A Special Meeting of the Albemarle County School Board was held on October 12, 2016 at 3:00 p.m., Albemarle County Office Building, 401 McIntire Road, Lane Auditorium, Charlottesville, Virginia 22901.

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar; Dr. Kate Acuff; Mr. Jason Buyaki; Mr. Jonno Alcaro; and Mr. Graham Paige.

SCHOOL BOARD MEMBER ABSENT: Mr. David Oberg and Mrs. Pamela Moynihan.

SCHOOL BOARD STAFF PRESENT: Dr. Pam Moran, Superintendent; Dr. Matt Haas, Assistant Superintendent for Organizational and Human Resources Leadership; Mr. Dean Tistadt, Chief Operating Officer; Mr. Jackson Zimmermann, Executive Director of Fiscal Services; Mr. John Blair, Senior Assistant County Attorney; and Mrs. Jennifer Johnston, Clerk of the School Board.

BOARD OF SUPERVISORS PRESENT: Mr. Norman G. Dill, Ms. Ann Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer, Mr. Rick Randolph, and Mr. Brad L. Sheffield.

BOARD OF SUPERVISORS ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley; County Attorney, Greg Kamptner; Ms. Lee Catlin, Assistant Clerk, Claudette Borgersen; and Senior Deputy Clerk, Travis Morris.

Agenda Item No. 1.1. Call to Order.

At 3:02 p.m., Ms. Palmer, Chair of the Board of Supervisors, called the Board of Supervisors back to order. Dr. Acuff, chairman, called the meeting of the School Board to order.

Agenda Item No. 2.1. Annual Update on Employee Compensation, Health Insurance and Other Benefits.

The Executive Summary presented to the Board states that the School Board and Board of Supervisors (the "Boards") approved a Total Compensation Strategy in 2000 with specific targets for employee and teacher salaries of an adopted market and target benefits slightly above market levels, On October 12, the Boards will engage in a joint work session to receive information on the results of staffs' findings based on the annual compensation market analysis, pay compression challenges and remedy, ongoing compensation projects, updates on the current state of and future changes to the County's health insurance program, wellness initiatives, and information regarding leave and disability insurance programs. This information is provided for the Boards' consideration as the Boards provide feedback to the County Executive and Superintendent for the upcoming FY 18 budget process.

1) ***Compensation:***
The County's FY 17 pay increase results in meeting the County's market target for teachers, classified and administrative employees. Market Analysis indicates:

- *<u>Classified.</u> In July 2016, classified staff received a 2% salary increase (this was a flat increase, with no differential for performance). The median salary increase for localities in the County's adopted market was also 2%.*
- *<u>Teachers.</u> Staff applied an average of 2% increase to the teacher scale. This allowed the County to reach its target of the 75th percentile.*
- *<u>Compression.</u> For classified employees, salary compression among existing employees is creating morale and hiring challenges. Staff will present a proposed remedy and costs to address compression on October 12.*

2) Benefits:

- *<u>Health Insurance</u>. Offering competitive medical plans is a major consideration each year. To ensure the ongoing sustainability of the plan and the County's continued ability to offer excellent and affordable health insurance options to employees, the County has* *taken numerous steps in recent years. Staff will provide an update, including measures taken this year, as follows: completed a dependent eligibility review process, initiated a medical program evaluation review to assess whether the County's current health plan meets the County's objectives, selected Anthem as the County's new medical, dental, and pharmacy plan administrator and offered a new plan choice, a High Deductible Health Plan (HDHP) with a qualified Health Savings Account (HSA).*

- *Leave. Effective January 1, 2014, VRS mandated a new "Hybrid Plan" for new employees, which, among other things, does not offer the option of disability retirement. Instead, Hybrid Plan members receive mandated employer-paid short-term and long-term disability coverage. These mandated benefits create inconsistencies between the County's and School Board's current leave programs and leave benefits that must be provided to Hybrid Plan members. Staff believes that providing a unified short and long-term disability plan for all employees is optimal.*

This information is presented to the Boards to inform for the upcoming budget process for the FY18 budget.

The purpose of the joint work session of the Board of Supervisors and School Board is for Board members to receive information on the following:

1) *Market salaries and compression based on staff research and analysis;*
2) *Pay for performance program;*
3) *Compensation initiatives;*
4) *Ongoing work occurring with regard to the health insurance plan and wellness initiatives.*

Staff will provide more detailed analysis regarding the health insurance plan at the Board work session on February 8, 2017.

Final recommendations by the County Executive and Superintendent will be based on the availability of adequate funding.

