

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING and SPECIAL BOARD MEETING*

AGENDA

Thursday, January 12, 2017
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Robert H. Gleason
Lloyd B. Hubbs
Jim Janney
Mark Kersey
Paul Robinson
Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Thella F. Bowens

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. If comments are made to the Committee without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law. ***Please note that agenda items may be taken out of order.***

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate & Information Governance and are available for public inspection.

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board to (1) foster communication among Board members in compliance with the Brown Act; and (2) preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Boling, Cox, Desmond (Chair), Hubbs, Sessom

NON-AGENDA PUBLIC COMMENT

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. *Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.*

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 12, 2016 regular meeting.

2. EMPLOYEE BENEFITS OPEN ENROLLMENT RECAP AND MARKET UPDATE:

Presented by Kurt Gering, Director, Talent, Culture & Capability and Jesus Mendoza, Vice President, Willis Towers Watson

CLOSED SESSION

3. CONFERENCE WITH LABOR NEGOTIATOR:

Labor negotiations pursuant to Cal. Gov. Code §54957.6
Authority Designated Negotiators: Thella F. Bowens. President/CEO and Kurt Gering, Director Talent, Culture & Capability
Employee Organization: Teamsters 911

4. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957
Title: President/Chief Executive Officer

5. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957
Title: General Counsel

6. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: Chief Auditor

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third floor receptionist for validation.

You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
April 13	Thursday	10:00 a.m.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING
MINUTES
MONDAY, SEPTEMBER 12, 2016
BOARD ROOM

CALL TO ORDER:

Vice Chair Sessom called the Executive Personnel and Compensation Committee meeting to order at 10:01 a.m. on Monday, September 12, 2016, in the Board Room at the San Diego International Airport, SDCRAA Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

PRESENT: Committee Members: Boling, Cox, Hubbs, Sessom

ABSENT: Committee Members: Desmond

ALSO PRESENT: Thella F. Bowens, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Authority Clerk; Dawn D'Acquisto, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None

Board Member Cox arrived at 10:24 a.m.

NEW BUSINESS:

2. RENEWAL OF THE EMPLOYEE HEALTH AND WELFARE BENEFITS PROGRAM FOR 2017:

Kurt Gering, Director, Talent, Culture & Capability and Jesus Mendoza, Vice President, Willis Towers Watson provided a presentation on the Renewal of the Employee Health and Welfare Benefits Program for 2017, which included Program Summary, Recommendation Summary, Medical Marketing Results, Medical Renewal Analysis – Active Employees, Medical Renewal Analysis – Pre-Medicare Retirees, Medical Renewal Analysis Medicare Enrollment, and Dental Renewal Analysis.

In response to Vice Chair Sessom regarding who will help employees with transitioning to the new provider, Mr. Mendoza stated that there is a transition group in place to assist employees and it will be available to employees before open enrollment.

Vice Chair Sessom requested information regarding annual cost savings for the Authority by employees participating in the wellness program. She requested that this information be presented annually.

ACTION: Moved by Board Member Boling and seconded by Board Member Hubbs to approve staff's recommendation. Motion carried unanimously, noting Board Members Desmond as ABSENT.

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the May 9, 2016 special meeting.

ACTION: Moved by Board Member Hubbs and seconded by Board Member Cox to approve staff's recommendation. Motion carried unanimously, noting Board Members Desmond as ABSENT.

CLOSED SESSION: – The Committee recessed into Closed Session at 11:02 a.m. to discuss item 3.

3. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: President/Chief Executive Officer

REPORT ON CLOSED SESSION: The Committee reconvened at 12:03 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting was adjourned at 12:04 p.m.

APPROVED BY A MOTION OF THE EXECUTIVE PERSONNEL AND
COMPENSATION COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY THIS 12th DAY OF JANUARY, 2017.

