

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Mark Kersey
Robert T. Lloyd
Paul Robinson
Johanna S. Schiavoni
Michael Schumacher
Mark B. West

EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING and SPECIAL BOARD MEETING *

AGENDA

Thursday, August 29, 2019
10:00 A.M.

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

Ex-Officio Board Members

Cory Binns
Col. Charles B. Dockery
Gayle Miller

President / CEO

Kimberly J. Becker

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 Board Services 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), Kersey

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 Committee.

NEW BUSINESS

- 1. APPROVAL OF MINUTES:**
RECOMMENDATION: Approve the minutes of the May 30, 2019 regular meeting.

- 2. UPDATE TO THE COMPENSATION PHILOSOPHY & STRUCTURE:**
RECOMMENDATION: Forward this item to the Board with a recommendation for approval.
Presented by: Kurt Gering, Director, Talent, Culture & Capability; and Andy Welt, Director & Head, Compensation Consulting Division, Marsh & McLennan.

- 3. RENEWAL OF THE HEALTH & WELFARE BENEFITS PROGRAM FOR 2020:**
RECOMMENDATION: Forward this item to the Board with a recommendation for approval.
Presented by: Joy Freeman, Manager, Safety & Wellness; and Heather Hill, Associate Director, Willis Towers Watson.

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 of the agenda 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.
- 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.
- 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.

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING MINUTES
THURSDAY, MAY 30, 2019
BOARD ROOM

CALL TO ORDER: Chair Desmond called the Executive Personnel and Compensation Committee and Special Board meeting to order at 10:28 a.m., on Thursday, May 30, 2019, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Board Member Cox led the Pledge of Allegiance.

ROLL CALL:

Present: Committee Members: Boling, Cox, Desmond (Chair)

 Board Members: Lloyd, Robinson, Schiavoni

Absent: Committee Members: Kersey

Also Present: Kimberly Becker, President/CEO; Amy Gonzalez, General Counsel;
 Tony R. Russell, Director, Board Services/Authority Clerk; Deborah
 Harrington, Assistant Authority Clerk II

NON-AGENDA PUBLIC COMMENT:

KAMRAN HAMIDI, SAN DIEGO, provided a presentation on SDIA Taxi Phase in, July 1, 2019 and spoke regarding the Ground Transportation Ad Hoc Committee process.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the April 25, 2019 regular meeting.

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

2. PRESENTATION ON COMPENSATION STRUCTURE METHODOLOGY:

Kurt Gering, Director, Talent, Culture & Capability and Andy Welt, Director & Head of Compensation Consulting Division, Marsh & McLennan, provided a presentation on SDCRAA Compensation Structure Methodology that included Background & Rationale, Project Status, Structure Methodology, Alternatives, Decision Band, Market Based, Labor Market and Confirmation of Methodology.

Chair Desmond requested to see the difference in cost between the market based and decision band compensation approaches. He suggested a blended approach.

CLOSED SESSION: The Committee recessed into Closed Session at 11:19 a.m. to discuss Items 3, 4, and 5.

3. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

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

4. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957
Title: General Counsel

5. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957
Title: Chief Auditor

REPORT ON CLOSED SESSION: The Committee adjourned out of Closed Session at 1:50 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting was adjourned at 1:50 p.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE THIS
29TH DAY OF AUGUST, 2019.

KURT GERING
DIRECTOR,
TALENT, CULTURE AND CAPABILITY

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

EXECUTIVE PERSONNEL

Meeting Date: **AUGUST 29, 2019**

Subject:

Update to the Compensation Philosophy and Structure

Recommendation:

Forward the Compensation Philosophy and Structure to the Board with a recommendation to approve.

Background/Justification:

A compensation philosophy is a formal statement documenting the competitive pay position the Authority desires to maintain. The purpose of the Authority's Compensation Philosophy is to document the core fundamental objectives that will enable the Authority to attract, retain and motivate qualified employees by rewarding performance that promotes the organization's vision, mission, values, and strategy. It also provides a framework that strives to ensure the consistent and fair application of employee pay practices and decision making across the organization.

Since July 1, 2009, the Authority's compensation strategy and practices have been guided by the Compensation Philosophy and Structure adopted through Board Resolution 2008-0081. To remain effective, a compensation philosophy should be reviewed periodically and updated to reflect factors affecting the business. These include current market conditions, changes in organizational strategy and goals, competitive outlook, operating objectives, and recruiting and retention challenges. In 2018, the Authority engaged the Compensation Consulting Division of Marsh & McLennan Agency to update its Compensation Philosophy & Structure as a result of the following factors:

- Execution of a new strategic plan that evolves SAN's business model to address innovation, revenue generation, and changing customer expectations in the airport environment;
- Attraction and retention of talent with new and highly sought after capabilities required to execute the strategy and sustain operations;
- Increased competition for talent in the labor market and the redefining of the labor markets in which the Authority must compete for required talent;
- Changing workforce demographics; and
- Shifts in the value of employee compensation and rewards packages resulting from the Public Employee Pension Reform Act (PEPRA).

Marsh & McLennan Agency collected and analyzed market data and reviewed the Authority's current benchmarking practices. Two market data sources were utilized. The first was the Airport Council International (ACI) Compensation Survey, conducted by Western Management Group, for the large airports category. The second was the Economic Research Institute (ERI) survey for diversified California Government and State Support Services located in major cities (San Diego, Los Angeles, San Francisco, Sacramento, Orange County, Oakland, and San Jose). Combined, these two data sources reflect the primary defined labor markets in which the Authority currently competes to attract and retain its talent.

The results of the market analysis demonstrate that base salaries for both represented and unrepresented workers are competitive and in alignment with the current Compensation Philosophy, which states they will approximate the third quartile (between the 50th – 75th percentile). For the represented population, base salaries are above the market median at approximately the 69th percentile in aggregate. For the unrepresented population base salaries are at approximately the 55th percentile. However, when assessing actual total cash compensation which would include performance based incentives, while the represented population remains competitive at the 61st percentile, the unrepresented population lags the market at the 47th percentile. In addition, when analyzing the data by functional divisions it is clear that several job families lag the market in both base salaries and actual total cash compensation compared to their peers.

As a result of this analysis, Marsh & McLennan has recommended that the Authority update its Compensation Philosophy and Structure (Attachment A) to better reflect organizational needs and address any potential disparities that may result from the current compensation management practices. Specifically, these recommendations include:

- 1) Adopt a revised Compensation Philosophy statement that is simplified and more transparent. This revised Compensation Philosophy strikes a better balance between external (market) competitiveness and internal equity. It also allows for greater alignment of program design and ongoing administration.
- 2) Maintain the current focus on a competitive benchmark that approximates the third quartile of the defined labor markets in which the Authority competes.
- 3) Retain the flexibility to consider performance based incentives to attract and retain critical talent as workforce emphasis shifts from deferred compensation to cash compensation.
- 4) Leverage transparency to increase employee awareness by sharing the Compensation Philosophy with employees to facilitate greater understanding of how compensation is determined and managed across the Authority.
- 5) Administer the job leveling framework that enhances the hierarchical internal alignment of role expectations and outlines career path opportunities for employees
- 6) Implement the new Compensation Philosophy and Structure effective July 1, 2020. This timeline would allow staff time to update internal systems and reporting to reflect the new structure. This would also allow for any adjustments resulting from the implementation to be integrated in the FY 2021 and FY 2022 Conceptual budget.

Prior to implementation, staff will need to individually slot each unrepresented job in the organization within the new Grade Structure. This effort will be initiated once the Grade Structure is approved by the Authority Board using the market data and a leveling matrix to support internal equity. Based on the market benchmark, the potential financial impacts of this effort will range from a minimum estimated of \$280,000 to a maximum estimate of \$1,100,000. Any actual impacts resulting from the effort would be integrated into the Fiscal Year 2021 and Conceptual 2022 planning process and would come back to the Board as part of the budget approval process.

Staff is recommending that the Executive Personnel & Compensation Committee forward to the Board the updated Compensation Philosophy and Structure and associated Resolution with a recommendation to approve.

Fiscal Impact:

Adequate funding for the implementation of a new compensation philosophy was not included in the conceptually approved FY2021 Operating Expense Budgets. If the board approves the new Compensation Philosophy and Structure, funding will be included in the proposed FY2021 and conceptual FY2022 Operating Expense Budgets. The potential impact will range from an estimated minimum of \$280,000 to a maximum estimate of \$1,100,000.

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Focus Areas

- Advance the Airport Development Plan
 Transform the Customer Experience
 Optimize Ongoing Business

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not Applicable.

Prepared by:

KURT GERING
DIRECTOR, TALENT, CULTURE & CAPABILITY

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
COMPENSATION PHILOSOPHY AND STRATEGIES
Effective MONTH DAY, YEAR**

The San Diego County Regional Airport Authority (“Authority”) strives to recruit, retain and motivate the highest caliber talent who possess the unique skills needed to support our operational needs. To achieve this objective, compensation programs at the Authority will evolve over time.

The purpose of a compensation philosophy is to ensure compensation programs and the ways in which our employees are rewarded for their performance remain compatible and consistent with the business objectives, management style, our value system, and external market trends.

To ensure that the total compensation program(s) fits the needs and supports the overall business strategy, the Authority has developed a Compensation Philosophy statement to guide the future evolution of the total pay program. This Compensation Philosophy sets forth a number of “guiding principles” which establish a framework for evaluating existing programs and appropriately designing new program elements.

As the Authority formulates its short- and long-term strategy(ies), it is important that the Compensation Philosophy be reviewed to ensure that the pay programs are consistent with the Authority’s business objectives and human resources needs.

