

# EMPLOYEE BENEFITS ANALYSIS

City of Gainesville  
January 2019



# Benefits Analysis

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# Overview



# Benefits Market Analysis - Engagement Overview

The City of Gainesville (the City) engaged Korn Ferry (KF) to conduct an analysis of its employee benefits offering against a custom peer group comprised of 18 Florida employers\*.

A two-pronged approach was taken for this analysis which included market prevalence and benefit valuation. Commentary and detailed prevalence comparison charts are also being provided. Please note that when survey participants offered multiple plans for the same type of coverage (e.g. medical), the market data reflects the prevalent plan (i.e., the one the majority of employees are enrolled in).

- 1) **Market Prevalence** analysis provides high-level comparison charts and commentary on how the City's plan designs compare to market prevalent practices (refer to Appendix B for additional plan comparison details).
- 2) **Benefit Valuation** analysis provides an overview of the City's benefit values across multiple salary bands
  - These values are derived from our proprietary methodology which value the benefit from the employee's perspective based on "cash equivalence", rather than actual employer cost (additional details on the KF valuation methodology can be found in Appendix C).
  - A separate Public Safety (Police and Fire) pension benchmark analysis was also undertaken at the City's request (note: this is not an actuarial comparison)



\* Listing of the custom market peer group participants can be found in Appendix A

# **Benefit Summaries, Valuations and Market Comparisons**



# Benefits Market Analysis

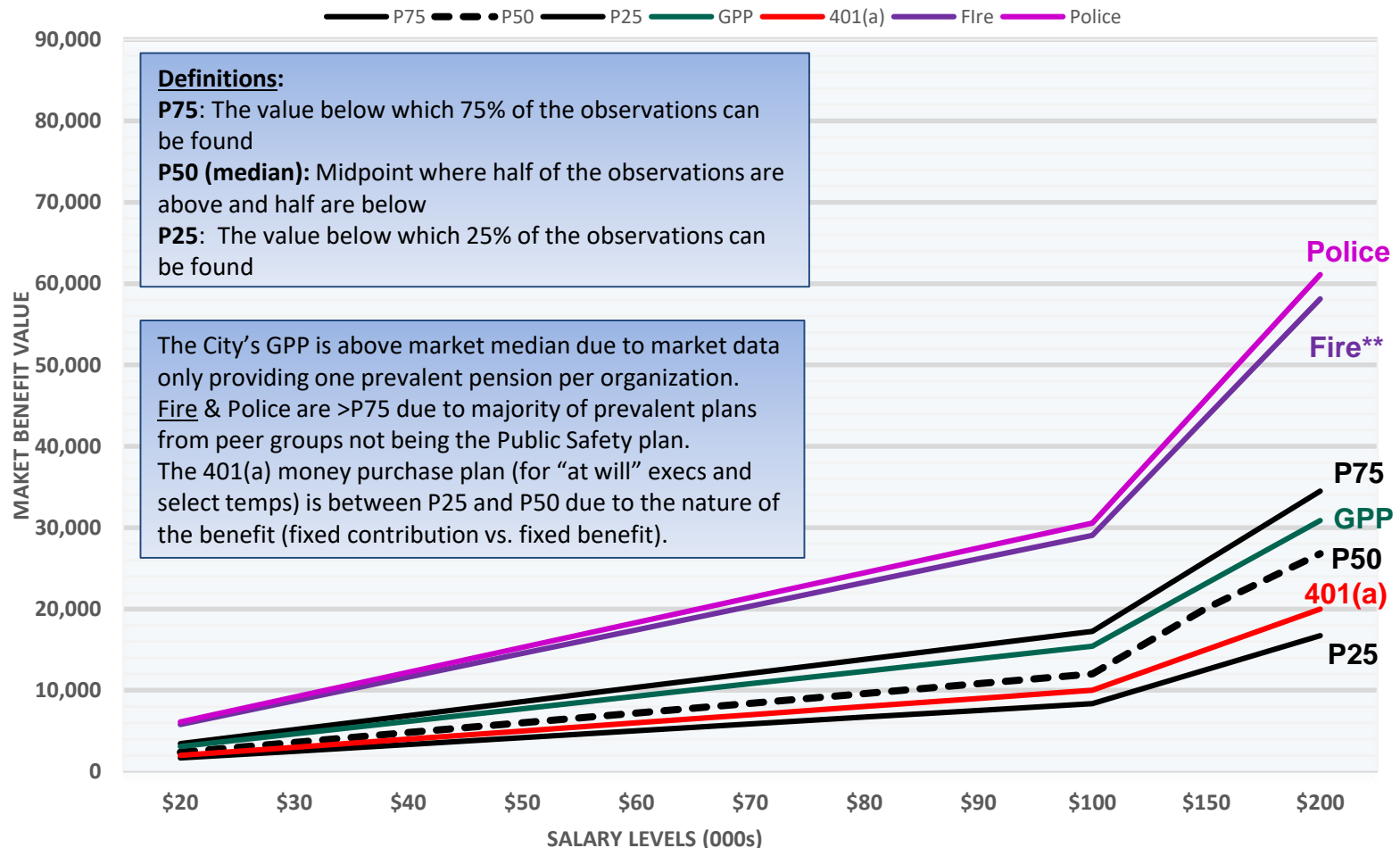
**Aside from compensation, the main drivers of employee satisfaction with respect to benefits are typically healthcare, retirement, and paid leave. These same three components also account for the majority of an employer's benefits cost.**

- The City's benefits under these three categories compare to the custom market peer group as follows:
  - 1) **Healthcare:** significantly below market median practices (mainly due to higher individual and dependent cost-sharing)
  - 2) **Total Retirement (includes Defined Contribution (DC) and Defined Benefit (DB) plans):**
    - **GPP:** Above market when compared to the peer group market prevalent retirement plans
    - **Fire:** P25 and P50 when compared to Public Safety subset of DB plans, but above P75 when compared to the peer group market prevalent retirement plans
    - **Police:** Aligned with market median (P50) of Public Safety subset of DB plans, but above P75 when compared to the peer group market prevalent retirement plans
    - **401(a) participants:** Above P75 when compared to just the market peer group DC retirement plans, but between P25 and P50 when compared to the peer group market prevalent retirement plans (due to heavy influence of the DB plans in the peer market)
  - 3) **Paid Leave:** although paid leave varies by employee group/union, after taking into account all vacation, sick, statutory and floating holidays, the City's leave programs are generally in-line with market practices