KURT GERING
DIRECTOR,
TALENT, CULTURE AND CAPABILITY

APPROVED AS TO FORM:

TONY R. RUSSELL,
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

EMPLOYEE BENEFITS OPEN ENROLLMENT RECAP AND MARKET UPDATE

Presented by:

Kurt Gering | Director, Talent, Culture & Capability

Jesus Mendoza | Vice President, Willis Towers Watson

January 12, 2017

Agenda

- Programs Overview
- Employee Program Value
- 2017 Enrollments
- Wellness
- Retiree Programs
- OPEB Status
- Benchmarking
- Conclusions

Health & Welfare Benefits Programs

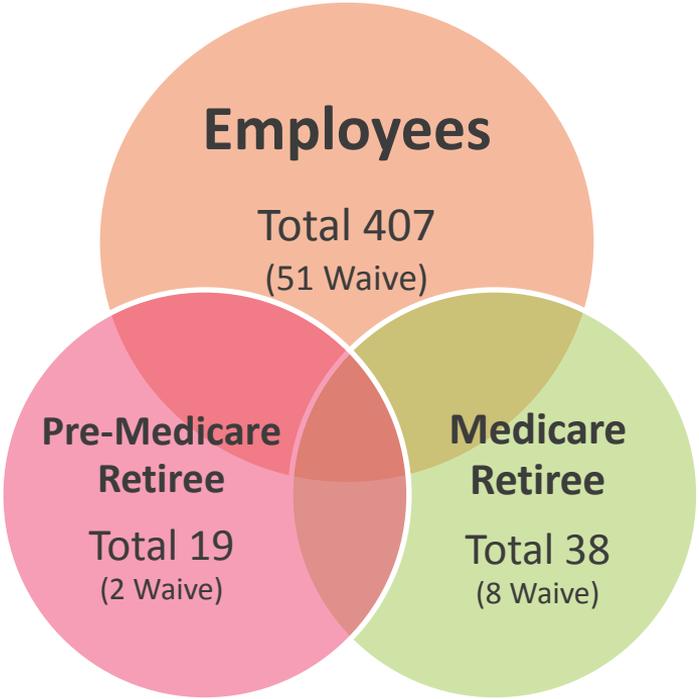
Active Employees & Pre-Medicare Retirees

- Blue Shield of California Medical:
 - HMO
 - PPO
 - High Deductible Health Plan
 - Cost Share:
 - 10% Wellness
 - 15% non-Wellness
- Delta Dental
 - 2nd year of rate lock
- The Hartford Basic Life and AD&D
- VEBA Funded Health Retirement Savings
- Wellness Incentives (Employee /Spouse only)

Medicare Enrolled Retirees

- 1st Generation
 - Hired prior to May 1, 2006 OR represented hire prior to October 1, 2008
 - Service retired from the Airport and eligible for SDCERs retirement benefit
- Medicare Parts A & B
- United Healthcare PPO
 - Cost Share 10%
- Delta Dental
- The Hartford Basic Life and AD&D