Ms. Lorna Gerome, Director of Human Resources, addressed the Board**.** She shared results of the Summer Market Survey and provide an update on upcoming work. She then introduced members of her staff who presented in their areas of expertise: Ms. Dana Robb, Compensation Manager; Ms. Claudine Cloutier, Benefits Manager; and Ms. Leanne Knox, Safety and Wellness Manager. She said, as it is early in the budget process, they were not asking for direction or action from the Board, but providing information to assist them with the budget planning process. She stated that HR would be attending the November 9 joint meeting to share information and provide highlights from the school and local government annual reports, as well as analysis of employee exit interviews.

Ms. Gerome commented that employees are critical to the success of educating students and serving citizens. She referenced positive feedback they have been receiving about police officers and social services employees, and stated that compensation and benefits are a critical component in attracting, retaining and engaging a high caliber of employees.

Ms. Gerome stated that the Board-adopted strategy is for a compensation target for classified staff to be at the median of the market or 50th percentile, and for teachers to be in the 75th percentile. She said they do an annual survey of local governments, the adopted market, consisting of several eastern states, to compare the County's compensation for employees and teachers with those of public sector salaries in the region. For many years they have also used projections from the World at Work survey, and they use data from these two surveys to determine salary increases. She said that last year the adopted market median compensation increase was 2%, which Albemarle County followed. She said that for next year, World at Work is projecting a 2.9% compensation increase. Ms. Gerome stated that her office was asked to find other surveys that might be more reliable and investigated several, and found that the other surveys were not as comprehensive, showing similar estimates for compensation. She next focused on teacher salaries and explained the step-scale of compensation based upon years of experience. Ms. Gerome stated that last year, they provided teachers with an average salary increase of 2%, which was determined from both step-scale and World at Work data. She showed slides that compared Albemarle County teacher salaries to those of other counties in Virginia, with Albemarle being in the top 25% of salaries, which is their target. For classified County employees, they provided a 2% salary increase last year. Ms. Gerome said the County's pay for performance plan allows additional increases for employee performance as well as for those whose salary is below the market average. She invited Dana Robb, Program Manager for Compensation and Rewards, to provide additional information.

Ms. Robb addressed the Board and explained that HR conducts periodic departmental compensation and benefits reviews. She stated that last year, they reviewed the compensation of teaching assistants, IT/DART, Community Development and Extended Day Enrichment Program employees, and this year will review the Emergency Communication Center, Finance, Fiscal Services, Department of Social Services, Housing, school administrative employees, the County Attorney, Transportation, and Facilities and Environmental Services. Ms. Robb stated they also conduct ad hoc reviews of individual positions if the manager has determined the responsibilities of the position have changed or evolved. She explained that within public safety positions, they provide salary increases to those who have received additional training or certifications, and among teachers and classified staff who have reached the top of the pay scale, they provide lump sum payments based upon attainment of longevity steps.

Ms. Robb stated that on July 1, 2016, they implemented the School Division Compensation Broadbanding pilot program, which allows for staff development of employees at pay grades of 20+. She said in the future, they would provide the findings from the pilot to the Board. She stated they have pulled together a team of public safety employees to conduct a public safety pay scale review, comparing pay to that of other localities, and will provide results of the study next year. Ms. Robb said that as of December 1, 2016, new regulations under the Fair Labor Standards Act will take effect, and she noted the regulations increase the exempt employee salary threshold from $23,660 to $47,476, currently affecting four County employees. She stated they would conduct monthly audits to make sure they are compliant with FLSA. Ms. Robb said that last year, they conducted a compression analysis and identified departments and employees experiencing salary compression. She explained how compression signifies the difference in salary between experienced and newly hired employees, and to attract a new employee, they may have to offer a higher salary than that of an existing employee, which can lead to problems with employee morale.

Ms. Robb said that by not offering a competitive salary, it could take a long time to hire someone, which then requires employees to work overtime to cover the work of the vacant position. She stated that while this affects all departments, it is particularly acute with police, fire and rescue, transportation, child nutrition, and elementary school principals and assistant principals. As a remedy to address compression, she offered the following proposed solutions for classified employees: assume an employee should be paid the market rate after eight years in the same position; place affected employees in a range based on their time in a position, up to the mid-point; modify the current structure by increasing minimum hourly compensation from $9.75 to $10.00; and collapse pay grades 1-4 into one pay grade. She stated that these measures would allow the County to be consistent with the current compensation strategy, allow for competitive hiring offers, and would preserve internal equity. Ms. Robb added that employees not meeting performance standards would not be eligible.

Mr. Buyaki commented that he appreciates their not granting pay increases to poorly performing employees.

Ms. Mallek asked for clarification of how they determine that the County is in the top quartile for teacher compensation, and whether it has to do with the budget or salary levels. Ms. Gerome replied that it is based upon the adopted market, and 26 localities are within this market.

Mr. Randolph commented that even with compression adjustments, there would still be cases of employees coming from major metropolitan areas, so the adjustments will not be able to fully address these situations. He said he supports their efforts, but commented how those employees relocating from major markets will have to do a tradeoff.