Guiding Principles

There are six guiding principles that are considered to ensure a close linkage between the Authority’s Compensation Philosophy, its strategic needs, and espoused values. These guiding principles address the following areas:

1. Striving to recruit, retain and motivate the highest caliber talent,
2. Rewarding employees based on pay-for-performance,
3. Ensuring pay programs remain consistent and aligned with business objectives, the leadership style, organization culture, and are fiscally responsible (within Board adopted budget parameters),
4. Guiding the design and administration of total reward program over the long-term and ensuring compliance with statutory requirements,
5. Reviewing on a periodic basis to ensure that the pay programs are consistent with the reward, performance and communication objectives, and

6. Articulating information on pay across the organization to ensure a high level of awareness and understanding by managers and employees

These guiding principles are not intended to be rigid procedures. Rather, they serve to articulate the Authority management's view regarding the general direction that the organization's total compensation program should take in order to best meet the needs of our valued employees and support the overall business. It will also serve as a key communications tool to help reinforce the company's values with its leaders and employees at all levels.

Program Design Objectives

The primary objective of the Authority's compensation strategy and program design is to provide reward and recognition levels to employees consistent with our desired competitive positioning and commensurate with performance achieved. Competitiveness will be measured against the external environment from which we recruit our talented and skilled employees. Equally important is internal equity considerations. Equity means that our programs are designed and administered to be fair and consistent so that all employees have the same opportunity to receive rewards and grow their careers based on their performance.

Therefore, the Authority will promote a pay-for-performance culture by establishing a direct link between business results, individual performance, and the rewards associated with it. The allocation of rewards to employees will be differentiated based on performance in order to focus employee behavior and motivate high levels of contribution.

Comparative Pay Framework

This refers to the type(s) of organizations that are used to determine competitive compensation levels. The logical comparative framework is the type of organization from which the Authority is most likely to recruit talent and to which it is most likely we will lose talent. The framework need not be the same for all categories of jobs and may vary by function and/or organization level. Elements to consider include:

- Geographic recruiting market,
- Organizations with similar missions or business objectives, and
- Organizations that employ people with similar skills, training or experience.

Targeted compensation levels will reflect the multiple and varied labor markets and respective Public and Private sector positions covering all Authority jobs. There may be exceptions and it is understood that there may be case-by-case instances where the Authority may look outside the defined labor market,

including the use of published sources when necessary, to achieve recruitment objectives.

Target Pay Positioning to Comparative Market

Pay positioning will be primarily aligned to skills, experience, performance, and criticality of role, but it may vary on a case-by-case basis when competitive labor market challenges exist. The following stages of career development and performance will be aligned to various target pay positions:

Job Group	Base Salary	Target Total Cash	Optional Benefits and Perquisites	Target Total Direct	Retirement
Non Leadership Employees	50 th	50 th – 75 th	Offered based on generally common market practice	50 th – 75 th	PEPRA compliant Defined Benefit Plan
Leadership	50 th	50 th – 75 th		50 th – 75 th	

Internal Equity and Consistency

To ensure the program is perceived favorable, the compensation guiding principles will be applied consistently across the Authority. In order to have an internally equitable compensation program, external competitiveness will be balanced by internal equity to drive target pay opportunities. Therefore, the opportunity to receive rewards and career growth opportunities will be reflected in both position responsibilities and the competitive market.

Jobs not used in development of the salary structure will be placed in the salary structure based upon their internal relationship as determined through the Authority’s standardized job evaluation process.

The compensation structure will be based on market salary data for benchmark job classifications compiled through a valid salary survey source. Placement of individual jobs within the overall salary grade structure will be based on their job evaluation and relative market value.

External obligations, both federal and state, may also influence compensation strategies and program design. For example, the California Public Employees’ Pension Reform Act (PEPRA), which took effect in January 2013, places limits on optional benefits and associated employer contributions.

Recognize Strategic Contribution

In the future, the Authority may consider additional incentive options designed to address recruiting and retention challenges resulting from changes in the regulatory and market environment. These options would be aligned with the above targets for total cash and direct compensation and offset the impacts of defined contribution limits that limit the Authority's ability to achieve its recruiting and retention objectives.

Program Transparency & Performance Measurement

In order for the programs to be effective, employees and managers must possess the level of awareness and understanding of the Compensation Philosophy and programs in which they participate. As a result, managers and employees will receive detailed information on the Authority's Compensation Philosophy and program design to ensure the desired level of awareness and understanding is achieved.

Compensation will be linked to the performance management system(s) to ensure that reward opportunities exist for those employees who produce exceptional results. One of the outcomes of increasing pay transparency is to ensure employee perception of the reward program is favorable and considered fair and equitable. As a part of the overall program design, multiple reward opportunities will exist in which employees may have the opportunity to participate based on availability (e.g., base salary, incentives, benefits, retirement plan(s), etc.). The Talent, Culture & Capability Department will annually issue a statement to all employees reflecting the total value of the compensation and benefits package.

Pay Mix

The compensation programs are designed to support the desired pay-for-performance culture. Therefore, employees should have a reasonable amount of their total compensation based on the variable performance of any or all of the following: organization performance, team/business unit performance or individual performance. The amount of variable compensation as a percentage of total compensation will vary based on job level according to internal equity and external market practices.

Eligibility in an incentive plan will be discretionary based on position level and external market practice. Participation in short-term incentive program(s) will be based on achievement of company as well as individual performance.

Decision Making Authority

The Board of Directors will have responsibility for approving a Compensation Philosophy and related pay structure. The President & CEO will have

responsibility for establishing salary and benefits plans for officers and employees, subject to Policy 3.0 and budgetary approval. The Talent, Culture & Capability Department will have responsibility for program design and ensuring consistent compensation practices and processes are implemented and administered. Guidelines will be established to ensure appropriate consistent application of compensation programs.

The Authority's Compensation Philosophy is subject to update and revision to, whenever possible, align organizational work groups pay components (e.g., represented, classified, at-will, as well as contract employees). In the pursuit of this objective, it may be necessary to modify/amend this document to gain alignment. This component is with the understanding that the Authority's preferred method of compensation is pay-for-performance. The goals, objectives and strategies set forth in this plan are subject to budgetary limitations. Nothing contained herein is to be construed as a binding contract.

Unrepresented Salary Grade Structure

Effective July 1, 2020

SDCRAA Salary Grade	Salary Grade Range			Midpoint Progression ¹	Range Spread ²
	Min.	Mid.	Max.		
12	\$195,300	\$253,900	\$312,500	25.0%	60%
11	\$156,200	\$203,100	\$250,000	25.0%	60%
10	\$125,000	\$162,500	\$200,000	20.0%	60%
9	\$104,200	\$135,400	\$166,600	20.0%	60%
8	\$86,800	\$112,800	\$138,800	20.0%	60%
7	\$72,300	\$94,000	\$115,700	20.0%	60%
6	\$60,200	\$78,300	\$96,400	15.0%	60%
5	\$52,400	\$68,100	\$83,800	15.0%	60%
4	\$45,500	\$59,200	\$72,900	15.0%	60%
3	\$39,600	\$51,500	\$63,400	15.0%	60%
2	\$34,500	\$44,800	\$55,100	10.0%	60%
1	\$31,300	\$40,700	\$50,100		60%



WORLD CLASS. LOCAL TOUCH.

Update to the SDCRAA Compensation Philosophy and Structure

Executive Personnel & Compensation Committee

August 29, 2019

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Project Objectives

The following reflect the primary objectives of this project:

- ✓ Refine current Compensation Philosophy to ensure that SDCRAA is able to attract, retain and motivate the best talent
- ✓ Refine the approach to defining jobs and job levels
- ✓ Conduct a competitive assessment of cash compensation
- ✓ Assess the external competitiveness of the salary pay ranges
- ✓ Assess impact of any potential recommendations and work with the Executive Team in developing effective implementation strategies

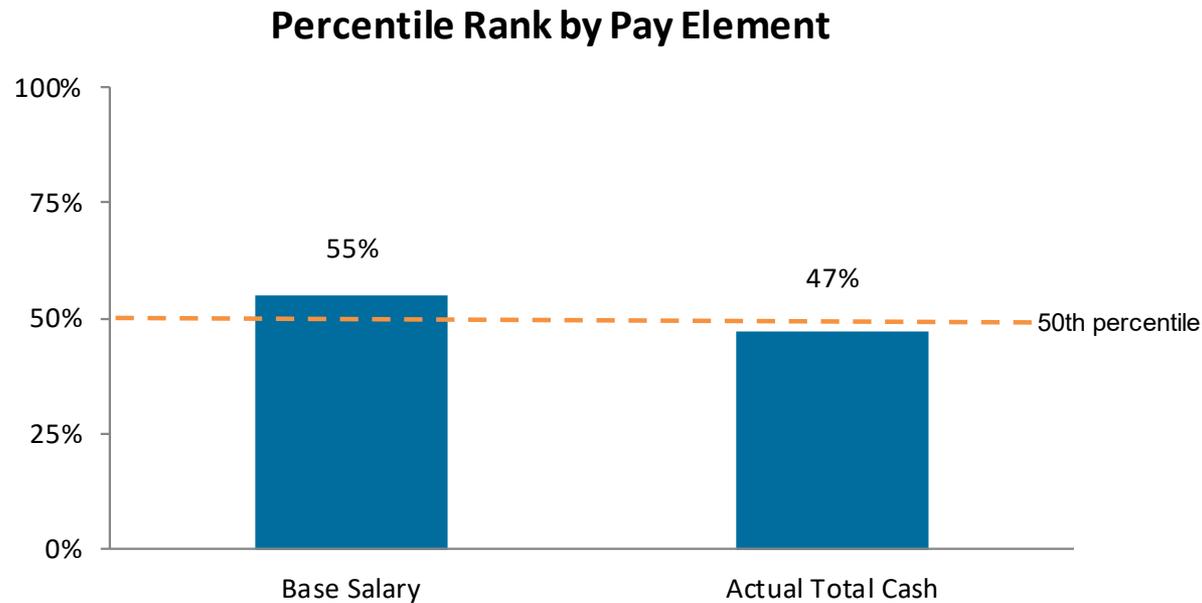
Assuring an Effective Compensation Philosophy

Guiding Principle	
#1	Striving to recruit, retain and motivate the highest caliber talent.
#2	Rewarding employees based on pay-for-performance.
#3	Ensure pay programs stay consistent and aligned with business objectives, the leadership style, and company culture.
#4	Guiding the design and administration of total reward program over the long-term and ensuring compliance with statutory requirements.
#5	Reviewing on a periodic basis to ensure that the pay programs are consistent with the reward, performance, and communication objectives.
#6	Articulating information on pay across the organization to ensure a high level of awareness and understanding by managers and employees.

