

The Narragansett Bay Commission
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Vincent J. Mesoella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Personnel Committee Meeting <i>and Open Call for Executive Session Pursuant to RIGL 42-46-5 (a) (2) to Discuss Items 3B (1 through 4)</i>
Date:	May 28, 2014
Time:	8:30 a.m.

MEMBERS PRESENT:

Bruce Campbell, Committee Chairman
John MacQueen
Vincent Mesoella, NBC Chairman
Al Montanari
Angelo Rotella

MEMBERS ABSENT:

STAFF AND GUESTS PRESENT:

Raymond Marshall, NBC Executive Director
Laurie Horridge, NBC
Diane Buerger, NBC
Karen Musumeci, NBC
Jennifer Harrington, NBC
Karen Giebink, NBC
Paul Nordstrom, NBC
Thomas Uva, NBC

Joan Milas, NBC Commissioner
Vincent Ragosta, Esquire, NBC
Joe D'Amico, Capital City Insurance
Joseph Kimball, NBC Commissioner
Robert Andrade, NBC Commissioner

**OPEN CALL FOR EXECUTIVE SESSION PURSUANT TO RIGL 42-46-5 (a) (2)
TO DISCUSS ITEMS 3 B (1 THROUGH 4)**

The Personnel Committee entered into Executive Session at 8:35 a.m.

3. Items for Action

B. Discussion and potential action of proposed Collective Bargaining Agreement and contingent health care

Chairman Campbell advised that at this time the Executive Director Raymond Marshall will briefly describe the proposed Collective Bargaining Agreement and the contingent Health Care Resolutions.

Mr. Marshall stated that there are four resolutions for the Committee today and they are all linked.

The first is 2014:09 the Collective Bargaining Agreement. Every three years we negotiate with our two unions jointly, they are the Laborers' Union Local 1033 and AFSCME Council 94, Locals 1010 and 2884. Beginning in January 2014 through April 2014 we met approximately six times to discuss the changes in the bargaining agreement which will run from the period July 1, 2014 to June 30, 2017.

The process is pretty straight forward. We meet and establish ground rules, proposals are made by each group, we each go back and forth on the proposals and counter proposals until we reach TA's (Tentative Agreements). We have come to Tentative Agreements. These are in the form of Resolutions that are before you today. They require the approval of this Committee, the full Board and each of the unions. The Laborers' Local 1033 voted yesterday and approved the Tentative Agreement. Council 94, Locals 2884 and 1010 are still in the process of scheduling their meeting which should take place in the next few days.

Resolution 2014:09 encompasses the Collective Bargaining Agreement most notably the salary and wage schedule. We negotiated wage increases dependent on the Health Care Option selected. We were able to get the unions to agree to a more attractive health care package from a financial point of view and still provide all of the same benefits that the employee enjoy now. The new plan will be a high deductible plan ((HDHP). This approach was in large part due to the urging of the Chairman who is well versed in these issues and encouraged us to go in the HDHP direction and it worked out very well.

So based on the Health Care Option that was selected we have tentatively agreed to the following cost of living adjustments, 2.25 percent for July of 2014, 2.50 percent July of 2015, 2.75 percent July of 2016. Mr. Marshall noted that these are both moderate and reasonable increases based on the fact that our employees have really stepped up over the last several years with all of the new facilities that have been put online at a both Field's Point and Bucklin Point as well as the Combined Sewer Overflow Program, (the Tunnel, the Tunnel Pump Station). By the end of the year we will have put into operation \$700 million worth of new and upgraded facilities while only increasing the number of employees by a handful. He stated that this is a testament to how responsible our employees are and how they have embraced the new technology and the new way of running facilities which are much more sophisticated and therefore we believe these are fair increases for them. Mr. Marshall also reviewed the new rates and reasons for shift differentials.

Mr. Marshall stated that the biggest challenge is the change in our Health Insurance. We have agreed that the employee contributions will remain at 20 percent of the premium or 8.75 percent (for the family plan) or 3.25 percent (for the individual plan) of the base wage whichever is less. We will continue with the annual wellness incentive up to \$500 per year for each of the three years.

The biggest change is that NBC will be switching to a High Deductible Health Plan (HDHP) which will include a Health Savings Account (HSA) or a Health Reimbursement Account (HRA) depending on the individual employees' situation. This plan will result in both a savings to the employee and the NBC.

Mr. Marshall stated that also included in the new contract are procedural changes and wording revisions on various topics and at this point Mr. Marshall asked Attorney Vincent Ragosta to review the procedure and language changes.

Attorney Ragosta advised that throughout the years we have reformed this contract quite a bit so the good news for NBC is there really is not a lot to ask of the unions in terms of language. We did have some changes, language clarifications that would help us administratively and we did do something in the disciplinary area. He stated that the language by and large is improved to the extent that there is not much more to ask of the unions. Attorney Ragosta indicated that NBC's contract is probably the best CBA in the State in terms of management's rights and controls.