Population





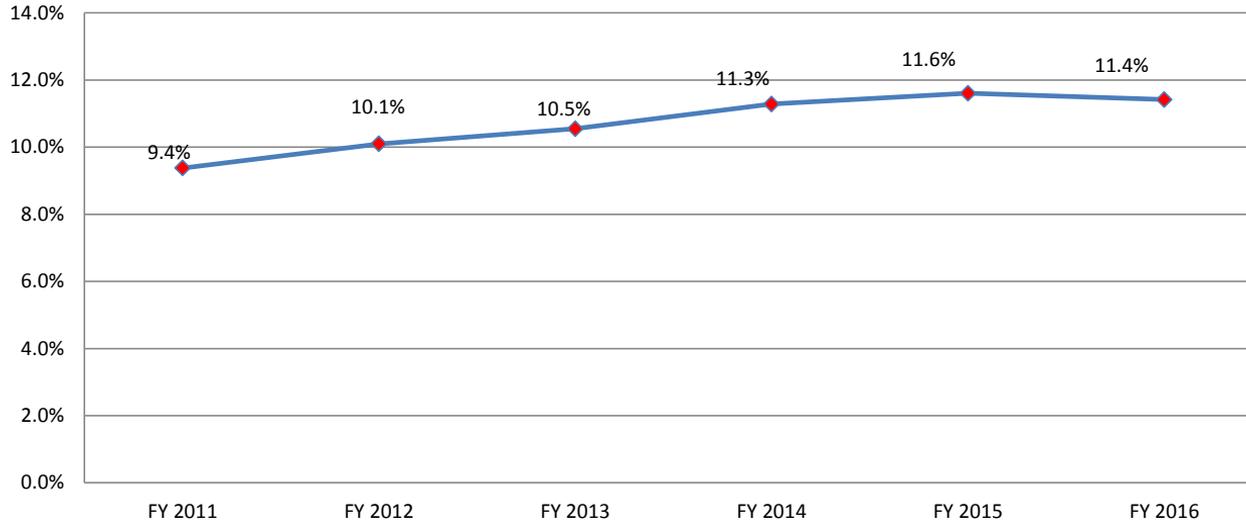
Employee Program

407 Active Only

Authority Only Budget Summary

Description	CY2016 Costs	CY2017 Anticipated Costs	CY Budgeted 2017 Costs	\$ Diff	% Diff
Medical	\$4,067,021	\$3,890,021	\$4,641,885	(\$751,864)	(16.20%)
Dental	\$313,944	\$331,189	\$335,521	(\$4,332)	(1.29%)
Other lines (Life/AD&D, Short Term Disability, Health Advocate)	\$265,937	\$275,186	\$272,965	\$2,221	0.81%
Total	\$4,646,901	\$4,496,396	\$5,250,371	(\$753,975)	(14.36%)