OVERALL FINDINGS

Overall Summary

- **Base Salary & Actual Total Cash – Unrepresented**
 - Relative to the market:
 - Base salaries are **above** the market median (55th percentile).
 - Actual Total Cash levels are **below** the market median (at the 47th percentile).



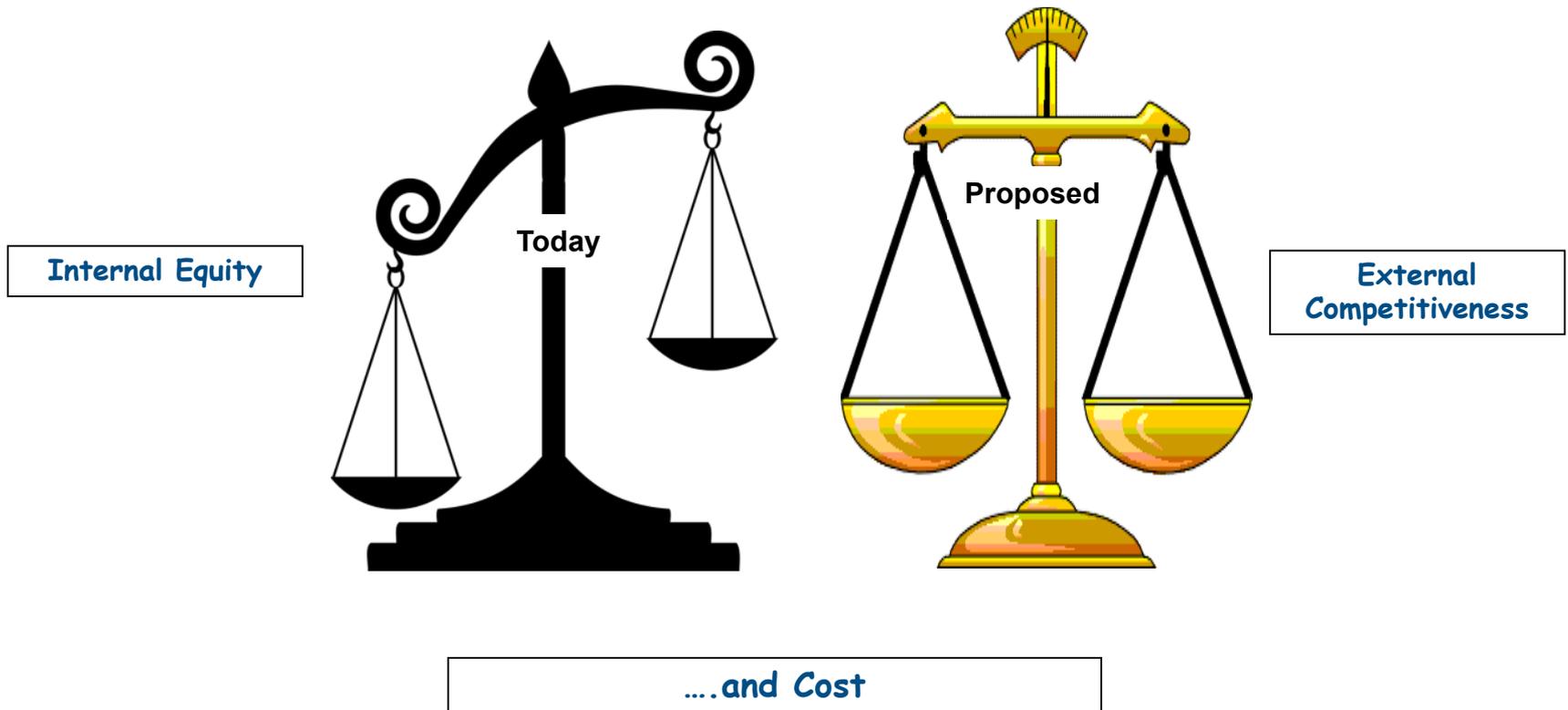
- For pay practices that fall outside of the competitive range, the Company should be in a position to understand and support the reasons.

STRUCTURE DEVELOPMENT

The Proposed Market-based Approach

- Why it is important
 - Achieve better alignment of program design and ongoing administration with the Compensation Philosophy
 - Create balance in strategic objectives between external competitiveness and internal equity

Maintain Balance in Comp Program Design



Unrepresented Compensation Structure

- **Proposed Compensation Structure**

- Aligns current practices more closely to market data
- Incorporate salary grade midpoint progression from 10% to 25%:
 - Percentage change from midpoint to midpoint as you progress up the structure
- Incorporate consistent 60% range spread:
 - Increases potential for career growth
 - Increases flexibility for market changes
- Positions are slotted in the new structure based on their respective market median base salary data

Note: This structure excludes Represented positions

Unrepresented Compensation Structure

- Proposed Grade Structure

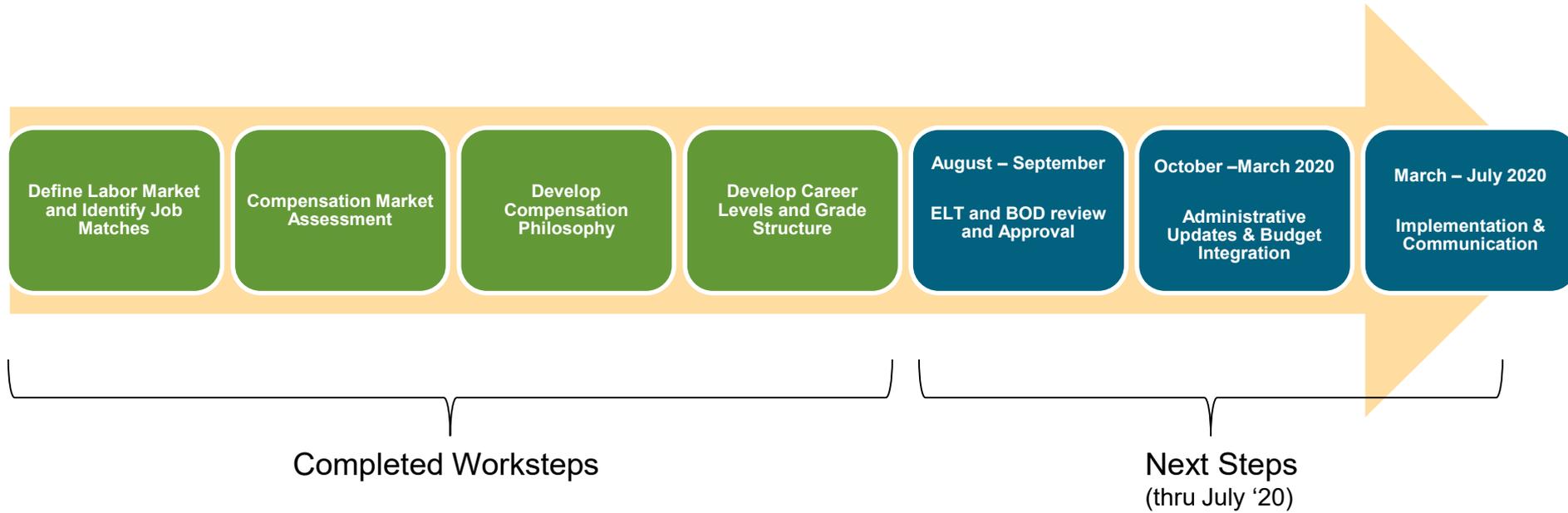
SDCRAA Salary Grade	Salary Grade Range			Midpoint Progression ¹	Range Spread ²
	Min.	Mid.	Max.		
12	\$195,300	\$253,900	\$312,500	25.0%	60%
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10	\$125,000	\$162,500	\$200,000	20.0%	60%
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4	\$45,500	\$59,200	\$72,900	15.0%	60%
3	\$39,600	\$51,500	\$63,400	15.0%	60%
2	\$34,500	\$44,800	\$55,100	10.0%	60%
1	\$31,300	\$40,700	\$50,100		60%

¹ Midpoint Progression is the percentage increase from one grade midpoint to the midpoint of the next higher grade.

² Range Spread is a measure of grade width, calculated as follows: (Max - Min) / Min.

TIMELINE TO IMPLEMENTATION

Timeline To Implementation



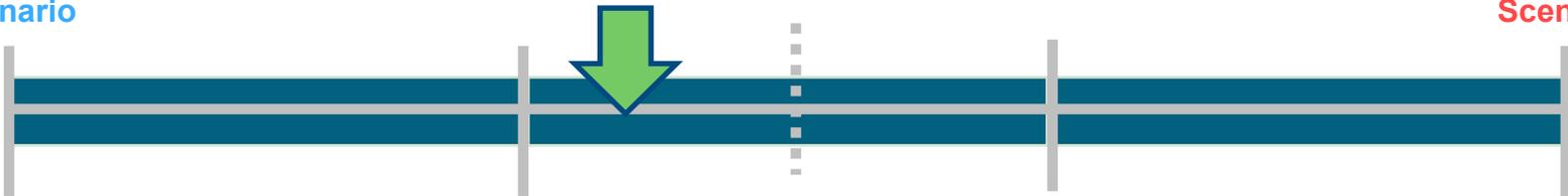
Cost Analysis

- **Approximate calculations to adjust base salaries relative to the market:**
 - Low Impact Scenario
 - The cost to bring 9 incumbents to market median would be approximately \$280K
 - High Impact Scenario
 - The cost to bring 102 incumbents, including the 9 incumbents in the first scenario, to market median would be approximately \$1.1M.
 - Realistic Impact Scenario
 - Requires a methodical review of each individual position to recognize internal equity.