# Total Retirement (prevalent DC and DB Plans from peer group)\*

## The City vs. Market - Total Retirement

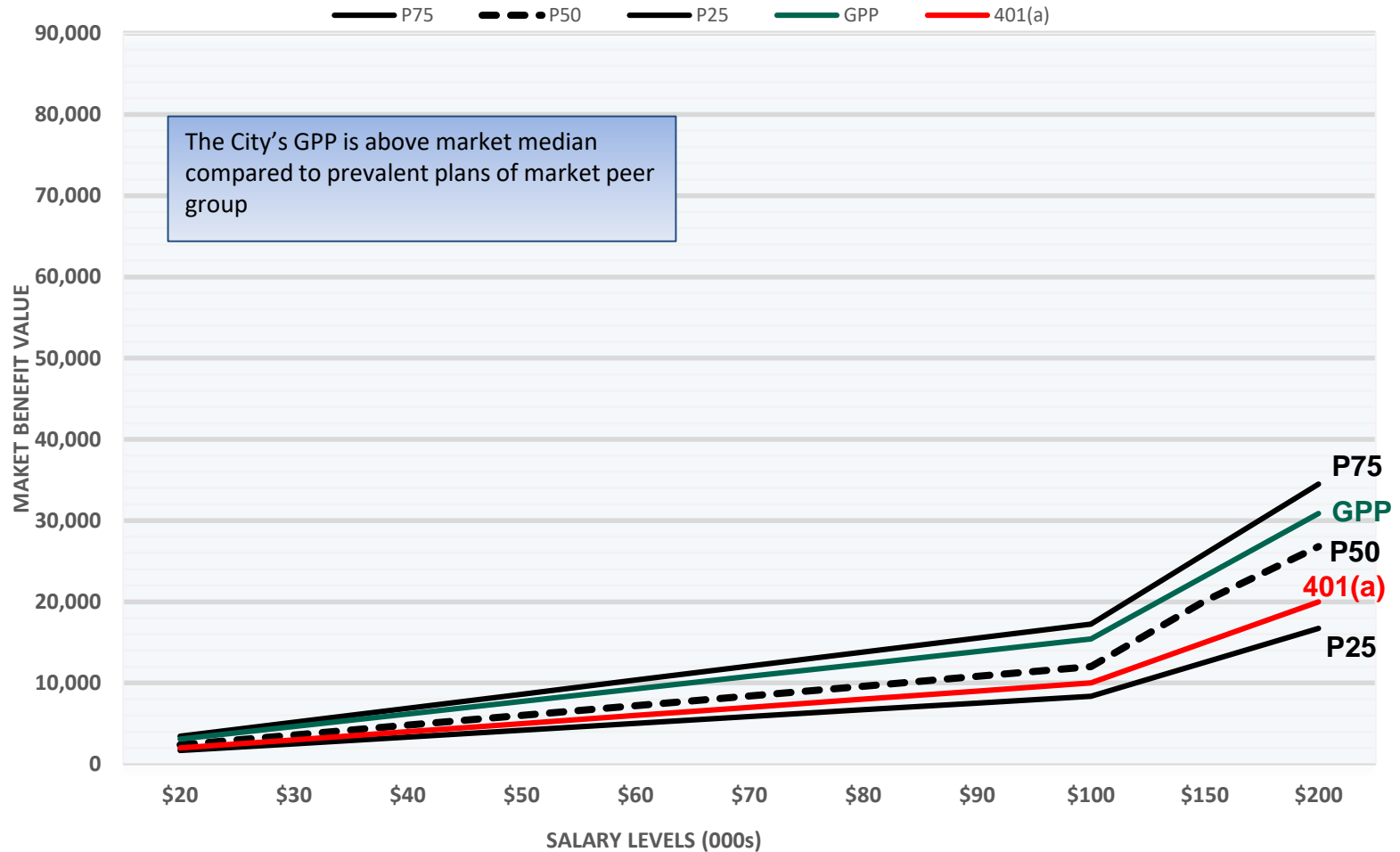


\* Market data is reflective of survey participants' prevalent plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