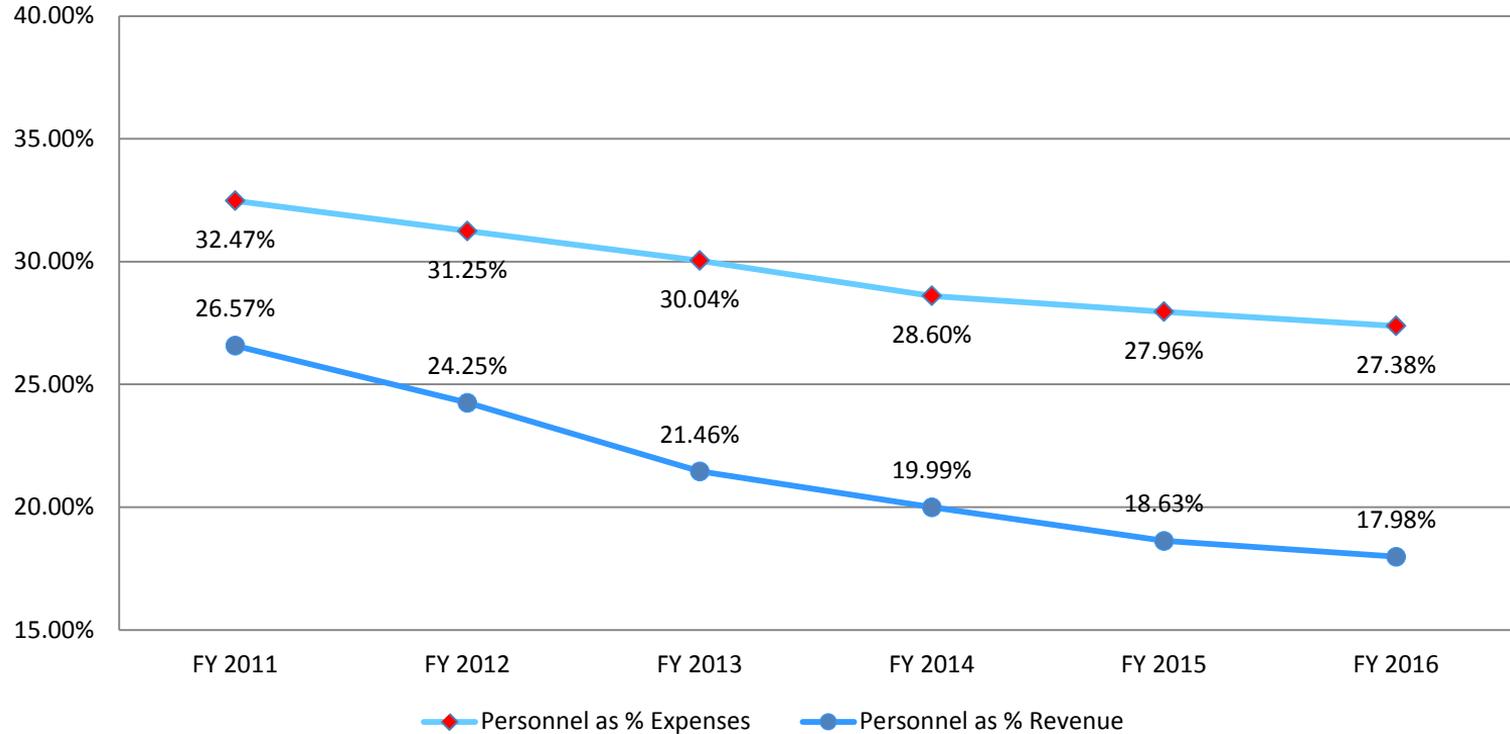
Health Benefit Cost as a % of Payroll



Mercer 2015 Benchmarks	
Government	17.9%
California	15.9%
West	13.6%
National (All)	13.1%

Definition: Gross cost for all medical, dental, prescription drug, MH/SA, vision and hearing benefits for all covered active employees and their dependents divided by the number of enrolled employees. Total gross annual cost includes employee contributions but not employee out-of-pocket expenses.

Personnel Costs as % of Operating Expense/Revenue



2017 Medical Plan Enrollments



22% | PPO

90 Employees enrolled in the traditional PPO plan



3% | High Deductible Health Plan

13 Employees enrolled in High Deductible Health Plan with a Health Savings Account



62% | HMO

253 Employees enrolled in the HMO plan



13% | Waive

51 Employees elected to waive participate in the Airports medical plan

Dental Plan Enrollments



74%|PPO

304 Employees enrolled
in the dental DPPO plan



19%|HMO

76 Employees enrolled in
the dental DHMO plan

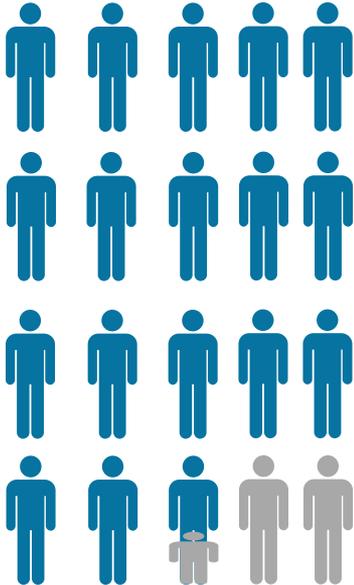


7%|Waive

27 Employees elected
waive dental enrollment

407 Total Employees (Actives Only)

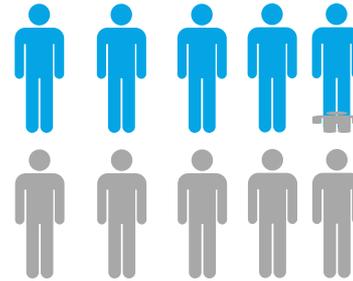
Wellness Participation



88% | Employees

Incentives:

- Differential (reduction) equivalent to 5% of the individual premium cost
- \$250 Flexible Spending Account (FSA)/Health Savings Account (HSA)/457 Deferred Compensation Plan deposit



47% | Spouse and DP

Incentives:

- Enrolled in Authority Plan
- Second year offered
- \$200 Flexible Spending Account (FSA)/Health Savings Account (HSA)/457 Deferred Compensation Plan deposit

Wellness VOI



Marketing Benefit

Willis Towers Watson actively promotes and is able to achieve better marketing results by demonstrating a commitment to identification and management of risks.