Low Impact
Scenario

Realistic Impact Scenario

High Impact
Scenario



Recommendation Summary

It is recommended that the Authority adopt an updated Compensation Philosophy and Structure to better reflect organizational needs and address any potential disparities that may exist.

Specifically, these recommendations include:

- Adopt the recommended Compensation Philosophy statement that is simplified and more transparent.
 - The proposed Compensation Philosophy strikes a better balance between external (market) competitiveness and internal equity.
- Maintain the focus on competitive benchmarks that approximate the third quartile of the defined labor markets.
- Retain the flexibility to consider performance based incentives to attract and retain critical talent.
- Leverage transparency to increase employee awareness by sharing the Philosophy with employees to facilitate greater understanding of how compensation is determined.
- Administer the job leveling framework that enhances the hierarchical internal alignment of role expectations and outlines career path opportunities for employees
- Implement the new Philosophy and Structure effective July 1, 2020.
 - This timeline would allow staff time to update internal systems and reporting to reflect the new structure and allow for any adjustments resulting from the implementation to be integrated in the FY 2021 and FY 2022 Conceptual budget.

Forward the Compensation Philosophy and Structure to the Board with a recommendation to approve.

Contact Information

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AGENCY

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**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY**

**Item No.
3**

EXECUTIVE PERSONNEL

Meeting Date: **AUGUST 29, 2019**

Subject:

Renewal of the Health & Welfare Benefits Program for 2020

Recommendation:

Staff recommends that the Executive Personnel and Compensation Committee forward this item to the Board with a recommendation to approve.

Background/Justification:

The San Diego County Regional Airport Authority (“Authority”) provides a comprehensive health and welfare benefit program designed to attract and retain the talent necessary to successfully execute business strategy and to meet its obligations to eligible First Generation retirees. For calendar year 2020, staff is recommending a renewal of our current program. This recommended renewal for active employees maintains the Authority’s ability to attract and retain top talent while demonstrating fiscal prudence. The recommended employee renewal results in a total estimated Authority cost of \$5,770,635, which represents an increase of 6.3%, or \$339,667, over the 2019 program. This renewal provides an estimated \$246,872 in savings based on the Authority’s budgeted expense for the 2020 calendar year which is incorporated into the Fiscal Year 2020 and Conceptual 2021 operating budget. For First Generation retiree benefits, which are paid through the Authority’s Other Post-Employment Benefits (OPEB) account, a 5% increase or additional \$593,047 is anticipated.

The health and welfare benefit program ensures both employee and retiree participants have access to high quality health care and personal risk mitigation. For employees, the program supports the organization’s position as an Employer of Choice in the San Diego labor market. An Employer of Choice is an organization with high employee engagement and pride in the organization. The business value of remaining an Employer of Choice is a stable, highly productive workforce and an avoidance of the costs associated with employee turnover.

Medical

The medical plan renewal with Blue Shield of CA is made up of enrolled demographics, claim experience, health care reform fees/taxes and medical trend. The Authority’s demographic factors have remained consistent, but there has been a change in the other contributing factors. The number of large claims and overall claim experience for the group continue to run high over the last 12 month period, with a 90.1% loss ratio. In addition, the health insurer fee of 2.1% was reintroduced for the 2020 plan year after being suspended during the 2019 plan year. As a result, the Authority did not go to market to compete for alternative proposals. This strategy was based on the fact that it would be highly unlikely that we would achieve a competitive rate under the circumstances and the Authority was interested in leveraging the existing relationship with Blue Shield of CA to bring down the potential rate increase through negotiation. The

Authority's initial 2020 renewal offer from Blue Shield of CA was a 12.3% increase over the 2019 calendar year rates. Through negotiations, Willis Towers Watson ("WTW") was able to achieve a negotiated renewal of +7.2% without any decrements to the current plans. This was a reasonable premium increase given the current status of our loss ratio, high claims and the return of the health insurer fee.

With regard to the Medicare eligible retirees, United Healthcare issued an initial renewal of +6% over current. This was primarily made up of the reintroduction of the health insurer fee for the 2020 plan year. WTW was successfully able to negotiate a no marketing renewal of +2.0% over current.

Wellness

The recommended renewal maintains the Authority's Wellness Program for active employees and their enrolled spouses/domestic partners. The Wellness Program offers two primary incentives. First, those who voluntarily participate in an annual biometric screening receive a 5% reduction in the individual medical premium cost share rate (15% cost share for non-Wellness). Second, employees and those spouses/domestic partners enrolled on Authority sponsored plans may also earn a \$250 employee and \$200 spouse incentive for completing a biometric screening. These incentives may be deposited into the Flexible Spending Account or Health Savings Account, or rolled into a 457 deferred savings account on a pre-tax basis. The Wellness Program promotes risk awareness and management by employees and spouses enrolled on the medical plans.

Ancillary Lines

The Dental, Basic Life, Accidental Death & Dismemberment (AD&D), and Short Term Disability offerings are all in rate guarantees, while the Employee Assistance Program and Health Advocate offering have been issued with rate passes for the 2020 plan year.

In addition to the above benefits, the Authority will continue to offer the following voluntary benefits products with 100% of the premium costs paid by employees:

- Voluntary Vision Care
- Long-Term Disability
- Voluntary Term Life and AD&D Insurance
- Accident/Cancer/Hospital Protection/Specified Health Insurance
- Pre-paid Legal coverage
- Long Term Care Insurance
- Pet Insurance

In summary, the recommended renewal for the 2020 health and welfare benefits program includes:

- Medical coverage:
 - Blue Shield of CA for active employees and pre-Medicare retirees with four plan options: HMO, Trio HMO, PPO and HDHP. United Healthcare for Medicare enrolled retirees;
- Employee Wellness Program voluntary screening participation incentives including:
 - A 10% Wellness and 15% Non-Wellness individual employee premium cost share model;

- \$250 FSA/HSA deposit or 457 Deferred Compensation pretax election for employee participation; and
- \$200 FSA/HSA deposit or 457 Deferred Compensation pretax election for enrolled covered spouses and registered domestic partners.
- Dental coverage with Delta Dental,
- Vision coverage with Vision Service Plan (VSP),
- All other lines with the current providers.

This renewal is a 6.3% increase in cost to the Authority over the 2019 program and is a savings of 4.1% or \$246,872 for Fiscal Year 2020 as noted below.

Authority Paid Premium Costs: Active and Budgeted Employee Only

Description	Current CY 2019	Recommended Renewal CY 2020	% Change	CY Budgeted 2020 Costs	\$ Difference Between Recommended and Budgeted	% Difference Between Recommended and Budgeted
Medical ¹ Includes HSA Fund (\$750/\$1500) Includes vacant positions ²	\$4,722,250	\$5,061,917	7.2%	\$5,335,302	\$273,384	5.1%
Dental ³	\$349,455	\$349,455	0.0%	\$330,118	(\$19,337)	-5.9%
Credits (Med, Den, Vis) ⁴	\$64,992	\$64,992	0.0%	\$64,992	\$0	0.0%
Ancillary lines (Life, Disability, Health Advocate) ⁵	\$294,270	\$294,270	0.0%	\$287,095	(\$7,175)	-2.5%
TOTAL	\$5,430,968	\$5,770,635	6.3%	\$6,017,507	\$246,872	4.1%

¹Medical cost includes waiver credit of \$41.67 per pay period (51)

²Calculated at Wellness Rate

³Dental cost includes waiver credit of \$2.42 per pay period (26)

⁴Employee credits (funded by SDCRAA) include the following:
 \$4 per pay period for all enrolled in employee only Medical (229)
 \$4 per pay period vision credit for all eligible regardless of enrollment (448)

⁵Voluntary Lines (Voluntary Life/AD&D, Voluntary Long Term Disability, Aflac, Long Term Care & Vision), EAP, FSA/COBRA Fees excluded.

NOTE: Variance is the result of census at time of budget development. Blue Shield Renewal includes \$35k wellness / integration implementation fund.

The recommended renewal balances quality of care, wellness, and employer costs to achieve a market competitive employee benefits program that supports employee retention and engagement for the 2020 plan year. Therefore, staff is recommending the Executive Personnel & Compensation Committee move the proposed recommendation to the full Board for approval.

Fiscal Impact:

Adequate funding for 2020 health and welfare benefits renewal is included in the adopted FY 2020 and conceptually approved FY 2021 Budgets.

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not Applicable.