# Total Retirement (prevalent DC and DB Plans from peer group)\*

## The City vs. Market - Total Retirement

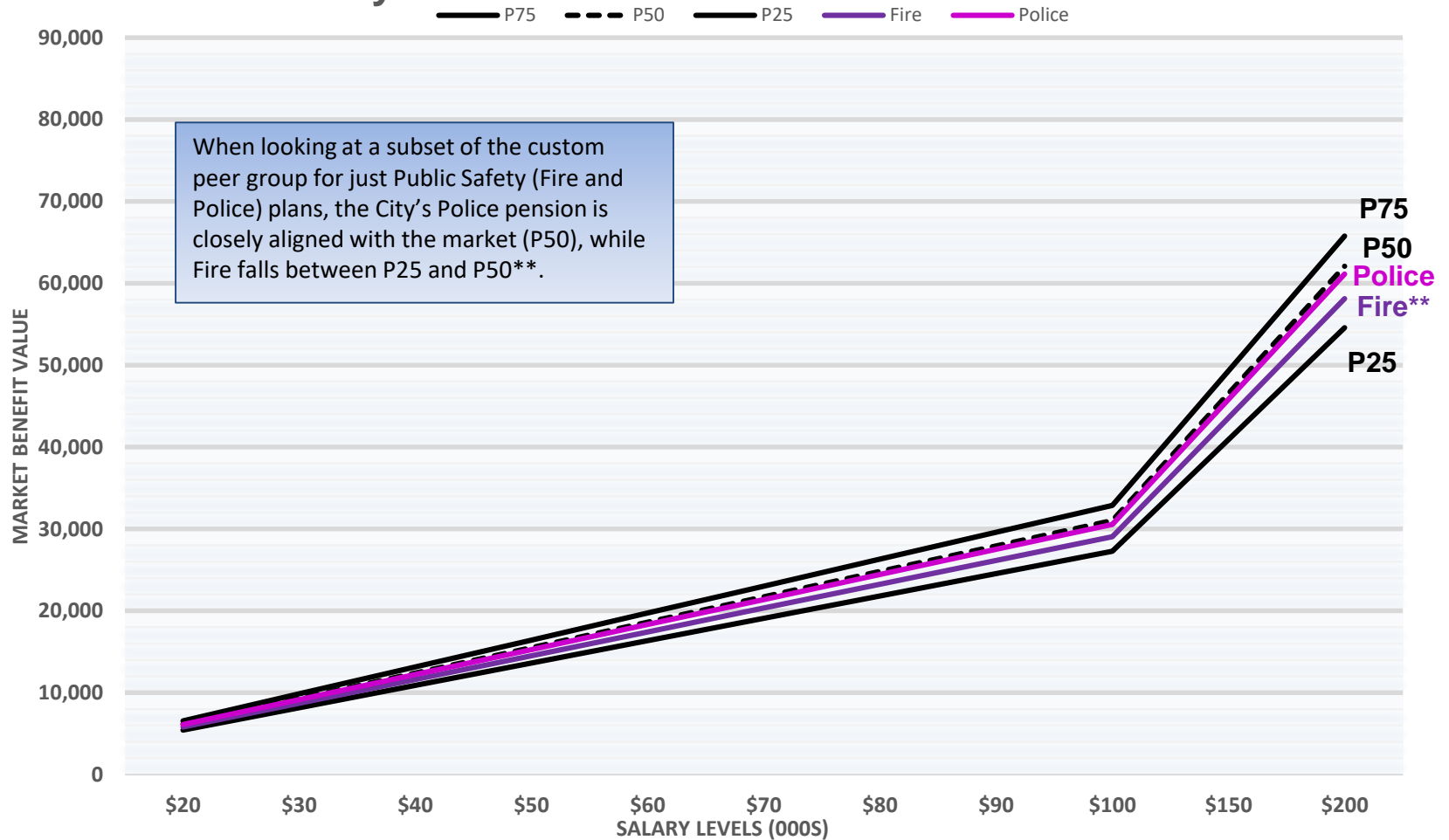


\* Market data is reflective of survey participants' prevalent plans



# Retirement (Public Safety DB subset\* - Fire and Police Only )

## The City vs. Market - Defined Benefit Retirement

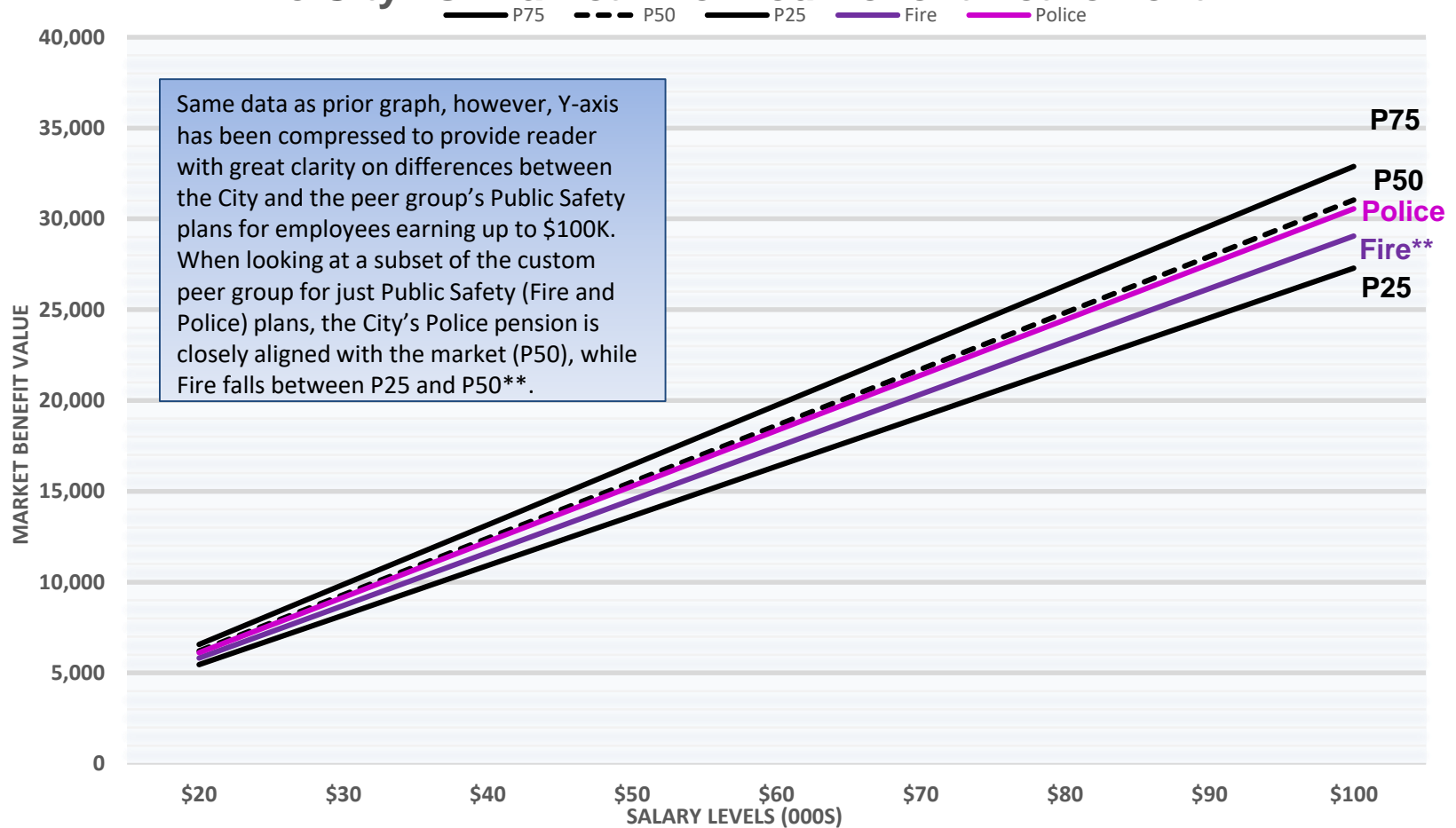


\* refer to Appendix A for listing of subset of Public Safety pension plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

# Retirement (Public Safety DB subset\* - Fire and Police Only )

## The City vs. Market - Defined Benefit Retirement

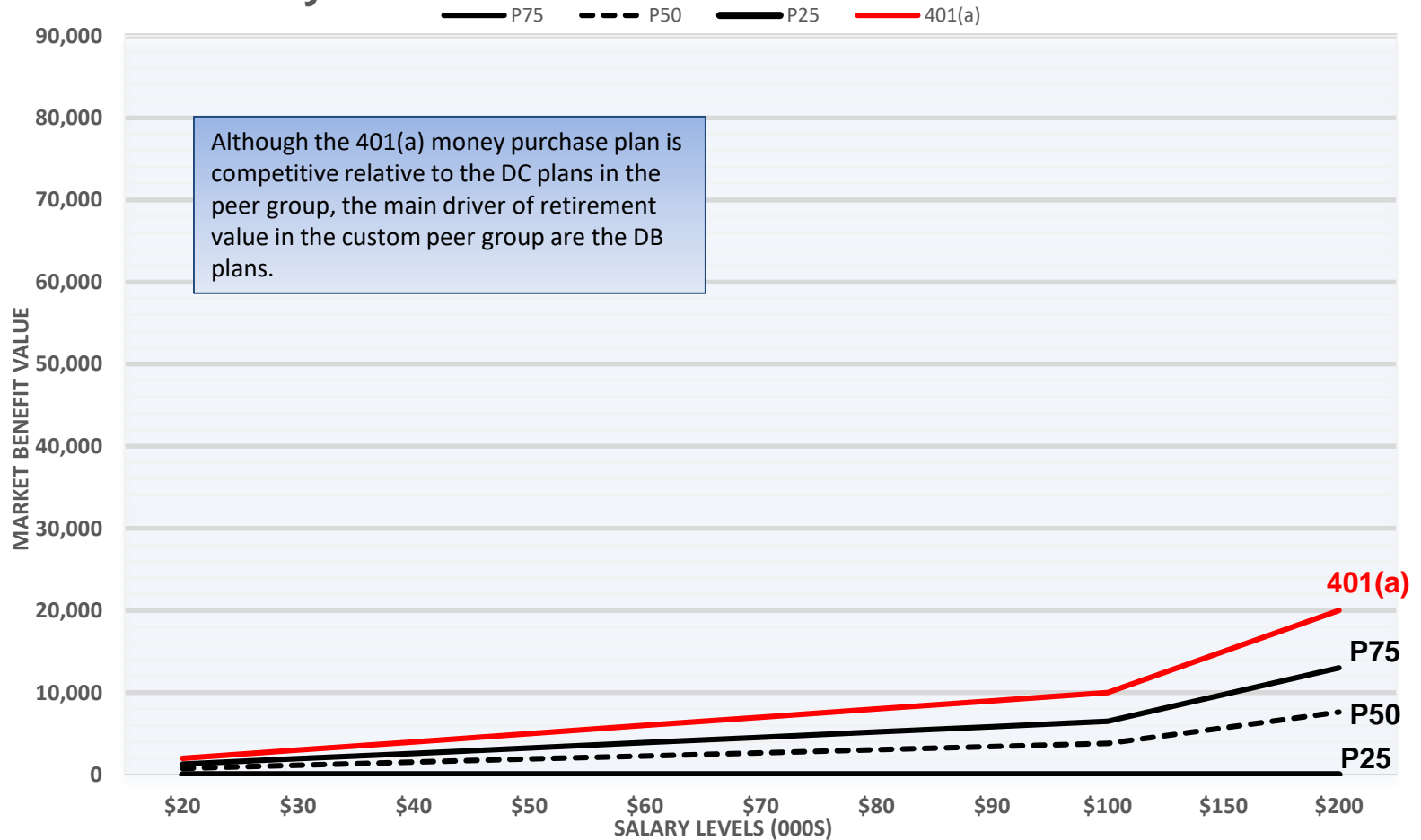


\* refer to Appendix A for listing of subset of Public Safety pension plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