Wellness Incentives

Blue Shield of California is offering the Authority \$30,000 to support its annual Wellness program.



Reduced Organizational Risks

With aggregate data we are able to identify and develop programs to specifically meet employee population needs and drive better long-term outcomes.



Employee Engagement

There were over 1,350 instances of participation in programs in 2016 and employee surveys reflect that individuals appreciate Wellness and feel it promotes personal well being.

Marketplace Trends: Medical



Cyber Security has added a new layer of expense to the health business

- The sophistication of cyber attacks means health providers need to spend money on both prevention and, if a breach occurs, remediation



Virtual health continues to gain popularity as a valuable and cost effective tool

- 55% of employers currently offer telemedicine services to employees with a projected 81% of employers in 2017/2018



Defined Contributions & Private Exchanges: 2 year projections

- 36% of employers are considering moving to a defined contribution approach; 3% have already done so
- 19% of employers are considering moving to a private exchange; 3% have already done so

Post Election: Broader Healthcare Reform Considerations

Employer-sponsored Plans

- Potential elimination of employer mandate (and reporting rules)
- Health care benefit taxation (excise tax vs. exclusion cap)
- Cost management
- Prescription drug pricing
- Provider/health system impact
- Carrier implications
- Conflicting rules on health status incentives (ACA and EEOC)
- Expanded role for HSAs

Medicare

- Combine Parts A and B; add out-of-pocket maximum
- Part D coverage
- Medicare Advantage funding
- Medicare supplement plan design
- Uncompensated care
- Expansion of means testing
- Higher eligibility age
- Premium support (privatization)

Benchmarking: Total Cost Share Analysis

(10% Employee Cost Share for Authority*)

Benchmarking Cut	Total Premium	Employer Contribution*	Employee Contribution
Authority (2017)	\$4,986,678	78% (\$3,899,317)	22% (\$1,087,361)
Government	\$4,786,231	82% (\$3,926,292)	18% (\$859,939)
California	\$4,563,837	70% (\$3,213,822)	30% (\$1,350,014)
West	\$4,513,360	73% (\$3,303,362)	27% (\$1,209,998)
National	\$4,232,664	61% (\$2,586,595)	39% (\$1,646,069)

*Authority Costs based 2017 wellness premium with budgeted/actual/waiver headcount.

Benchmark data from the Mercer National Survey, 2015.



Retiree

46 Medicare Eligible

21 Pre-Medicare

Other Post Employment Benefits (OPEB)

- May 9, 2009, California Employees Retirement Benefit Trust (CERBT) agreement was approved by the Board.
- The Authority budgets and prefunds 100% of the actuarial defined contribution (ADC).
- Retirees contribute 10% of plan costs for single coverage and the entire cost of vision benefits.
- Mortality tables were updated from RP-2000 to RP-2015 during the prior valuation.