Prepared by:

KURT GERING
DIRECTOR OF TALENT, CULTURE & CAPABILITY



Renewal of the Health & Welfare Benefits Program for 2020

Presented by:

Joy Freeman | Manager, Safety & Wellness

Heather Hill | Associate Director | Willis Towers Watson

August 29, 2019

Agenda

- Program Summary
- Renewal Analysis - Active & Budgeted Employees
- Renewal Analysis - Retirees
- Renewal Analysis - Combined Elements
- Efficiency & Budget Considerations



Program Summary

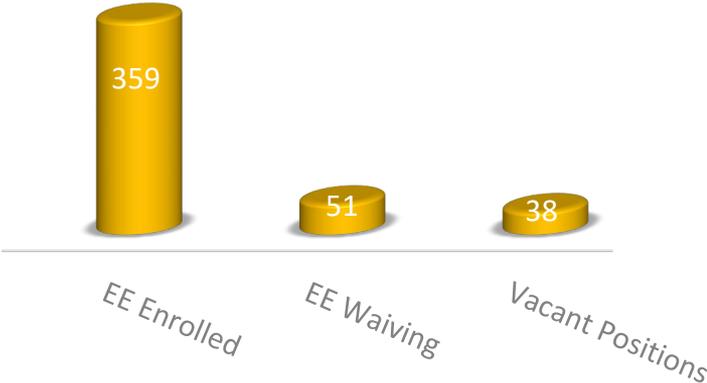


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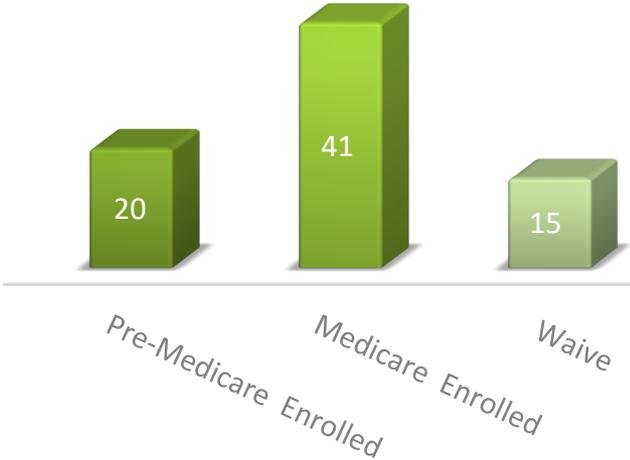
LET'S GO.

Medical Plan Enrollment

Active & Budgeted Employees (448)



Pre & Post Medicare Retirees (76)



Executive Summary

	Current (2019)	Initial Renewal (2020)	%	NEGOTIATED RENEWAL	%
Medical (with HSA Fund)	\$6,261,296	\$7,036,458	12.4%	\$6,719,248	7.3%
Medical - Medicare Retiree	\$304,074	\$322,315	6.0%	\$310,275	2.0%
Dental	\$487,921	\$487,921	0.0%	\$487,921	0.0%
Other Lines (Life/Disability, LOA, Health Advocate)	\$297,705	\$297,705	0.0%	\$297,705	0.0%
GRAND TOTAL ALL¹ (Includes waiver credits²)	\$7,468,502	\$8,261,904	10.6%	\$7,932,655	6.2%
\$ Change from Current		\$793,403		\$464,154	
% Change from Current		10.6%		6.2%	
GRAND TOTAL ACTIVE & BUDGETED EMPLOYEES¹	\$6,788,177	\$7,522,151	10.8%	\$7,217,440	6.3%
\$ Change from Current		\$733,975		\$429,263	
% Change from Current		10.8%		6.3%	
GRAND TOTAL RETIREES¹	\$680,325	\$739,753	8.7%	\$715,215	5.1%
\$ Change from Current		\$59,428		\$34,891	
% Change from Current		8.7%		5.1%	

¹Voluntary lines (Voluntary Life/AD&D, Voluntary Long Term Disability, Aflac, Long Term Care & Vision), EAP, FSA/COBRA excluded.

²Employee credits (funded by SDCRAA) include the following:

\$4 per pay period for all enrolled in employee only Medical (229)

\$41.67 per pay period credit for Medical waivers (51)

\$2.82 per pay period credit for Dental waivers (26)

\$4 per pay period vision credit for all eligible regardless of enrollment (448)

NOTE: Blue Shield Renewal includes \$35,000 wellness / implementation fund.



Renewal Analysis Active & Budgeted Employees



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Active & Budgeted Employees Cost Summary

	Current (2019)	Initial Renewal (2020)	%	NEGOTIATED RENEWAL	%
Medical	\$5,961,660	\$6,695,634	12.3%	\$6,390,923	7.2%
Dental	\$414,741	\$414,741	0.0%	\$414,741	0.0%
Other Lines (Life/Disability, LOA, Health Advocate)	\$294,270	\$294,270	0.0%	\$294,270	0.0%
GRAND TOTAL¹ (includes waiver credits)	\$6,788,177	\$7,522,151	10.8%	\$7,217,440	6.3%
\$ Change from Current		\$733,975		\$429,263	
% Change from Current		10.8%		6.3%	
EMPLOYER PAID (includes waiver credits)	\$5,430,968			\$5,770,635	
\$ Change from Current				\$339,667	
% Change from Current				6.3%	
EMPLOYEE PAID	\$1,357,209			\$1,446,805	
\$ Change from Current				\$89,596	
% Change from Current				6.6%	

¹Voluntary lines (Voluntary Life/AD&D, Voluntary Long Term Disability, Aflac, Long Term Care & Vision), EAP, FSA/COBRA excluded.

Active & Budgeted Medical Plan Designs

PLAN	CURRENT		RENEWAL
	CARRIER	NEGOTIATED (Recommended)	
Medical Trio HMO Plan	Blue Shield	No change to current	
Medical Full HMO Plan	Blue Shield	No change to current	
Medical PPO Plan	Blue Shield	No change to current	
Medical HDHP Plan	Blue Shield	No change to current, aside from mandatory adjustment to Telemedicine cost before deductible - changing from \$40 to \$45.	
HSA Employer Fund	SDCRAA Funded	No change to current	

Employee Wellness

Mission:

SDCRAA's wellbeing program aim is to improve physical, emotional, financial, and social health while enhancing employee productivity

Participation	2015	2016	2017	2018
# of Employee Screenings	344	365	350	355
# of Spouse Screenings	73	66	61	61
Total # of Screenings	417	431	411	416
Change over prior YR		3.4%	-4.6%	1.2%

Biometric screening participation and incentives:

- 5% reduction in premium costs
 - Individual premium cost-share 10% Wellness
 - Individual premium cost-share 15% non-Wellness
- FSA/HSA deposit or 457 deferred comp plan election
 - Employees = \$250
 - Spouse/Domestic Partner = \$200

Medical Renewal Premium Cost Share

	CURRENT					NEGOTIATED RENEWAL					EE Monthly Difference (Wellness to Wellness)
	Wellness 90% EE / 55% DEP					Wellness 90% EE / 55% DEP					
	Monthly Premium	EE Monthly	EE %	ER Monthly	ER %	Monthly Premium	EE Monthly	EE %	ER Monthly	ER %	
Full Network HMO											
Employee Only	\$697.19	\$69.72	10.0%	\$627.47	90.0%	\$734.14	\$73.41	10.0%	\$660.73	90.0%	\$3.70
Employee + One Dep	\$1,457.13	\$341.97	23.5%	\$1,115.16	76.5%	\$1,534.35	\$360.09	23.5%	\$1,174.26	76.5%	\$18.12
Employee + Family	\$2,077.64	\$621.20	29.9%	\$1,456.44	70.1%	\$2,187.74	\$654.12	29.9%	\$1,533.62	70.1%	\$32.92
Annual Total	\$3,260,938	\$674,641		\$2,268,209		\$3,433,750	\$710,391		\$2,388,415		
TRIO HMO											
Employee Only	\$614.62	\$61.46	10.0%	\$553.16	90.0%	\$647.19	\$64.72	10.0%	\$582.47	90.0%	\$3.26
Employee + One Dep	\$1,284.54	\$301.46	23.5%	\$983.08	76.5%	\$1,352.63	\$317.45	23.5%	\$1,035.18	76.5%	\$15.98
Employee + Family	\$1,831.55	\$547.62	29.9%	\$1,283.93	70.1%	\$1,928.63	\$576.65	29.9%	\$1,351.98	70.1%	\$29.03
Annual Total	\$765,270	\$162,707		\$556,983		\$805,830	\$171,332		\$586,502		
PPO											
Employee Only	\$932.34	\$93.23	10.0%	\$839.11	90.0%	\$1,036.95	\$103.70	10.0%	\$933.26	90.0%	\$10.46
Employee + One Dep	\$1,948.61	\$457.32	23.5%	\$1,491.29	76.5%	\$2,167.23	\$508.63	23.5%	\$1,658.60	76.5%	\$51.30
Employee + Family	\$2,778.39	\$830.72	29.9%	\$1,947.67	70.1%	\$3,090.11	\$923.92	29.9%	\$2,166.19	70.1%	\$93.20
Annual Total	\$1,773,765	\$275,889		\$1,245,919		\$1,972,778	\$306,842		\$1,385,710		
HDHP											
Employee Only	\$820.98	\$82.10	10.0%	\$738.88	90.0%	\$913.09	\$91.31	10.0%	\$821.78	90.0%	\$9.21
Employee + One Dep	\$1,715.85	\$402.69	23.5%	\$1,313.16	76.5%	\$1,908.36	\$447.87	23.5%	\$1,460.49	76.5%	\$45.18
Employee + Family	\$2,446.50	\$731.48	29.9%	\$1,715.02	70.1%	\$2,721.01	\$813.56	29.9%	\$1,907.45	70.1%	\$82.08
Annual Total	\$150,436	\$18,531		\$111,315		\$167,315	\$20,610		\$123,804		
EMPLOYER HSA Fund	\$11,250					\$11,250					
	Combined Total Premium w/Fund	Combined Employee Contribution		Combined Employer Contribution w/Fund		Combined Total Premium w/Fund	Combined Employee Contribution		Combined Employer Contribution w/Fund		
COMBINED TOTAL	\$5,961,660	\$1,290,413		\$4,671,246		\$6,390,923	\$1,380,009		\$5,010,913		
\$ Difference from Current						\$429,263	\$89,596		\$339,667		
% Difference from Current						7.2%	6.9%		7.3%		
COMBINED TOTAL WITH WAIVERS				\$4,722,250					\$5,061,917		

¹Enrollment figures provided by SDCRAA in April 2019 census. 51 active employees have waived. 38 budgeted in PPO employee only wellness plan.
NOTE: \$35,000 wellness / implementation fund included with all renewal options presented.

Waiver Credits: \$41.67 per pay period credit for Medical waivers.