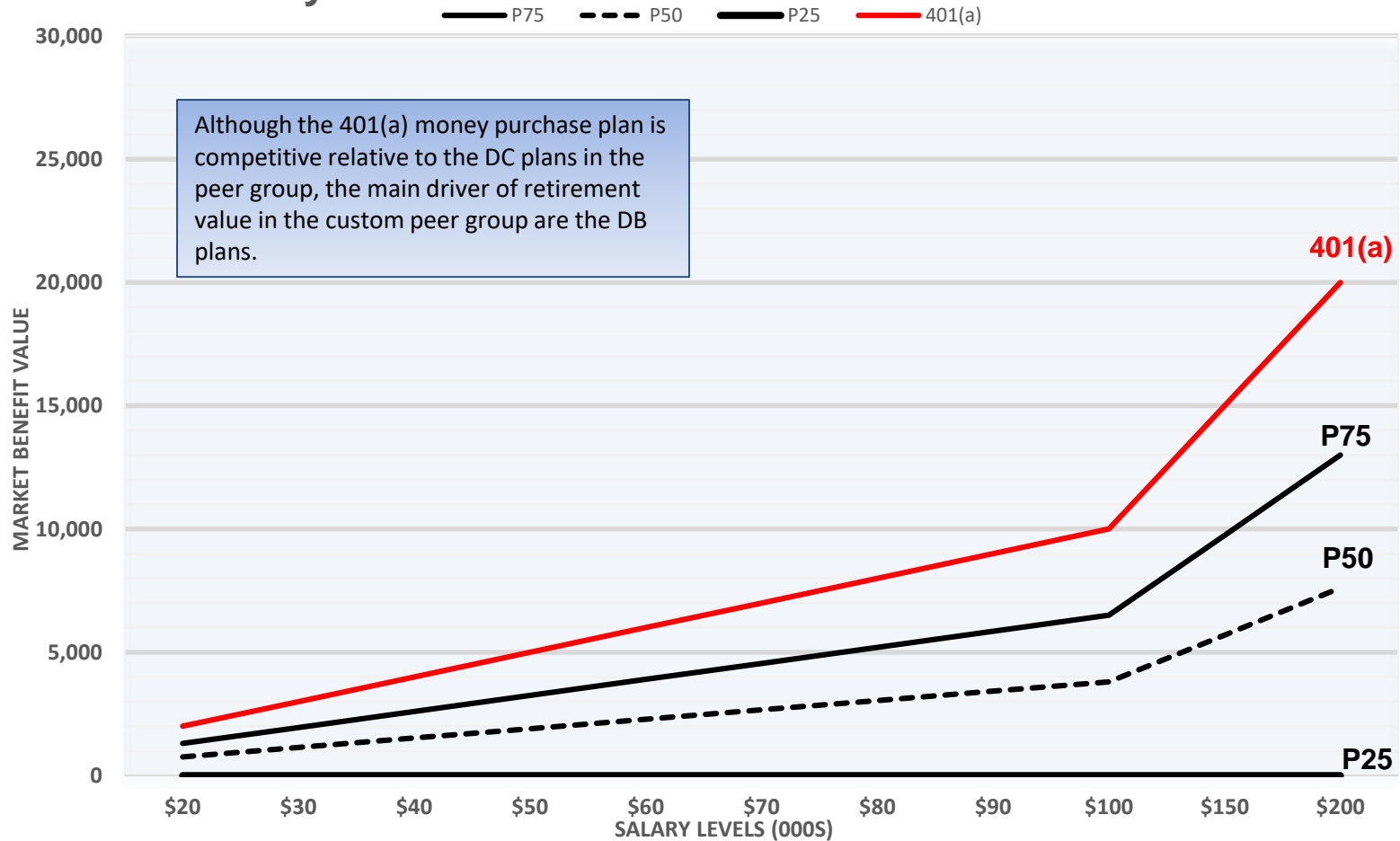
## Retirement (DC Only from peer group)

### The City vs. Market - Defined Contribution Retirement



## Retirement (DC Only from peer group)

### The City vs. Market - Defined Contribution Retirement



## Qualified Plans Retirement - GPP

| Benefit                          | Description   | Approx. Market Competitiveness Compared to Market Median (P50)   | Market Median Practice   |
|----------------------------------|---|--|--|
| <b>Defined Benefit (DB) Plan</b> | <ul style="list-style-type: none"> <li>The City provides three (3) different DB plans:</li> </ul> <ol style="list-style-type: none"> <li><b>General Pension Plan:</b> <ul style="list-style-type: none"> <li>Mandatory 5% employee contribution</li> <li>Accrual formula: <math>1.8\% \times \text{YOS} \times \text{Final Average Earnings}</math></li> <li>Vesting is 5 years (cliff)</li> <li>Annual COLA adjustment (2% at age 65 if have 30 yrs of service)</li> </ul> </li> </ol> | <ul style="list-style-type: none"> <li>Above market median (between P50 and P75) for Total Retirement compared to market prevalent plans (slides #7 &amp; #8)</li> </ul> | <ul style="list-style-type: none"> <li>61% of market participants still provide an open DB plan. The general market trend is to continue to freeze these type of plans (which typically provide a rather rich retirement benefit) in favor of a DC plan, in order to reduce the employer's retirement liability.</li> <li>Median accrual factor of 1.68%.</li> <li>Median vesting eight (8) years.</li> <li>A fixed percentage increase is prevalent (vs. COLA); 87% guaranteed (13% discretionary)</li> </ul> |



## Qualified Plans Retirement - Fire & Police

| Benefit                          | Description   | Approx. Market Competitiveness Compared to Public Safety (subset) Market Median (P50)  | Market Median Practice*  |
|----------------------------------|---|--|--|
| <b>Defined Benefit (DB) Plan</b> | <p><b>2. Police Pension:</b></p> <ul style="list-style-type: none"> <li>Mandatory 7.5% employee contribution</li> <li>Accrual formula: <math>2.5\% \times \text{YOS} \times \text{Final Average Monthly Earnings}</math></li> <li>Vesting is 10 years</li> <li>Annual COLA adjustment (1% at 55yrs, increasing to 2% at 62yrs)</li> </ul> <p><b>3. Fire Pension:</b></p> <ul style="list-style-type: none"> <li>Mandatory 9.0% employee contribution</li> <li>Accrual formula: <math>2.5\% \times \text{YOS} \times \text{Final Average Monthly Earnings}</math></li> <li>Vesting is 10 years</li> <li>Annual COLA adjustment (2% at 55yrs for life)</li> </ul> | <ul style="list-style-type: none"> <li>Approx. P50 compared to Public Safety subset (slide #9 &amp; #10)</li> <li>Above P75 compared to Total Retirement market prevalent plans (slide #7)</li> <li>P25 - P50 ** compared to Public Safety subset (slide #9 &amp; 10)</li> <li>Above P75 compared to Total Retirement market prevalent plans (slide #7)</li> </ul> | <ul style="list-style-type: none"> <li>Member contribution of approx. 6.8%</li> <li>Accrual factor of approx. 3%</li> <li>Average vesting of 8.4yrs (cliff is typical)</li> <li>COLA adjustment</li> <li>Early retirement (typically 55-60, though many plans provide for retirement at any age if satisfying the minimum years of service)</li> </ul> |

