



Agenda Abstract

BOARD OF COMMISSIONERS

| | |
|-------------------------|-------------------------|
| Meeting Date: | Feb. 17, 2024 |
| Department: | Administrative Services |
| Agenda Section: | Regular |
| Public hearing: | No |
| Date of public hearing: | N/A |

PRESENTER/INFORMATION CONTACT

Human Resources Manager Haley Thore

ITEM TO BE CONSIDERED

Subject: Employee Benefits

Attachments:

None

Summary:

Benefits Market Survey

HR developed and requested responses for a comprehensive benefits market study. Responses were collected from late December through mid-January. The purpose of this survey was to see how we compare and if there are any areas we can improve to help with our recruitment and retention. We received 22 survey responses from various jurisdictions throughout the state. There was a technology glitch regarding the survey form, so not all jurisdictions were able to make it through the full survey, meaning there are gaps in the information received.

With the responses we received, our benefits appear to be comparable in the below areas:

- Number of paid holidays
- Vacation leave accrual amounts
- Amount of paid parental leave
- Amount of bereavement leave
- *Next Step:* No action needed

We appear to be leading the market in these areas based on the survey responses:

- Employee Assistance Program (EAP)
- Tuition reimbursement
- Safety shoe stipend
- Cell phone stipend
- *Next Step:* No action needed

Areas to investigate further:

- Longevity
- Retiree health insurance eligibility requirements
- Pay increase for job related certifications that do not result in promotion
- Standardized language incentive
- *Next Step:* Will come back later in 2024 with additional information

We appear to be lagging in this area:

- Dependent health premium costs for employees
- *Next Step:* Develop dependent health premium reduction strategy (proposal below)

Questions that were not answered by all respondents included commuter benefits, student loan assistance, employee committee incentives, pet insurance, and other non-traditional benefits. Respondents that did answer these questions do not currently offer non-traditional benefits. One jurisdiction offers bus passes; however, the benefit has not yet been used.

North Carolina Health Insurance Pool (NCHIP)

The town has been a member of the North Carolina Health Insurance Pool (NCHIP) since 2018 and membership in this pool has been beneficial. The town has not had health insurance premium rate increases since FY19. Dependent health premiums have continuously been a concern among employees over the years. A few years ago, the town added a third health plan option that provides a lower dependent premium cost. We had low initial enrollment in that plan with 5 employees currently enrolled. We used some reserve funds to lower costs in FY21 which helped, but ultimately not enough. We have had people turn down employment offers due to dependent premium costs, and it has been a contributing factor for some employees who have decided to leave employment.

We have not had many high-cost claimants over the years and have therefore built up a significant reserve fund. At the end of 2023, we had a reserve fund of 8.9 times the needed amount. NCHIP recommends that reserve funds are at/near 3 times the needed amount. Our reserve fund has since increased by \$181,000 this fiscal year. We are one of the top performing groups in NCHIP.

Staff recommends reducing dependent health premiums using reserve funds, which will slow our increasing reserves and help move us back to the middle of the pool as it relates to our reserves. With the proposed contribution strategy, the projected impact to Hillsborough would be around \$22,267 annually. The expectation of lowering dependent premiums is that we will entice new employees to come to Hillsborough because they can cover their family at a lower cost. This will happen, but it will also increase dependent elections on current staff, and that number will be more difficult to anticipate. If the dependent enrollments double, it's expected that would result in an additional \$22,000 impact to the town. Independent of the increased employee contributions we will receive when employees add dependents, the \$50,000 cost increase due to increased dependent enrollment at a lower premium, still leaves us with a safety net of around \$130,000 based on current expected reserve surpluses in the current fiscal year. It is expected that with this surplus, plus those built up in prior years will help fund this initiative over the next few years. This does not seem like a risky strategy and would place Hillsborough's health plans and dependent premiums in a very competitive spot compared to surrounding jurisdictions and the other municipalities in NCHIP.

Supplemental Life Insurance

The town pays for basic life and accidental death and dismemberment (AD&D) term life insurance for all benefit eligible employees. The amount of coverage that the town provides to employees is one time their salary, up to \$200,000. Employees currently have the option to enroll in additional basic life & AD&D term life insurance for themselves, their spouse and their children. Employees pay the full cost of the supplemental or additional term life insurance coverage that they choose to enroll in.

Term life insurance is life insurance coverage for a defined period of time, typically between 10 and 30 years. It is not uncommon for people to live beyond the defined period, in which case they would no longer have life insurance coverage.

In addition to the supplemental term life insurance options, the town used to offer employees whole life insurance. No employees enrolled in the whole life insurance plan, so we stopped offering this supplemental benefit. We have not received requests from employees for whole life to be offered through the town again. Whole life can be a costly option for employees, especially compared to the term life options we currently offer.

An alternative to offering whole life is to offer employees the opportunity to enroll in a universal life plan through Trustmark. The universal life option is more affordable than whole life insurance and includes a long-term care rider. A long-term care rider is a feature that allows policy holders to receive a portion of the death benefit, while the policy holder is still alive. The money can then be used to pay for long-term care expenses. The long-term care rider with the life insurance coverage may be more appealing to employees because it's harder to get long-term care insurance. Fewer organizations are offering it to employees, which could make it a recruitment tool. The town also has not previously offered universal life insurance to employees, and we may have more interest in it than we had in whole life.

Both whole life and universal life insurance are permanent policies and generally don't expire. Universal life gives policy holders more flexibility which allows the coverage to be more affordable than whole life, which typically offers fixed benefits and premiums that remains the same throughout the life of the policy. Both whole life and universal life include a guaranteed issue (GI) amount. This means that employees can enroll in the plan up to a specified coverage amount without having to complete an evidence of insurability (EOI) form which is a series of health questions. Typically, people who choose to enroll in life insurance outside an employer offered plan, are required to submit the EOI regardless of the amount of coverage they are applying for. Both plans also offer coverage options and GI amounts for spouse and children.

Staff recommends offering universal life with the long-term care rider to employees based on the information outlined above. Offering either whole life or universal life to employees is no cost to the town as employees would pay 100% of the premiums via payroll deductions.

Financial impacts:

No immediate impact.

Staff recommendation and comments:

Support offering universal life insurance to employees in FY25.

Support use of reserve funds to lower dependent premiums in FY25.

Action requested:

Provide feedback.