Renewal Analysis Retirees



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Retiree Medical



Pre-Medicare

20 Retirees

[same options & cost share as active employees]



Medicare Enrolled

41 Retirees

[coordinated supplemental]

Note: 15 Retirees Waive Medical Coverage

Executive Summary

Medicare & Pre-Medicare Retirees

	Carrier	Current (2019)	Initial Renewal (2020)	%	NEGOTIATED RENEWAL	%
Medical	Blue Shield	\$299,636	\$340,824	13.7%	\$328,326	9.6%
Medical - Medicare Retiree	United Healthcare	\$304,074	\$322,315	6.0%	\$310,275	2.0%
Dental	Delta Dental	\$73,180	\$73,180	0.0%	\$73,180	0.0%
Other Lines (Life/Disability, Health Advocate)		\$3,435	\$3,435	0.0%	\$3,435	0.0%
GRAND TOTAL¹		\$680,325	\$739,753	8.7%	\$715,215	5.1%
\$ Change from Current			\$59,428		\$34,891	
% Change from Current			8.7%		5.1%	
EMPLOYER PAID (OPEB)		\$564,564			\$593,047	
\$ Change from Current					\$28,483	
% Change from Current					5.0%	
RETIREE PAID		\$115,761			\$122,168	
\$ Change from Current					\$6,408	
% Change from Current					5.5%	

¹Voluntary lines (Voluntary Life/AD&D, Voluntary Long Term Disability, Aflac, Long Term Care & Vision) as well as Health Advocate (Advocacy & Wellness) excluded.

Blue Shield Pre-Medicare Retirees

Full Netowrk HMO	CURRENT	INITIAL RENEWAL	NEGOTIATED RENEWAL NO CHANGES
Retiree Only	\$697.19	\$775.21	\$734.14
Retiree + Dependent	\$1,457.13	\$1,620.19	\$1,534.35
Retiree + Family	\$2,077.64	\$2,310.13	\$2,187.74
HMO Annualized Premium	\$75,882	\$84,374	\$79,904
% Change from Current		11.2%	5.3%
Trio HMO	CURRENT	INITIAL RENEWAL	NEGOTIATED RENEWAL NO CHANGES
Retiree Only	\$614.62	\$683.40	\$647.19
Retiree + Dependent	\$1,284.54	\$1,428.31	\$1,352.63
Retiree + Family	\$1,831.55	\$2,036.53	\$1,928.63
HMO Annualized Premium	\$7,375	\$8,201	\$7,766
% Change from Current		11.2%	5.3%
PPO	CURRENT	INITIAL RENEWAL	NEGOTIATED RENEWAL NO CHANGES
Retiree Only	\$932.34	\$1,069.67	\$1,036.95
Retiree + Dependent	\$1,948.61	\$2,235.61	\$2,167.23
Retiree + Family	\$2,778.39	\$3,187.62	\$3,090.11
PPO Annualized Premium	\$216,379	\$248,249	\$240,656
% Change from Current		14.7%	11.2%
HDHP--Separate HSA Fund	CURRENT	INITIAL RENEWAL	NEGOTIATED RENEWAL NO CHANGES
Retiree Only	\$820.98	\$941.91	\$913.09
Retiree + Dependent	\$1,715.85	\$1,968.59	\$1,908.36
Retiree + Family	\$2,446.50	\$2,806.89	\$2,721.01
HDHP Annualized Premium	\$0	\$0	\$0
% Change from Current		0.0%	0.0%
HSA Fund (\$750/\$1,500)	\$0	\$0	\$0
Total Annualized Premium w/ Fund	\$299,636	\$340,824	\$328,326
\$ Change from Current		\$41,187	\$28,689
% Change from Current		13.7%	9.6%

United Healthcare -Post Medicare Retirees

CURRENT 01/01/2019-12/31/2019					NEGOTIATED RENEWAL 01/01/2020-12/31/2020		
Medicare Advantage PPO	Enrollment ¹	Total Monthly Premium	Retiree Monthly	OPEB Monthly	Total Monthly Premium ²	Retiree Monthly	OPEB Monthly
Medicare Retiree	28	\$469.25	\$46.93	\$422.33	\$478.82	\$47.88	\$430.94
Medicare Retiree & Spouse	13	\$938.50	\$211.16	\$727.34	\$957.64	\$215.47	\$742.17
Total Annualized Premium	41	\$304,074	\$48,708	\$255,366	\$310,275	\$49,702	\$260,574
\$ Difference from Current					\$6,201		
% Difference from Current					2.0%		

¹Enrollment figures provided by SDCRAA in April 2019 census.

²**Initial Renewal:** The Medicare Advantage PPO plan received a -0.49% decrease to the net premium prior to the Insurer Tax. With the tax included, the total premium received a 6% increase.

Negotiated Renewal: The Medicare Advantage PPO plan received a -4.35% decrease to the net premium prior to the Insurer Tax. With the tax included, the total premium received a 2.04% increase.

Health Insurer Fee

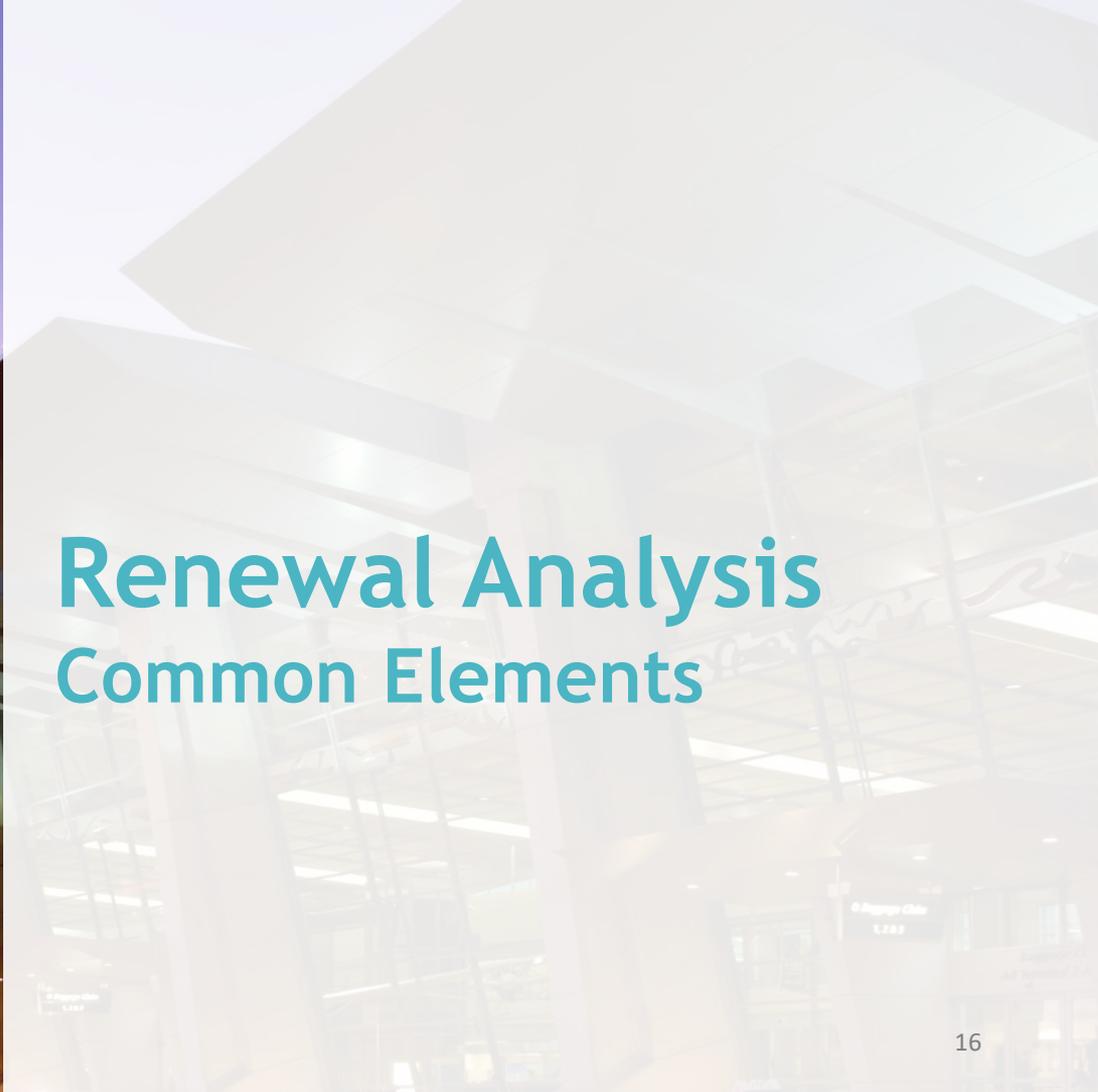
As we discussed in last two years' renewals, the Affordable Care Act of 2010 requires insurers to pay an insurer fee that applies to all fully insured premiums. CMS did not increase Medicare Advantage plan funding in order to cover the fee. The fee was waived for 2017, returned in 2018 and has been waived once again for 2019. The fee is currently scheduled to return in 2020 and beyond.