\* relative to Public Safety subset

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for COLA calculation



## Qualified Plans Retirement - DC Plans

| Benefit  | Description   | Approx. Market Competitiveness Compared to Market Median (P50)   | Market Median Practice  |
|--|---|--|---|
| <b>Defined Contribution (DC) Plan: for non-pension employees</b> | <ul style="list-style-type: none"> <li>401(a) money purchase plan is provided to select employees (at will executives and select temporary employees) which are required to contribute 5% of pay, and receive a 10% employer contribution (up to IRS limits)</li> <li>Vesting is immediate</li> </ul> | <ul style="list-style-type: none"> <li>When looking at just prevalent DC plans from the market peer group, the 401(a) is above P75 (given the 10% employer contribution)- slide #11</li> <li>However, the 401(a) is between P25 and P50 when looking at Total Retirement (prevalent DB and DC plans) - slide #7 &amp; #8.</li> <li>When looking at the broader non-uniformed market for 401(a) plans, the City's employer contribution (10%) is in-line with market practices, but vesting is normally 5-6 years (cliff or graded).</li> </ul> | <ul style="list-style-type: none"> <li>The majority (94%) of organizations surveyed provide a DC retirement plan, with a 457 being the prevalent plan type (59%)</li> <li>29% of organizations provide a Cash Balance/Money Purchase plan</li> <li>Some organizations provide a fixed percentage contribution, while others provide a match</li> <li>From the KF General Market data base, market employer match is approx. 4% for DC plans (if employees contribute a minimum 6%)</li> <li>Median vesting is five (5) years</li> </ul> |

Note: 401(a) money purchase participants can buy-back into the GPP during the enrollment period by paying the actuarial present value (APV) of the time they are purchasing, and may use the 401(a) plan asset proceeds to do so



## Qualified Plans Retirement - Other

| Benefit       | Description   | Approx. Market Competitiveness Compared to Market Median (P50) | Market Median Practice  |
|---------------|---|--|---|
| <b>457(b)</b> | <ul style="list-style-type: none"> <li>The City also provides employees with access to a 457 (b) plan for employee contributions only (up to IRS limits)</li> </ul> | <ul style="list-style-type: none"> <li>At market</li> </ul>    | <ul style="list-style-type: none"> <li>Approx. 60% of the peer market provides employees with access to a 457 plan, 80% of which do not provide an employer contribution, while 10% provide a fixed contribution and the other 10% provide an employer contribution based on employee match.</li> </ul> |



# Healthcare Benefits

| Metric   | COG               | Market            | COG vs. Market   |
|--|-------------------|-------------------|--|
| <b>Plan type</b>                               | PPO               | HDHP              | COG has a more favorable (richer) plan design, but it costs employees more |
| <b>Individual Contributions (monthly)</b>      |                   |                   |  |
| Employee                                       | \$115.70          | \$0.00            | -  |
| Employer                                       | <u>\$509.04</u>   | <u>\$654.52</u>   | +  |
| <b>TOTAL</b>                                   | <b>\$624.74</b>   | <b>\$654.52</b>   | +  |
| EE%  | 18.5%             | 0.0%              | -  |
| <b>Family Coverage Contributions (monthly)</b> |                   |                   |  |
| Employee                                       | \$649.18          | \$412.50          | -  |
| Employer                                       | <u>\$941.68</u>   | <u>\$1,166.97</u> | +  |
| <b>TOTAL</b>                                   | <b>\$1,590.86</b> | <b>\$1,579.47</b> | =  |
| EE%  | 40.8%             | 26.1%             | -  |
| <b>In Network</b>                              |                   |                   |  |
| Deductible - Individual:                       | \$600             | \$1,375           | +  |
| Family:  | \$1,800           | \$2,750           | +  |
| Coinsurance:                                   | 20%               | 20%               | =  |
| Out-of-Pocket Maximum - Individual:            | \$4,500           | \$3,625           | -  |
| Family:  | \$7,500           | \$7,250           | =  |
| <b>Pharmacy</b>                                |                   |                   |  |
| Generic:                                       | \$10              | \$10              | =  |
| Non-Preferred Brand:                           | \$80*             | \$55              | -  |

\*also has separate \$300 deductible

| Annual Employee Contributions and Deductibles |                   |                   |                   |                |
|---|-------------------|-------------------|-------------------|----------------|
| Individual                                    | COG               | Market            | Difference        | COG vs. Market |
| Annual Employee Contribution (monthly x 12)   | \$1,388.40        | \$0.00            | \$1,388.40        | -              |
| Deductible (In-Network)                       | <u>\$600.00</u>   | <u>\$1,375.00</u> | <u>-\$775.00</u>  | +              |
| Individual Cost (excl copays and coinsurance) | <b>\$1,988.40</b> | <b>\$1,375.00</b> | <b>\$613.40</b>   | -              |
| <b>Family</b>                                 |                   |                   |                   |                |
| Annual Employee Contribution (monthly x 12)   | \$7,790.16        | \$4,950.00        | \$2,840.16        | -              |
| Deductible (In-Network)                       | <u>\$1,800.00</u> | <u>\$2,750.00</u> | <u>-\$950.00</u>  | +              |
| Family Cost (excl copays and coinsurance)     | <b>\$9,590.16</b> | <b>\$7,700.00</b> | <b>\$1,890.16</b> | -              |