Mr. Marshall stated that regarding the Health Coverage the purpose was to change the approach to health care coverage, to have the employees take more of a "consumer's view" of health care rather than a "cost doesn't matter" mind set. What does not change is it is the exact same coverage. It is just how the coverage is paid for that changes. We are going to establish a deductible that an employee has to pay, \$2,000 for an individual plan and \$4,000 for a family plan before the coverage as we know it kicks in. What NBC will do is that for each employee a Health Savings Account (HSA) will be set up and into each account the NBC will deposit \$1,800 for an individual plan and \$3,600 for a family plan. That leaves on the individual side a \$200 gap and a \$400 gap on the family side. The employee will be responsible for that gap amount if they reach that point in each year.

The accounts will be set up for every employee. It is the employees' account and once the money goes in it is theirs. The employees can then add their own money if they chose to and it will be pretax. There are IRS rules as to how much can be deposited. This plan will result in savings to both the employee and employer. The beauty of these accounts is not only do people save money but the employees are able to carry the funds over from year to year. A new deposit will be made every July 1, so if you are younger or fortunate in that you don't have many health issues the account can build over the years. When you finally do need it is available to you and your family, if your family is still covered by the plan, for medical expenses.

If you leave the NBC you can take it with you and if you retire it is yours. Retirees can use it to buy Medicare supplements and things of that nature or you could purchase long term care insurance. He noted that because it is a pretax item you could take it out and use it for other purposes but you would have to pay the tax and a penalty similar to if you took money out of an IRA.

Mr. Marshall reiterated that this information is for a Health Saving Account that is for everyone that is employed by the NBC who accepts health coverage through the NBC except for employees who have already signed up for Medicare. If you are 65 or older, and we have a few employees in this category who have already signed up for Medicare, IRS rules state that you cannot have a Health Saving Account. These employees have another option which is a Health Reimbursement Account (HRA). Instead of having money put into an account, the employee would still go for treatment and would be reimbursed for services that are obtained. There is no accumulation provision so it does not carry over from year to year. The NBC will reimburse anyone in this situation for an individual plan up to \$1,800 per year and for a family plan up to \$3,600 per year. They would still have the \$200 gap for an individual plan and \$400 for a family plan and once the employee has satisfied their respective deductible the plan would revert back to the way it is now.

Mr. Marshall next reviewed in detail with the Committee what the present Health Coverage Plan costs would be to the NBC and the employees as opposed to what the proposed Health Coverage High

Deductible Plan costs would be to the NBC and the employees. It was noted that there would be substantial savings for both the employees and the NBC to change to the proposed HDHP approach.

Mr. Marshall advised that Joseph D'Amico of Capital City Insurance has been working with United Health to fine tune the cost of the proposed plan and he would turn the meeting over to him to him for further explanation.

Mr. D'Amico stated that when he looked at this year's renewal with United Health Care and the options faced and that the Union and NBC had agreed to putting the plan back to the same co-payment structure after the deductible the spread for the premium basis actually came in at 25% less than were we are at today. When we did this the total premium savings that we would realize it would be a little over \$1.6 million in premium savings. When we split that between NBC and the employee base it was somewhere a little over \$300,000 in premium savings for the employees and \$1.3 million in savings for the NBC. We also took the NBC funding the HSA accounts into consideration and that would cost NBC approximately \$700,000 netting NBC a little more than \$600,000 in premium savings versus staying on the exact same plan NBC presently has.

For the employees it gave them a different perspective. When we had the union employee meetings one of the things we went over and we really honed in on is where their contribution with the present plan is now and how much more it will be if they stay with the present plan. To stay with the present plan their contribution was going to go up substantially versus going to the proposed plan where their contribution would actually be less than what their cost is right now prior to the 7/1/14 renewal. The employees really saw some significant savings when they looked at the choices that they were faced for 7/1/14 versus where they are right now and Mr. D'Amico stated that he believes this is one of the things that really helped them make their decision to vote and approve the proposed HDHP plan.

Mr. D'Amico stated that this plan is really a shift in philosophy from premium dollars to health care dollars and your employees hopefully will have the ability to manage their health care dollars. Those employees that are healthy they definitely will be able to accumulate dollars throughout their lifetime that they can use for unreimbursed medical and dental in the future and for those employees that are not so healthy the way it was designed was that at the end of the day it is no different then what they have now. It actually is better then what they have now because of the amount of premium saving that they will realize.

Commissioner Campbell asked where the HSA funds are kept and if they are held as cash.