PLAN DESIGN CHANGE	CARRIER	CURRENT	RENEWAL
Initial Coverage Limit	UnitedHealthcare	\$3,820	\$4,020
Catastrophic Phase Begins	UnitedHealthcare	\$5,100 TrOOP	\$6,350 TrOOP
Standard Catastrophic Member Cost Share	UnitedHealthcare	The greater of \$3.40 or 5% coinsurance for generic drugs	The greater of \$3.60 or 5% coinsurance for generic drugs
		The greater of \$8.50 or 5% coinsurance for brand name drugs	The greater of \$8.95 or 5% coinsurance for brand name drugs
Formulary Name	UnitedHealthcare	19MAPD H Full Edit	20MAPD H Full Edit
Formulary Number	UnitedHealthcare	19090HM	20051HM



Renewal Analysis

Common Elements



Active, Budgeted & Retiree Plan Designs

Current		Negotiated Renewal
Plan	Carrier	
Dental	Delta Dental	No Change to current
Voluntary Vision	VSP	No Change to current
Other Lines (Life/Disability, Health Advocate)	The Hartford Health Advocate	No Change to current

Dental

January 1, 2020 - December 31, 2020
Contribution Analysis - Active & Budgeted Only

Delta Dental 01/01/2019 - 12/31/2019				Delta Dental 01/01/2020 - 12/31/2020		
	Monthly Premium	EE Monthly	ER Monthly	Monthly Premium	EE Monthly	ER Monthly
Dental PPO						
Employee Only	\$60.48	\$0.00	\$60.48	\$60.48	\$0.00	\$60.48
Employee + One Dep	\$108.59	\$21.65	\$86.94	\$108.59	\$21.65	\$86.94
Employee + Family	\$147.65	\$39.23	\$108.42	\$147.65	\$39.23	\$108.42
Waive Credit	(Credit)	-\$4.84	\$4.84	(Credit)	-\$4.84	\$4.84
Dental HMO						
Employee Only	\$18.86	\$0.00	\$18.86	\$18.86	\$0.00	\$18.86
Employee + One Dep	\$31.16	\$5.53	\$25.63	\$31.16	\$5.53	\$25.63
Employee + Family	\$46.03	\$12.23	\$33.80	\$46.03	\$12.23	\$33.80
Waive Credit	(Credit)	-\$4.84	\$4.84	(Credit)	-\$4.84	\$4.84
Annual Total	\$27,105	\$4,049	\$23,055	\$27,105	\$4,049	\$23,055
PREMIUM TOTAL	\$414,741	\$66,795	\$347,945	\$414,741	\$66,795	\$347,945
\$ Difference from Current				\$0	\$0	\$0
% Difference from Current				0.0%	0.0%	0.0%
COMBINED TOTAL WITH WAIVER¹			\$349,455			\$349,455

¹Waiver Credits: \$2.42 per pay period credit for dental waivers.

January 1, 2020 - December 31, 2020
Contribution Analysis - Retirees

Delta Dental 01/01/2019 - 12/31/2019				Delta Dental 01/01/2020 - 12/31/2020		
	Monthly Premium	EE Monthly	ER Monthly	Monthly Premium	EE Monthly	ER Monthly
Dental PPO						
Employee Only	\$60.48	\$0.00	\$60.48	\$60.48	\$0.00	\$60.48
Employee + One Dep	\$108.59	\$21.65	\$86.94	\$108.59	\$21.65	\$86.94
Employee + Family	\$147.65	\$39.23	\$108.42	\$147.65	\$39.23	\$108.42
Annual Total	\$71,753	\$10,407	\$61,346	\$71,753	\$10,407	\$61,346
Dental HMO						
Employee Only	\$18.86	\$0.00	\$18.86	\$18.86	\$0.00	\$18.86
Employee + One Dep	\$31.16	\$5.53	\$25.63	\$31.16	\$5.53	\$25.63
Employee + Family	\$46.03	\$12.23	\$33.80	\$46.03	\$12.23	\$33.80
Annual Total	\$1,427	\$133	\$1,294	\$1,427	\$133	\$1,294
COMBINED TOTAL	\$73,180	\$10,540	\$62,640	\$73,180	\$10,540	\$62,640
\$ Difference from Current				\$0	\$0	\$0
% Difference from Current				0.0%	0.0%	0.0%

Voluntary Vision (Employee Paid)

January 1, 2020 - December 31, 2020
Active & Budgeted Employees

	VSP	
	Current 1/1/2019	Renewal 1/1/2020
Vision PPO		
Total Annual Cost	\$58,091	\$58,091
\$ Difference From Current		\$0

January 1, 2020 - December 31, 2020
Medicare & Pre-Medicare Retirees

	VSP	
	Current 1/1/2019	Renewal 1/1/2020
Vision PPO		
Total Annual Cost	\$6,690	\$6,690
\$ Difference From Current		\$0

Ancillary Lines

(Employer Paid)

Active & Budgeted Employees

	Current	Renewal
Life/AD&D		
Annualized Premium	\$104,824	\$104,824
STD		
Annualized Premium	\$159,830	\$159,830
LOA		
Annualized Premium	\$10,800	\$10,800
Estimated Annual Active & Budgeted Premium	\$275,454	\$275,454
\$ Difference from Current	\$0	\$0

¹Volumes pulled from SDCRAA April 2019 billing statement.

Includes 410 Active and 38 budgeted (ER Paid Plans). Budgeted assumes average salary of \$82,531 and Class 3 life.

Active & Budgeted Employees

	Health Advocate Current / Renewal
Annualized Active & Budgeted Premium	\$18,816
\$ Difference from Current	\$0

Medicare & Pre-Medicare Retirees

	Current	Renewal
Retiree Life/AD&D		
Annual Retiree Premium	\$2,523	\$2,523
\$ Difference from Current	\$0	\$0

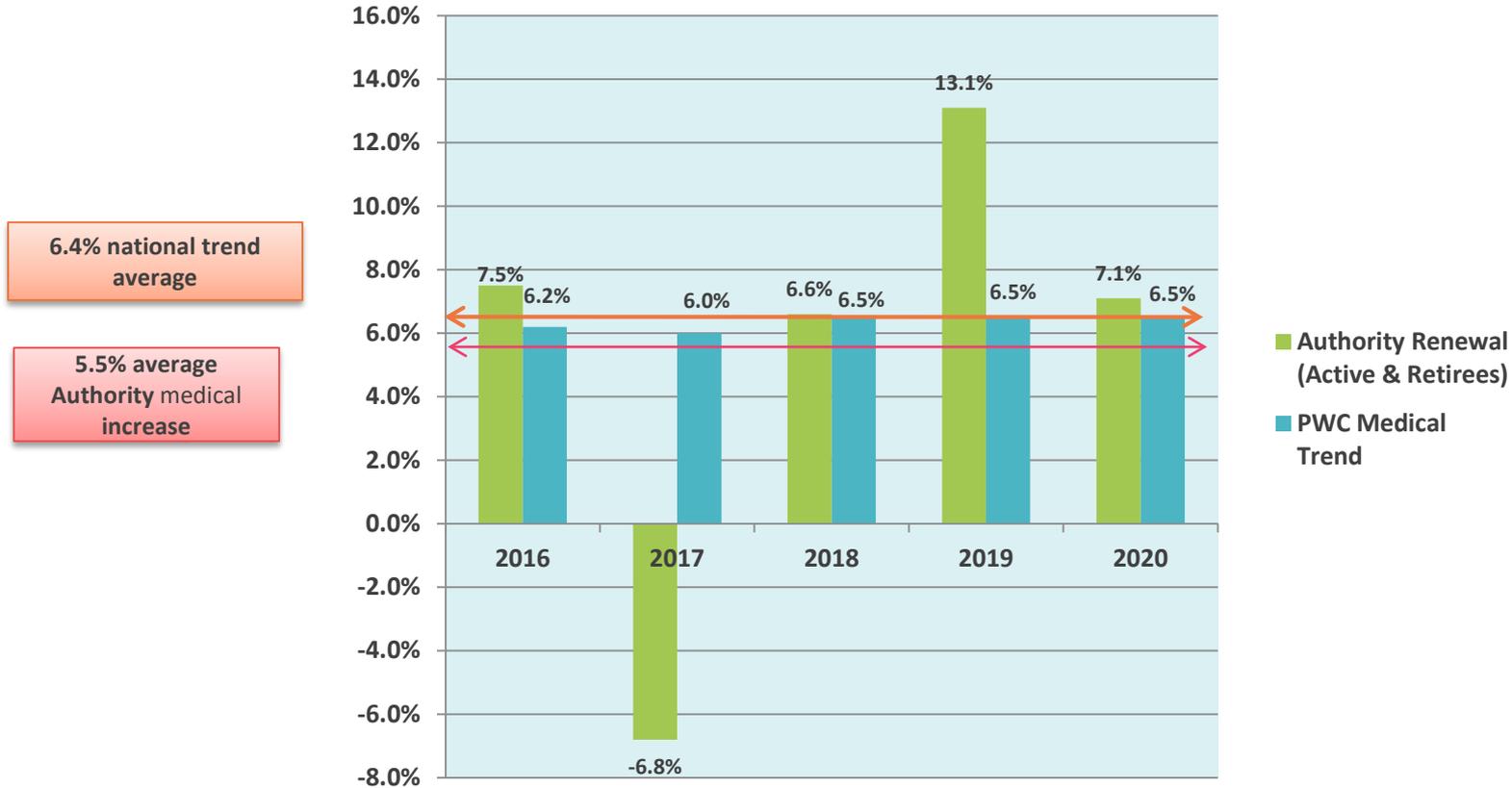
Includes 76 retirees.