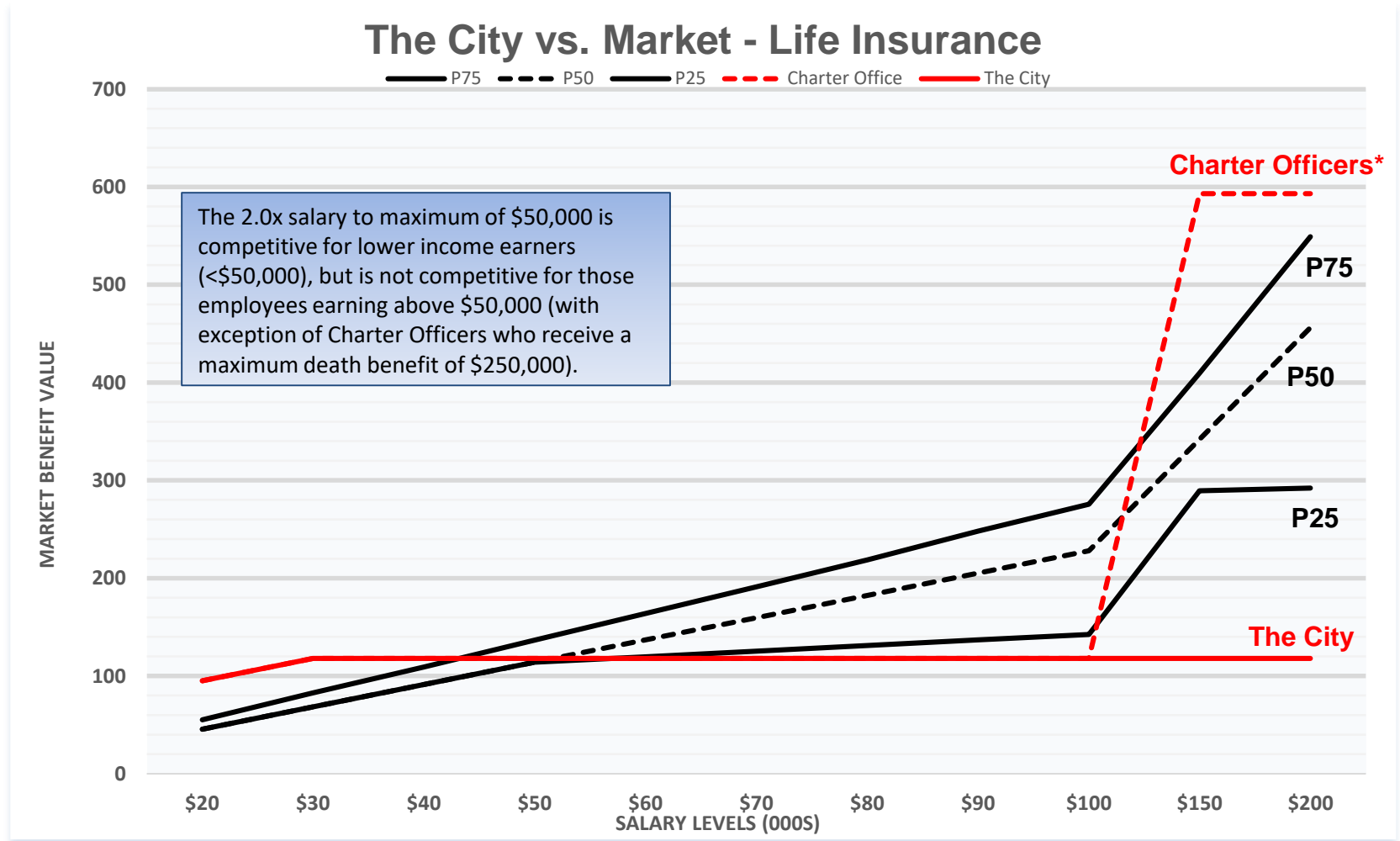


# Healthcare Benefits

| Benefit                   | Description   | Approx. Market Competitiveness Compared to Market Median (P50)  | Market Median Practice  |
|---------------------------|---|---|---|
| <b>Medical</b>            | <ul style="list-style-type: none"> <li>Employees have access to a PPO plan for which the City pays <b>approx. 82% for individual coverage and approx. 60% for dependent coverage</b></li> <li>In-Network coverage: i) deductible of \$600/\$1800; ii) 80% coinsurance; and iii) out-of-pocket maximum of \$4,500/\$7,500</li> <li>Employees can also receive up to \$350 in wellness incentives (up to \$250 for enrolled spouses)</li> </ul> | <ul style="list-style-type: none"> <li>Below market mainly due to high cost-share</li> </ul>  | <ul style="list-style-type: none"> <li>Market prevalent plan is a HDHP (44%) vs. PPO (33%)</li> <li>The market median employer contribution is <b>approx. 100% for individual and 74% for dependent coverage</b></li> <li>Market median deductible is \$1,375/\$2,750; ii) coinsurance of 80%; and iii) out of pocket-maximum of \$3,625/\$7,250</li> </ul> |
| <b>Prescription Drugs</b> | <ul style="list-style-type: none"> <li>Pharmacy copay of: \$10 (generics), \$50 (preferred brand) and \$80 (non-preferred brand), \$160 (specialty)- Note: \$300 brand deductible (to incent use of generics)</li> </ul>  | <ul style="list-style-type: none"> <li>Non-preferred brand copays are above market median</li> </ul>  | <ul style="list-style-type: none"> <li>Pharmacy median copays of \$10 for generic and \$55 for non-preferred brand</li> </ul>   |
| <b>Dental</b>             | <ul style="list-style-type: none"> <li>Employees can choose from three dentals plan (but pay 100% of cost), with the BlueDentalChoice (DPPO) being the prevalent plan</li> <li>Plan design for in-network coverage is 100% (preventative), 80% (basic), and 50% (major) with \$50/\$150 deductible, \$1,500 annual maximum, and 50% ortho coverage up to a lifetime limit of \$1,000 (for children)</li> </ul>                                | <ul style="list-style-type: none"> <li>Dental plan design is in-line (slightly better) with typical market design; however, cost share is below market</li> </ul> | <ul style="list-style-type: none"> <li>Typical dental plan design is 100% (preventative), 80% (basic), and 50% (major) with a \$50 deductible, \$1,250 annual maximum, and 50% for ortho up to \$1,000 lifetime maximum</li> <li>The peer group cost share is 49% for individual and 100% for dependents</li> </ul>   |