Medicare Advantage Plan

	Anthem Blue Cross		United Healthcare
	<u>Current</u>	<u>Final Renewal</u>	<u>Confirmed</u>
Total Annualized Premium	\$334,889	\$342,155	\$196,008
\$ Change from Current		7,266	(138,882)
% Change from Current		2.2%	-41.5%

- United Health Care coordination of benefits with Medicare
- Enhanced benefits – \$0 copay for services included in the benefit summary
- Includes – house calls, SilverSneakers, coverage for all Medicare Part D drugs
- Monthly premium cost share savings over prior plan:
 - \$5 - \$50 reduction for individual
 - \$26-\$143 reduction for retiree and dependent
- SDCERS will deduct premiums from retiree monthly pension check

United Health Care Enrollments



79%|PPO

30 Medicare eligible retirees are enrolled



0%|HMO

Not available due to size of group



21%|Waive

8 Medicare eligible retirees have waived coverage due to alternative coverage options

38 Total Medicare Eligible Retirees

Blue Shield Enrollments



47%|PPO

9 pre-Medicare retirees
(under age 65) elected
PPO coverage



42%|HMO

8 pre-Medicare retirees
(under age 65) enrolled
elected HMO coverage



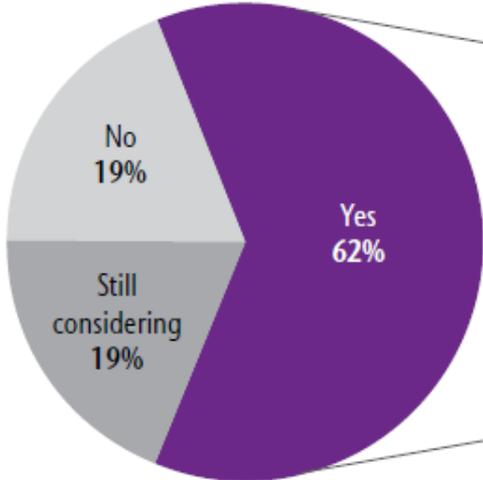
11%|Waive

2 pre-Medicare retirees
(under age 65) waived
coverage

19 Total Pre-Medicare Retirees

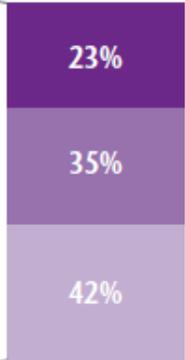
Retiree Trends

Reform Impacting Retiree Strategy



n=349

Strategy Considerations



We intend to review our strategy within the next 1-2 years

We have made initial strategy decisions/changes

We are currently in the process of evaluating changes

n=216

Benchmark data from the Aon 2015 Retiree Health Care Survey.