Ms. Acuff asked for clarification from Ms. Gerome and said her understanding is that they compare teacher salaries with those of similar localities, and not with those in metropolitan areas. Ms. Gerome explained that they look at the background and experience of a candidate. She said they have lost some candidates because the County is not willing, in most cases, to leapfrog new employee salaries over those of existing employees. She said one trend is not to consider a candidate's prior salary, as this can perpetuate a gender gap. She confirmed that Ms. Acuff's comments are correct, and they do compare salaries with those of similar localities.

Mr. Buyaki asked if the candidates they hire perform at a satisfactory level when they are not able to attract the ideal candidate for a position. He commented that the County has a strong employee-training program. Ms. Gerome replied that sometimes they do a good job and sometimes not, adding that they often will make a second or third recruitment effort to find an ideal candidate.

Ms. McKeel said she is still confused about compression, particularly with the Police Department and Transportation, as these areas have been losing many employees. Ms. Gerome said they had a 2% market adjustment salary increase last year and will use the same model this year.

Mr. Randolph stated that in addressing compression, they should also keep statistics on the nationality, race, and gender of new employees to make sure there are not pay gaps among different demographic groups. He said it is important to demonstrate they are fair and even-handed in hiring. Ms. Gerome responded that they do maintain these statistics.

Ms. Acuff commented that when discussing compression, they are looking at salaries in isolation and not considering the cost of training and recruiting. She said that when considering the cost of compression in the budget, they should look at these related costs. She provided examples of how they have lost employees in transportation and child nutrition and have to spend money training new employees.

Ms. Gerome offered to bring cost of turnover information to the November 9 meeting.

Ms. Acuff and Ms. McKeel both expressed interest in this information.

Mr. Koleszar asked if they are seeing more turnover in positions that are comparable to the private sector versus those that are governmental, stating that they may want to consider identifying certain positions for which they can use a different market.

Mr. Dill said he wonders how they look at people that have potential, stating that they may hire someone for a job that has certain requirements, and the employee may have other skills that are not required of the current position but could be valuable in the future.

Ms. Gerome described compensation as an art, and noted that those who like very prescriptive and defined boundaries have trouble with this. She said they try to factor this in, but it is not a mathematical formula and is case specific.

Ms. Gerome introduced health insurance as the next topic. She reviewed the objectives of the health plan as follows: to be affordable and slightly above market, address individual and family needs, retain compliance with Affordable Care Act, and ensure a self-funded plan with 20-25% reserve target. She said the current provider is Anthem and they have stop-loss insurance. She invited Claudine Cloutier to address the Board about the management of the health care plan.

Ms. Claudine Cloutier addressed the Board. She stated that it has been a busy year in benefits and provided a list of accomplishments for 2015-2016: implemented deductibles (1/15), changed spousal eligibility criteria (10/15), conducted dependent eligibility review (2016), selected Anthem as medical/dental/RX administrator (10/16), analyzed market data (2016), and offered a new consumer-driven high-deductible health savings account (10/16).

Ms. Cloutier reported that the deductible is $500/individual and $1,000/family, which would be maintained this year. She said they used HMS Employer Services to review spouse and dependent eligibility and have changed spousal eligibility so that spouses having employer-sponsored ACA-compliant coverage are no longer eligible to participate in the County plan. She said because of these steps, they lost 349 spouses and 120 dependents. She said cost savings are approximately $3,500 per person removed from the plan, according to HMS estimates, which totals $1.6 million in savings to the County. She said after a three-month assessment, they selected Anthem as the provider for medical, dental, and pharmaceuticals. She said she has been impressed with Anthem, and they have been very responsive and good to work with. Ms. Cloutier stated they are conducting an ongoing study of health care plans of similar employers. She said the Albemarle Choice Plan is a new consumer-driven plan, and HR has spent time educating staff during open enrollment about this new, high-deductible plan, now at 12% participation, which is still growing. Ms. Cloutier provided statistics on health plan participation, stating that of the 693 County employees that earn under $40K/year, 71 selected the Choice Plan, 521 chose the Select Plan, and 15% did not select any health insurance plan.

Ms. Mallek asked if those who chose the Choice Plan tend to be younger employees. Ms. Cloutier responded that her information is only anecdotal and she believes it is a range of ages, offering to provide the data to the Board.

Mr. Randolph asked what her expectation is for inflationary costs to the plan for FY18, and asked if 6-8% is a good estimate. Ms. Cloutier agreed with Mr. Randolph's estimate, noting that staff has not yet looked at the numbers.

Mr. Dill asked if the health savings account allows employees to access a broader range of services, such as massage therapists and chiropractors. Ms. Cloutier replied that the IRS sets the standard for reimbursement eligibility, and staff educates employees as to their benefits, with the FSA and HSA working together.

