear at this time. In some areas, the incentive actually hurt. Departments will be asked to manage the retirement within their departments. In the end, it will probably be cost effective, but it may not have the savings to the state that was expected.

### **Bereavement Leave – Louise Copeland**

At the June 5, 2003 Commission meeting Carol Fischer gave an update on the issue of bereavement leave being expanded to include grandparents and in-laws. Since that time, the Personnel Advisory Board has made a decision not to expand the existing rule. The Personnel Advisory Board felt there was enough flexibility within the departments in the current policy to cover grandparents and in-laws.

### **Next Meeting Date – Steve Mahfood**

Several dates at the end of October will be sent to the members to choose from before setting the next meeting date.

Meeting was adjourned at 12:15 p.m.