Retiree Trends

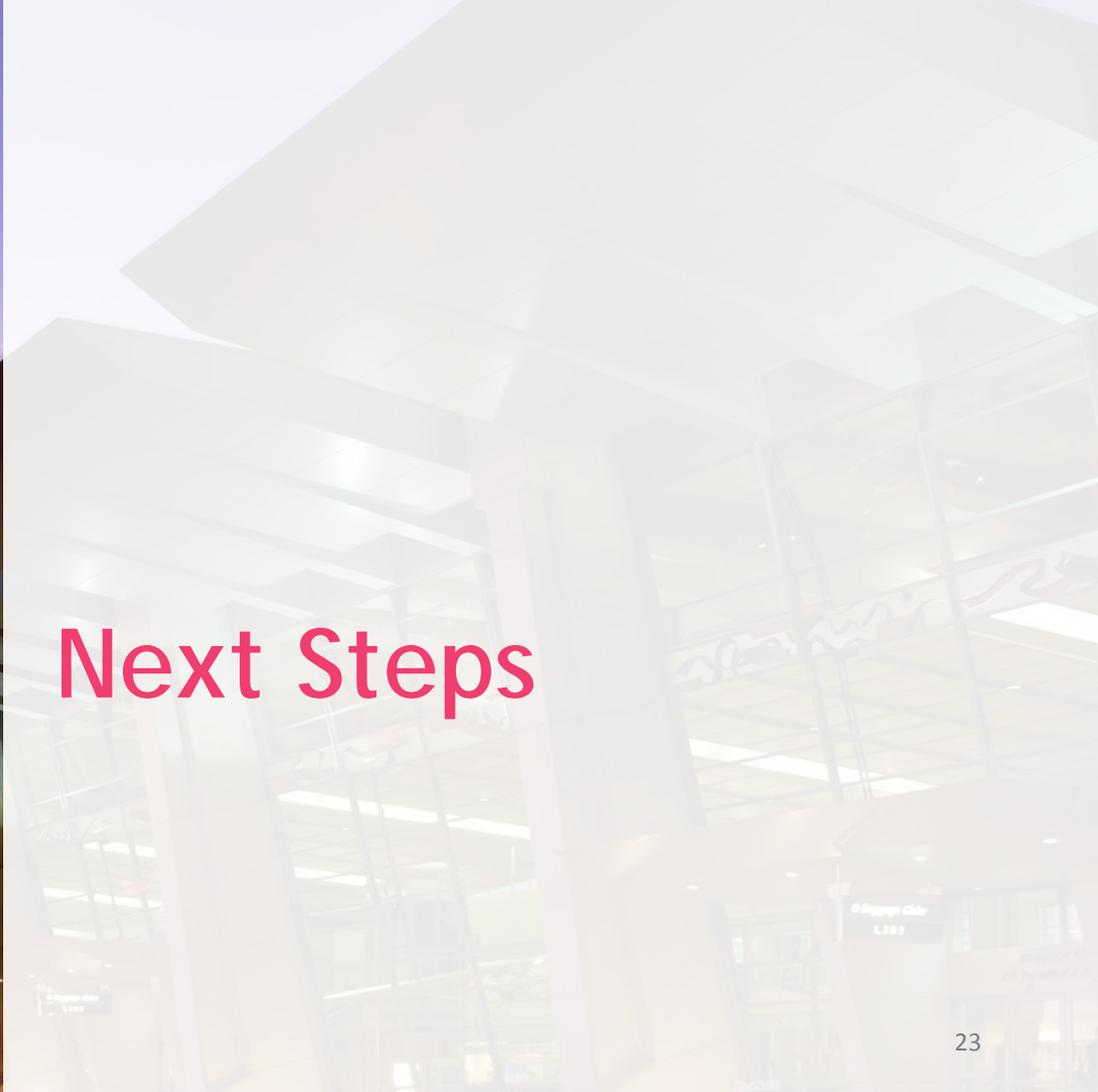
Retiree Health Care Strategy Trends

Plan sponsors will continue to rely on group-based strategies in certain situations, but with health care reform-driven modifications, including:

- Splitting active and retiree legal plan structures to avoid current and new group insurance market reform requirements;
- Changing from collecting the Retiree Drug Subsidy (RDS) to an alternate Medicare Part D strategy, including contracting with a group-based Part D plan;
- Leveraging new group-based Medicare Advantage strategies to manage costs and improve retiree health; and
- Managing the projected impact of the excise tax, potentially in conjunction with leveraging high-deductible health plans (HDHPs) and health savings accounts (HSAs).