# Death Benefits



\* Assumed \$150,000 salary threshold

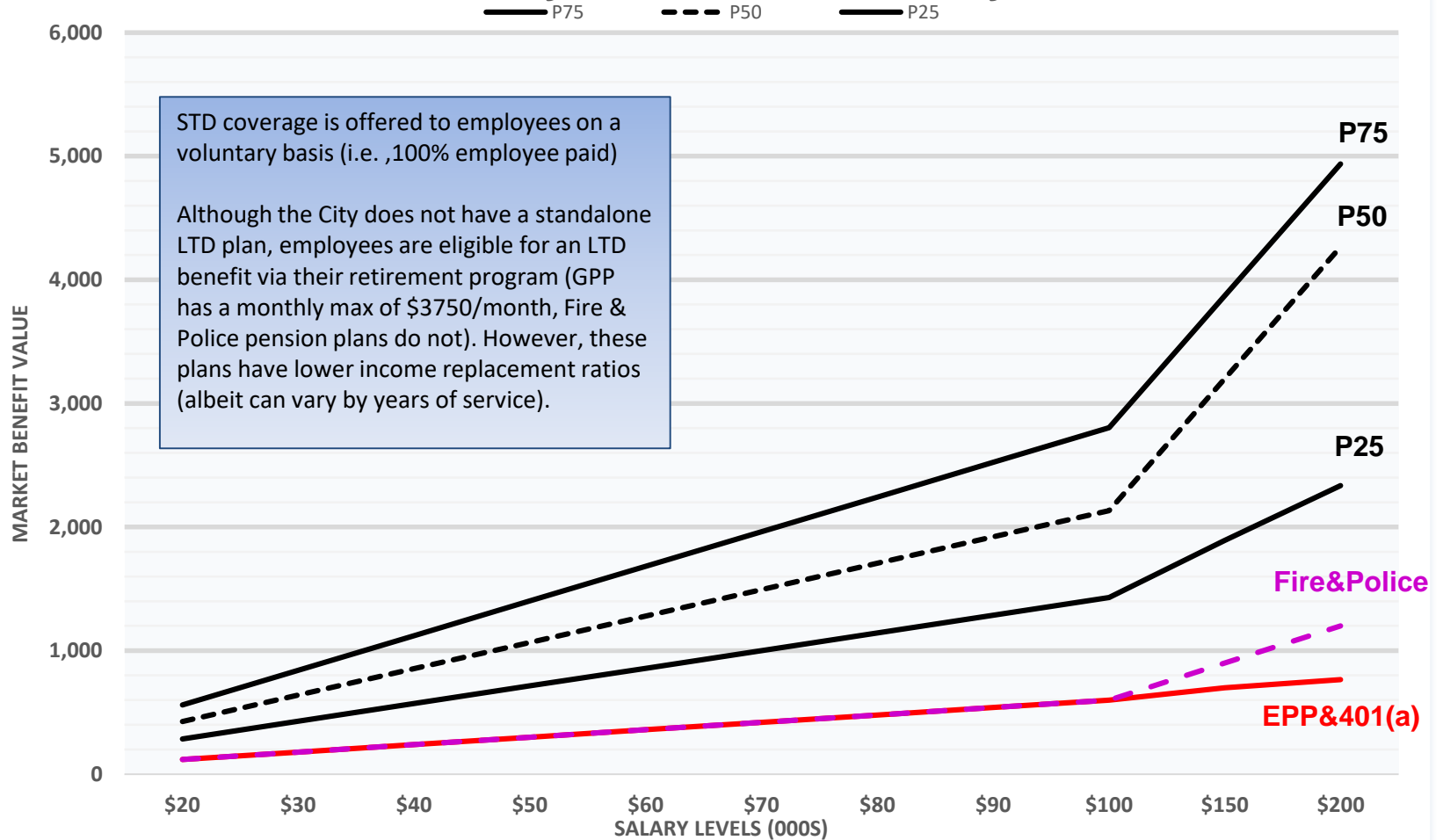
## Death Benefits

| Benefit               | Description   | Approx. Market Competitiveness Compared to Market Median (P50)  | Market Median Practice  |
|-----------------------|---|---|---|
| <b>Life Insurance</b> | <ul style="list-style-type: none"> <li>▪ <b>Basic Life:</b> Employer paid benefit whereby beneficiary is entitled to 2.0x employee's salary to a maximum of \$50,000 (unless Charter Officer which has increased maximum of \$250,000)</li> <li>▪ The City does not provide have AD&amp;D coverage</li> <li>▪ <b>Supplemental Life:</b> Employees have the option to purchase up to 5.0x salary to max of \$500,000 for employee, \$250,000 for spouse and \$10,000 per child</li> <li>▪ Employee may also purchase up to \$150,000 in AD&amp;D coverage</li> </ul> | <ul style="list-style-type: none"> <li>▪ Above market for lower income earners (&lt;\$50,000), but below market for those employees earning above \$50,000 (except for Charter officers)</li> </ul> | <ul style="list-style-type: none"> <li>▪ Market median is employer paid benefit of 1.0x salary up to \$200,000</li> <li>▪ Higher income earners typically receive 2.0x up to a maximum of \$675,000 (average)</li> <li>▪ The majority of the peer market (16 of 18) also provides employees with an AD&amp;D benefit</li> <li>▪ Supplemental life coverage (for employee, spouse and dependents) is common market practice</li> </ul> |