Ms. Mallek asked if prescription drugs could only be purchased online. Ms. Cloutier said they have the flexibility to purchase online, mail order, or at the retail pharmacy.

Mr. Randolph asked if they have investigated the legality of establishing a prescription drug mail order plan with Canadian pharmacies, as their costs are about half of what the costs are in the United States. He stated that it is worth exploring. Ms. Cloutier said they have not investigated this, although they do have performance guarantees with Anthem regarding costs.

Ms. Cloutier continued her presentation and listed areas of study: evaluating self-insurance, evaluating local choice options, reviewing claims data, changing the contribution strategy to get rates closer to usage among tiers and align with the market, and avoiding the Cadillac tax.

Ms. Cloutier explained that if two employees are married, the County's contribution to each of their insurance plans is greater than the cost of the plan, so there is no premium to pay by the employee.

Ms. McKeel asked if it is true that school bus drivers are the only employees that currently receive the full health insurance contribution, noting that this was done for retention purposes. Ms. Cloutier confirmed this.

Ms. Palmer asked if there is a financial incentive for County employees to marry other County employees. Ms. Cloutier responded that in her case, it worked out this way, with two married employees getting free insurance, and the Transportation Department uses this as a recruitment tool.

Ms. Cloutier continued and addressed retiree health benefits. She said they allow retirees to stay on the plan and allow those who do not stay on the plan to receive the Board's contribution as a cash payment for five years or age 65, whichever comes first, with age 50 being the youngest age at which one can receive this payment. Ms. Cloutier said that one must have worked for the County at least 10 of the past 13 years prior to retirement and be eligible for VRS.

Mr. Dill said it appears as if they are encouraging people to retire early, but they have a shortage of employees. Ms. Cloutier replied that she would not say they are encouraging people to retire early, but she views this benefit as a safety net.

Ms. Mallek said that in 2009-2010, they offered retiree health insurance as an incentive to have people retire to reduce the workforce.

Ms. Palmer asked for more clarification regarding married County employees not having to pay for health coverage. Ms. Cloutier provided her own example and confirmed that she does not have to pay for insurance, although she and her spouse are not receiving a cash payment.

Ms. Mallek commented that in the past the County covered 100% of employee premiums, although this was reduced over the years.

Ms. Leanne Knox addressed the Board and discussed initiatives including: the "Lose Well" weight loss program, onsite mammography, flu shots, a Fitbit subsidy, and activity tracker challenges. She described the successes of the Lose Well program. Ms. Knox reported that the mammography plan is part of the health insurance plan, and they allow employees to bring dependents to utilize the mammography service at County job locations. She said the flu shot program has been very successful, and they offer it at all schools and fire and rescue stations. Ms. Knox said that this year they have introduced tetanus and diphtheria vaccinations as an additional benefit. She said employees have been very enthusiastic about Fitbit wristbands that track exercise activity, noting that there are different models of varying costs, with the employee paying a portion. Ms. Knox said that for activity tracking, they put out a request for proposal from which Anthem was selected, and this is just being rolled out. She described some additional initiatives they are evaluating, such as flextime for wellness, incentivized disease management, risk assessment, and biometric screenings or annual physicals.

Ms. Acuff asked if chronic illness management within the wellness program was offered to family members or just to employees. Ms. Knox responded that it only covers employees, but it would be prudent to look at expanding this to cover family members. She said the Fitbit program only covers employees, but they can look at expanding this as well.

Ms. Palmer asked if these programs are available to part-time employees. She asked what effect these benefits have on insurance costs, and wonders if these incentive programs reduce the insurance premium with the provider. Ms. Knox responded that part-timers are eligible if they are benefits eligible, and flu shots are available to all employees. She reminded the Board that the County has a self-insured plan, and they are being mindful of their own dollars. She stated that because of the weight-loss program, they have had two examples in which employee medication prescriptions were eliminated or reduced.

Mr. Randolph expressed his support for the Fitbit program and said he purchased one for his wife, noting that the battery runs down quickly. He expressed his support for the value of maintaining annual physicals as part of the health plan, particularly for skin cancer identification.

Mr. Dill asked if employees have an option to form wellness groups such as yoga, cycling, chronic disease, etc. Ms. Knox said they offer "Be Well" grants that allow school, building or departmental activities, and identified a running group at Baker-Butler Elementary School as an example.

Mr. Randolph said he would love to see the establishment of County cycling and running teams to participate in charity fundraising events, and offered to help staff in setting something up.

Agenda Item No. 3.1. Matters Not Listed on the Agenda. None.

Agenda Item No. 4.1. Adjournment.

At 4:28 p.m., hearing no objections, Dr. Acuff adjourned the meeting of the Albemarle County School Board.

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Chairman

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Clerk