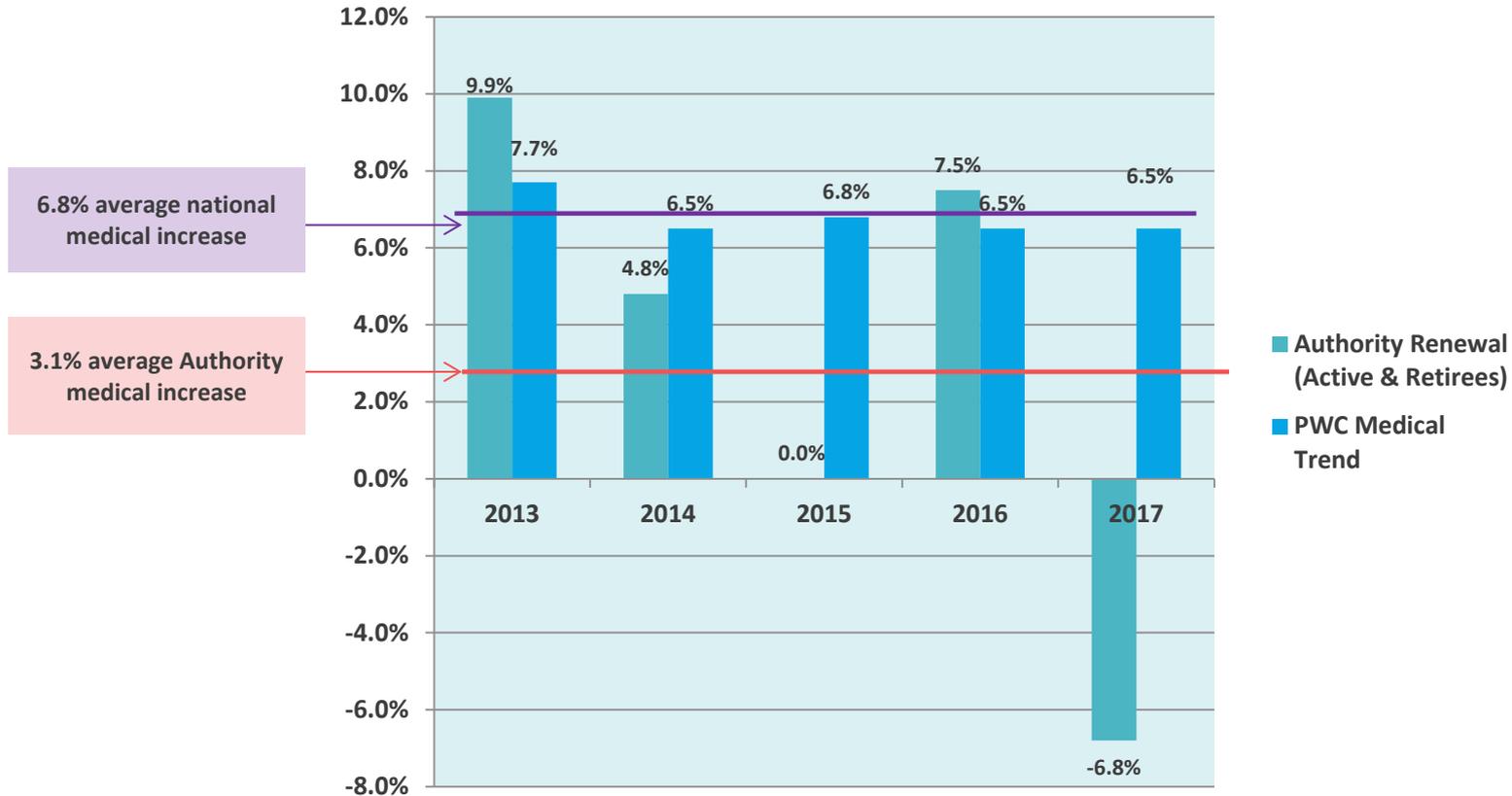


Next Steps



5 Year Review

Medical Benefits Increases & Trends



Source: U.S. Medical trend data provided by PWC Health Research Institute

Total Rewards Benchmarking



Remaining an employer of choice able to attract and retain the highly skilled talent needed to achieve our vision.

Salary:
Aligned to the 50th percentile of the market (San Diego, Airport, National)

Health Benefits:
Sustainable high quality care for California & West markets (11.6%)

Retirement:
Under PEPPRA employer may not pay more than 50% of normal cost for new members

Environment:
non-monetary incentives contribute to high employee engagement (78%)

Next Steps

- Conduct employee benefits survey
- Align rewards strategy to the needs of the strategic plan
- Negotiate new Labor Contract
- Evaluate private exchanges and emerging market trends
- Continue to leverage stakeholders to provide feedback on options:
 - Employee Benefits Task Force (EBTF) for active perspective
 - Alumni Communication Team (ACT) for retiree perspective
- Sustain Wellness approach to support proactive health management

Questions?