Mr. D'Amico advised that it is not a fiduciary account for NBC. These are individual bank accounts owned by the employees and they are fully portable so if they leave employment here the account goes with them. They are cash once it goes into their individual bank account. They get to choose whether they want to keep it in a money market or if it builds to a significant level, with the administrator that we are using Optum Bank, when it gets over \$2,000 in the account balance they can transfer that into mutual funds or a different investment options. They have complete control of this bank account however there are IRS regulations tied to the bank account that prevent them from doing certain things with the money without repercussions. It's specifically for unreimbursed medical and dental, eyeglasses, future premiums that you may have to pay when you become Medicare eligible age, COBRA payments, etc.

Mr. D'Amico noted that employees will have a new line item on their tax return for their contribution to their HSA so the IRS will know that they have a Health Saving Account.

In response to the Committee's questions Mr. D'Amico next reviewed with the Committee how the members will coordinate with United Health Care and the servicer of their HSA account to pay medical

expenses during the deductible period, how they will be reimbursed if they pay for medical expenses with after tax money and the maximum amount they can put into their HSA each year.

There were no further questions of Mr. D'Amico.

Mr. Marshall stated that Mr. D'Amico, representatives from United Health and representatives from Laborer's Local 1033 and Council 94, Locals 2884 and 1010 met with their members, they went over all the details of the proposed health plan and answered lots of questions the employees had. Mr. Marshall advised that the employees at least on the Laborers' side have decided that they are in favor of it and have voted for the Tentative Agreement.

He noted that the non-union employees have not heard the new Health Care proposal yet. We have meetings scheduled with the non-union employees on June 5 to explain it to them and we are confident that it will get the same positive reception that it did on the union side.

Before the Committee prepared to vote Mr. Marshall stated that regarding Resolution 2014:09 the only issues that we really have not touched upon have to do with different articles within the proposed contracts, and it is all wording and procedure provisions strengthening the policy which is listed on the third page of the hand out the only one that has any real financial impact would be Article 31.1 the Early Retirement Incentive Program. We are phasing that out in this contract. It has been in place for ten years and it encouraged some of the older employees to retire so we can have turnover and bring in new employees. It has actually worked very well we have brought in some new young very enthusiastic people who are moving up through the ranks so we are phasing this program out as of this contract.

So with that the first Resolution that we would like you to consider is Resolution 2014:09. He noted that the contract would be effect from July 1, 2014 through June 30th of 2017. The Committee's approval is subject to the ratification by the member unions' one of which has already been accomplished and the other to come. Subject to the further discretionary authority that the Committee will delegate to the Executive Director to negotiate and resolve any last remaining issues that need to be cleaned up. We have one or two items that we haven't quite come to agreement on the language. If we can't come to an agreement we also have an alternative based on our management rights clause.

Mr. Marshall asked that the Committee vote on each of the Resolution individually.

- 1. Review and Approval of Resolution 2014:09;** Authority to Enter Into Collective Bargaining Agreements with the Laborers' International Union of North America AFL-CIO Local 1033 and Council 94 A.F.S.C.M.E. Locals 1010 and 2884

Commissioner Montanari made a motion to approve Resolution 2014:09; Authority to Enter Into Collective Bargaining Agreements with the Laborers' International Union of North America AFL-CIO Local 1033 and Council 94 A.F.S.C.M.E. Locals 1010 and 2884. Commissioner MacQueen seconded the motion and the vote taken by the Personnel Committee was unanimous. The motion carries.

- 2. Review and Approval of Resolution 2014:10;** Amendment of the Flexible Benefits Plan Plan for Health Savings Accounts

Commissioner Montanari made a motion to approve Resolution 2014:10; Amendment of the Flexible Benefits Plan for Health Savings Accounts. Commissioner MacQueen seconded the motion and the vote taken by the Personnel Committee was unanimous. The motion carries.

3. Review and Approval of Resolution 2014:11; Amendment of the Flexible Benefits Plan to Implement a Limited Purpose Health Flexible Spending Account

Commissioner Montanari made a motion to approve Resolution 2014:11; Amendment of the Flexible Benefits Plan to Implement a Limited Purpose Health Flexible Spending Account. Commissioner MacQueen seconded the motion and the vote taken by the Personnel Committee was unanimous. The motion carries.

4. Review and Approval of Resolution 2014:12; Adoption of a Health Reimbursement Plan

Commissioner MacQueen made a motion to approve Resolution 2014:12; Adoption of a Health Reimbursement Plan. Commissioner Montanari seconded the motion and the vote taken by the Personnel Committee was unanimous. The motion carries.

A motion was made by Commissioner Montanari seconded by Commissioner MacQueen to exit the Executive Session.

The Executive Session ended at 9:05 a.m.

Respectfully submitted,



Raymond J. Marshall, P.E.

Executive Director/Secretary