Medicare & Pre-Medicare Retirees

	Health Advocate Current / Renewal
Annualized Retiree Premium	\$912
\$ Difference from Current	\$0

5 Year Review

% Health Benefit Renewal Increase vs. Trend

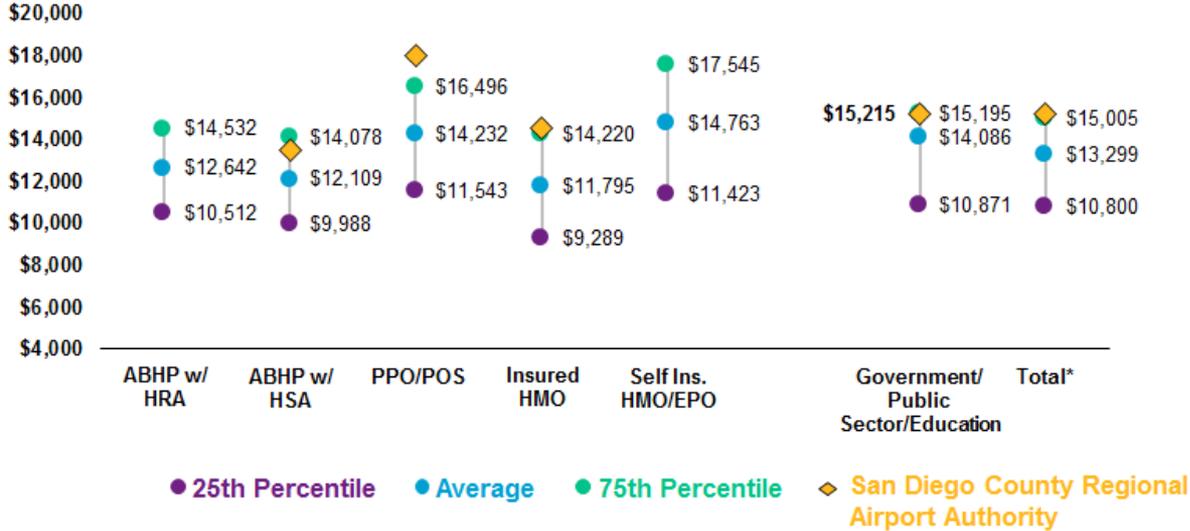


Source: U.S. Medical trend data provided by PWC Health Research Institute

Total Cost per Covered Employee per Year (Unadjusted)

Medical Cost Benchmarks Total Cost per Covered Employee per Year (unadjusted)

? How do your plan costs compare? How does enrollment across plan type impact the average cost? Even if total plan costs are favorable, are some plans more exposed to the excise tax?



✓ Your actual costs are 14% above the benchmark average, 8% above average for your industry.

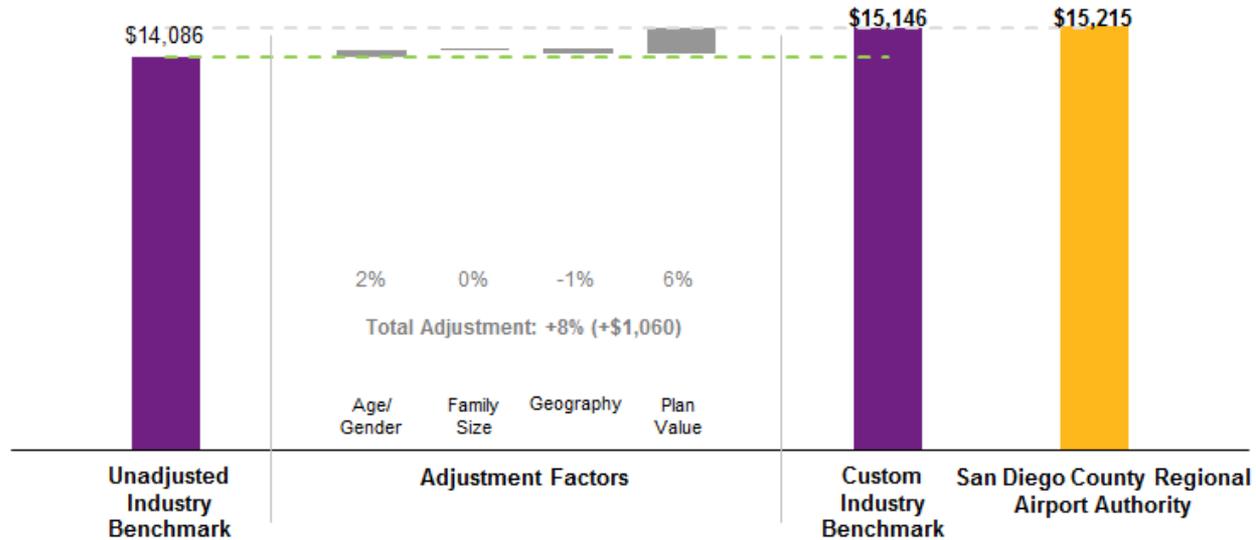
*Total costs represent an enrollment weighted average of all plan types.

Industry Efficiency

Medical Cost Benchmarks Industry Efficiency



After adjustments, how efficient is your total plan compared to the Government/Public Sector/Education industry?



Your total program is about as efficient as your industry.

Authority Budget Summary

Authority Paid Premium Costs: Active and Budgeted Employee Only

Description	Current CY 2019	Recommended Renewal CY 2020	% Change	CY Budgeted 2020 Costs	\$ Difference Between Recommended and Budgeted	% Difference Between Recommended and Budgeted
Medical ¹ Includes HSA Fund (\$750/\$1500) Includes vacant positions ²	\$4,722,250	\$5,061,917	7.2%	\$5,335,302	\$273,384	5.1%
Dental ³	\$349,455	\$349,455	0.0%	\$330,118	(\$19,337)	-5.9%
Credits (Med, Den, Vis) ⁴	\$64,992	\$64,992	0.0%	\$64,992	\$0	0.0%
Ancillary lines (Life, Disability, Health Advocate) ⁵	\$294,270	\$294,270	0.0%	\$287,095	(\$7,175)	-2.5%
TOTAL	\$5,430,968	\$5,770,635	6.3%	\$6,017,507	\$246,872	4.1%

¹Medical cost includes waiver credit of \$41.67 per pay period (51)

²Calculated at Wellness Rate

³Dental cost includes waiver credit of \$2.42 per pay period (26)

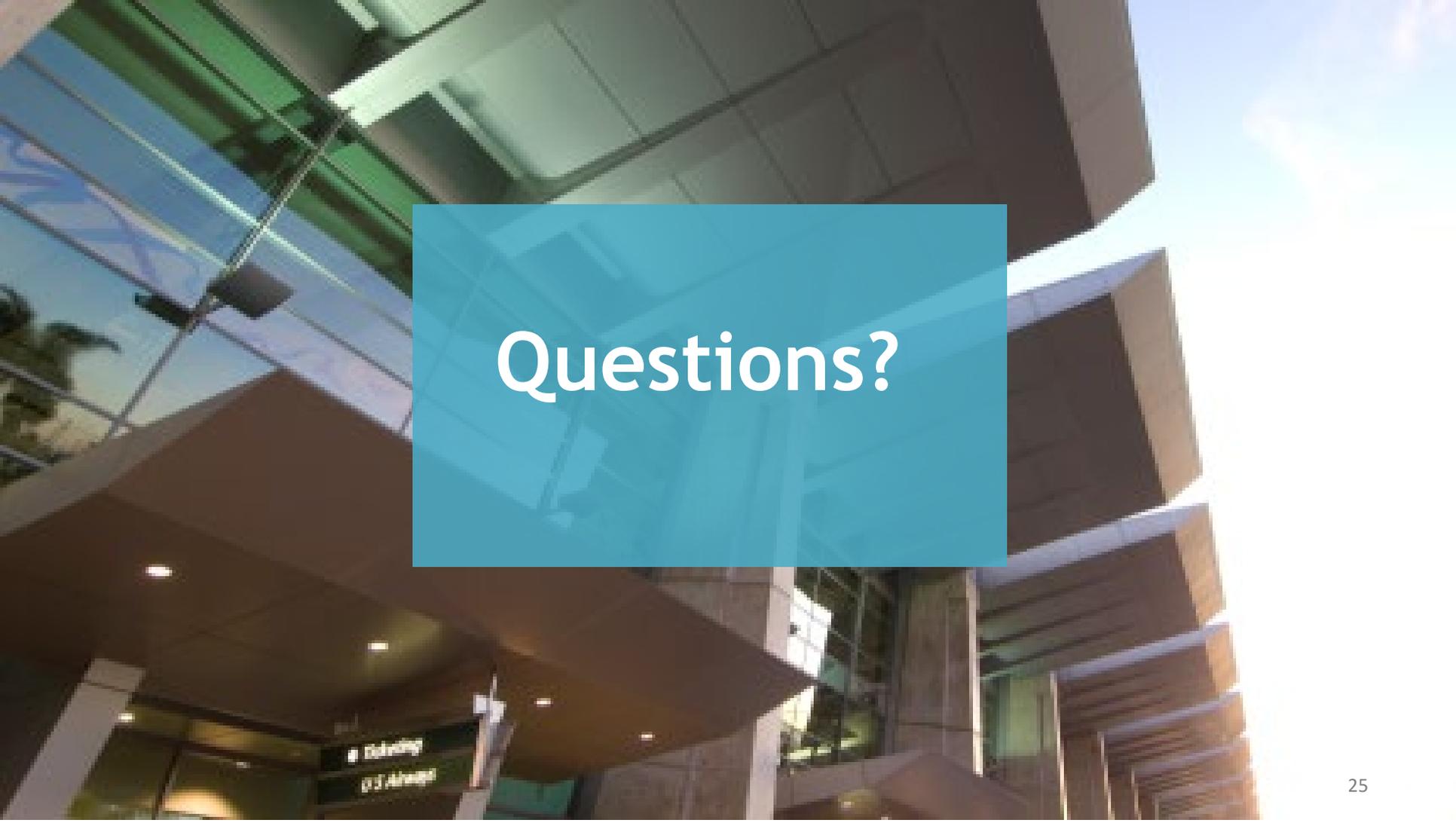
⁴Employee credits (funded by SDCRAA) include the following:

\$4 per pay period for all enrolled in employee only Medical (229)

\$4 per pay period vision credit for all eligible regardless of enrollment (448)

⁵Voluntary Lines (Voluntary Life/AD&D, Voluntary Long Term Disability, Aflac, Long Term Care & Vision), EAP, FSA/COBRA Fees excluded.

NOTE: Variance is the result of census at time of budget development. Blue Shield Renewal includes \$35k wellness / integration implementation fund.

A low-angle photograph of a modern building with a glass facade and a teal overlay containing the text "Questions?". The building features a prominent glass entrance with a sign that reads "Building 13 Always". The sky is bright and blue with some light clouds. The teal overlay is a semi-transparent rectangle in the center of the image.

Questions?