# Disability Benefits

## The City vs. Market - Disability



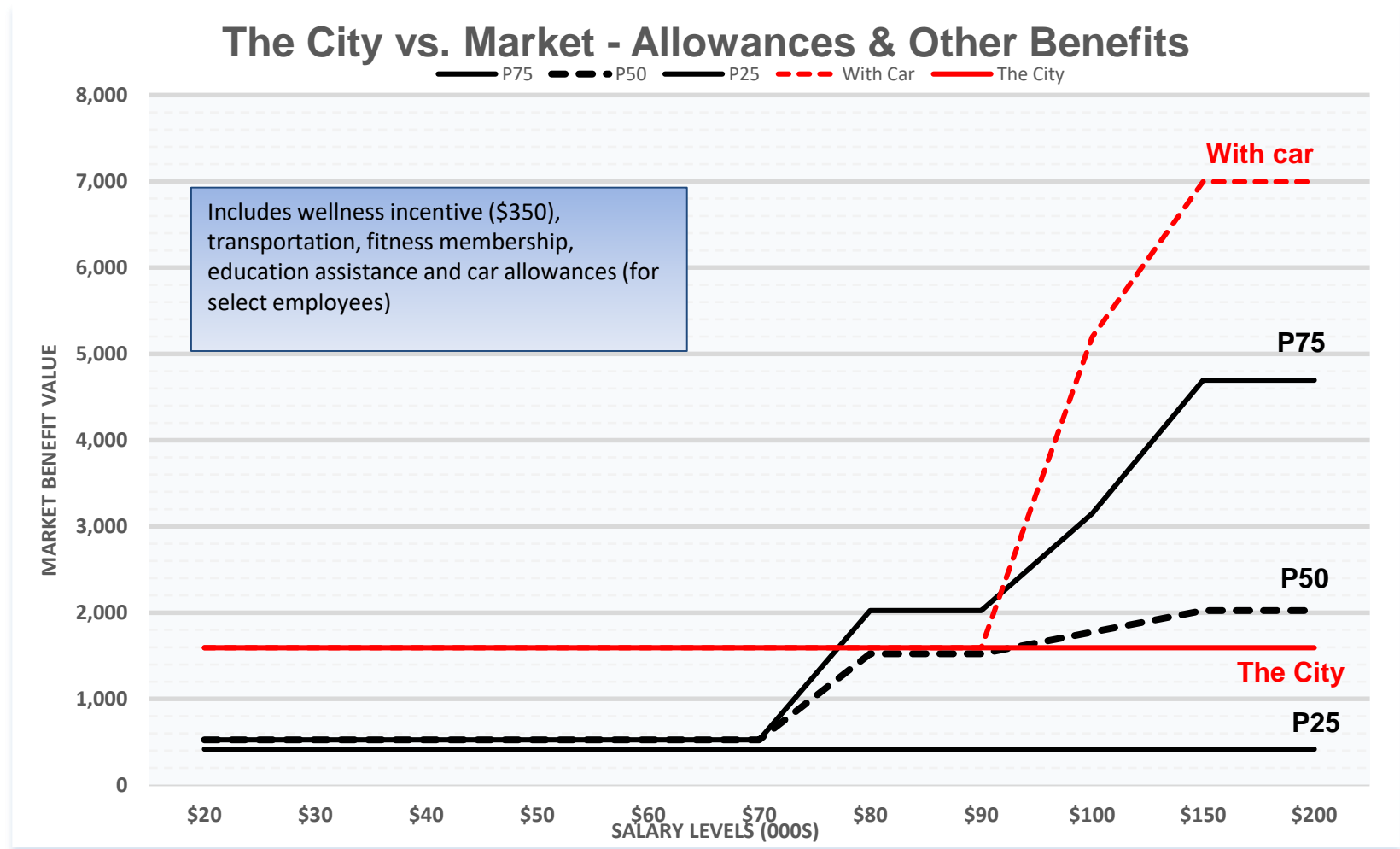
# Disability Benefits

| Benefit           | Description  | Approx. Market Competitiveness Compared to Market Median (P50)  | Market Median Practice   |
|-------------------|--|---|--|
| <b>Disability</b> | <ul style="list-style-type: none"> <li>▪ <b>Short-Term Disability (STD):</b> The City does not have an employer paid STD plan; however, employees can purchase coverage from 3 to 24 months in amounts ranging from \$500 - \$6,000 per month</li> <li>▪ <b>Long-Term Disability (LTD):</b> The City does not have a standalone LTD plan; however, employees are eligible for long-term disability benefits under their retirement plan</li> <li>▪ Benefits vary by plan and income replacement ratios vary by years of service, but typically provide an accrued benefit with a minimum of 42% of income for an in-line disability and 25% for an out-of-line disability</li> <li>▪ The GPP disability benefit has a monthly maximum of \$3,750 (salary cap of \$107,000) while Police &amp; Fire plans are not capped</li> </ul> | <ul style="list-style-type: none"> <li>▪ Below market median due to employees having to purchase their own STD coverage*</li> <li>▪ Below market median mainly due to lower income replacement ratio</li> </ul> | <ul style="list-style-type: none"> <li>▪ STD market median practice is to offer a plan that provides 70% for up to 26 weeks (often capped \$1,500-\$2,000 per week)</li> <li>▪ LTD market median practices are 60% of monthly salary up to \$5,000 per month (salary cap of \$100,000)</li> <li>▪ For the Public Safety plans subset, the disability benefit income replacement percentage varies (42% to 66 2/3%) with the average being closer to 60%</li> </ul> |



\*Employees also have access to PTO (includes vacation and sick) accruals which varies by length of services and can be used to provide salary continuation for shorter period of illness.

## Allowances & Other Benefits



## Allowances & Other Benefits

| Benefit               | Description  | Approx. Market Competitiveness Compared to Market Median (P50)  | Market Median Practice   |
|-----------------------|--|---|--|
| <b>Other Benefits</b> | <p><b>Staff:</b></p> <ul style="list-style-type: none"> <li>Tuition assistance</li> <li>FSA and EAP</li> <li>Discount gym membership</li> <li>Free transit</li> <li>Wellness incentive</li> </ul> <p><b>Select Employees:</b></p> <ul style="list-style-type: none"> <li>Car allowance (varies by position, includes Charter Officers and GRU Sr. Leadership)</li> </ul> | <ul style="list-style-type: none"> <li>Above market median for those earning &lt; \$100,000; below market median for those earning &gt; \$100,000 (without a car allowance)</li> <li>Above market median (&gt;P75)</li> </ul> | <p><b>Staff(Core):</b></p> <ul style="list-style-type: none"> <li>Educational assistance, EAP, FSA, and transportation assistance are relatively common in today's market</li> </ul> <p><b>Executives:</b></p> <ul style="list-style-type: none"> <li>Approx. 25% of the market offers car allowances, typically to top leadership (median of \$6,000 per year)</li> </ul> |





## Paid Leave\*

| Benefit   | Description   | Approx. Market Competitiveness Compared to Market Median (P50)  | Market Median Practice  |
|---|---|---|---|
| <b><u>CWA, ATU, MAP</u></b><br><br><b>PTO (includes sick days)</b><br><br><b>Statutory Holidays</b>               | <u>Based on Year of Service:</u><br>0 - 5 yrs: 20 days;<br>5 -10 yrs: 25 days;<br>10 -15 yrs: 28 days;<br>15 - 20 yrs: 30 days;<br>20 – 25 yrs: 34 days<br>25+ yrs: 35 days<br><br>▪ 10 days  | ▪ Slightly below market median except for longer tenured employees (>20 yrs) which are slightly above market median<br><br>▪ At market median   | <u>Based on years of service :</u><br>0 - 1 yr: 23 days<br>2 - 5 yrs: 25 days<br>6 - 10 yrs: 27 days<br>11 - 15 yrs: 30 days<br>15+ yrs: 32 days<br><br>▪ 10 days                 |
| <b><u>Police &amp; Fire**</u></b><br><br><b>Vacation</b><br><br><b>Sick Days</b><br><br><b>Statutory Holidays</b> | <u>Based on Year of Service:</u><br>1 - 5 yrs: 10 days;<br>5 -10 yrs: 12 days;<br>10 -15 yrs: 15 days;<br>15 - 20 yrs: 17 days;<br>20 - 25 yrs: 21 days;<br>25+ yrs: 22 days<br><br><u>Based on Year of Service:</u><br>0 - 1 yrs: 6 days<br>2 - 5 yrs: 8 days<br>6+ yrs: 12 day<br><br>▪ 12 days | ▪ When vacation and sick days are combined, below market median for newer employees (<5 yrs), slightly below for 5-20 yrs, and slightly above for longer tenured employees (> 20 yrs)<br><br>▪ Above median (helps make up for shortfall on vacation) | <u>Based on years of service :</u><br>0 -1 yr: 13 days<br>2 - 5 yrs: 15 days<br>6 - 10 yrs: 17 days<br>11 - 15 yrs: 20 days<br>15+ yrs: 22 days<br><br>▪ 10 days<br><br>▪ 10 days |

\*Note: Paid Leave is not “valued” in the Total benefit calculation, however, details are provided for comparative purposes

\*\* Also have vacation bonus program if sick leave is not utilized (up to 32 hours (4 days))

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## Paid Leave\*...(cont'd)

| Benefit                   | Description  | Approx. Market Competitiveness Compared to Market Median (P50)  | Market Median Practice  |
|---------------------------|--|---|---|
| <b><u>IAFF DC</u></b>     |  |   |   |
| <b>Vacation</b>           | <u>Based on Year of Service:</u><br>1 - 5 yrs: 12 days;<br>5 -10 yrs: 14 days;<br>10 -15 yrs: 17 days;<br>15 - 20 yrs: 19 days;<br>20 + yrs: 23 days | <ul style="list-style-type: none"> <li>When vacation and sick days are combined, below market median for employees with &lt; 20yrs, above market median for longer tenured employees (&gt; 20 yrs)</li> </ul> | <u>Based on years of service :</u><br>0-1 yr: 23 days<br>2 - 5 yrs: 25 days<br>6 - 10 yrs: 27 days<br>11 - 15 yrs: 30 days<br>15+10 days: 32 days |
| <b>Sick Days</b>          | <u>Based on Year of Service:</u><br>0 - 1 yrs: 6 days<br>2 - 5 yrs: 8 days<br>6+ yrs: 12 day   |   | <ul style="list-style-type: none"> <li>10 days</li> </ul>   |
| <b>Statutory Holidays</b> | <ul style="list-style-type: none"> <li>12 days</li> </ul>  | <ul style="list-style-type: none"> <li>Above market (helps make up for shortfall on vacation)</li> </ul>  | <ul style="list-style-type: none"> <li>10 days</li> </ul>   |

\*Note: Paid Leave is not “valued” in the Total benefit calculation, however, details are provided for comparative purposes

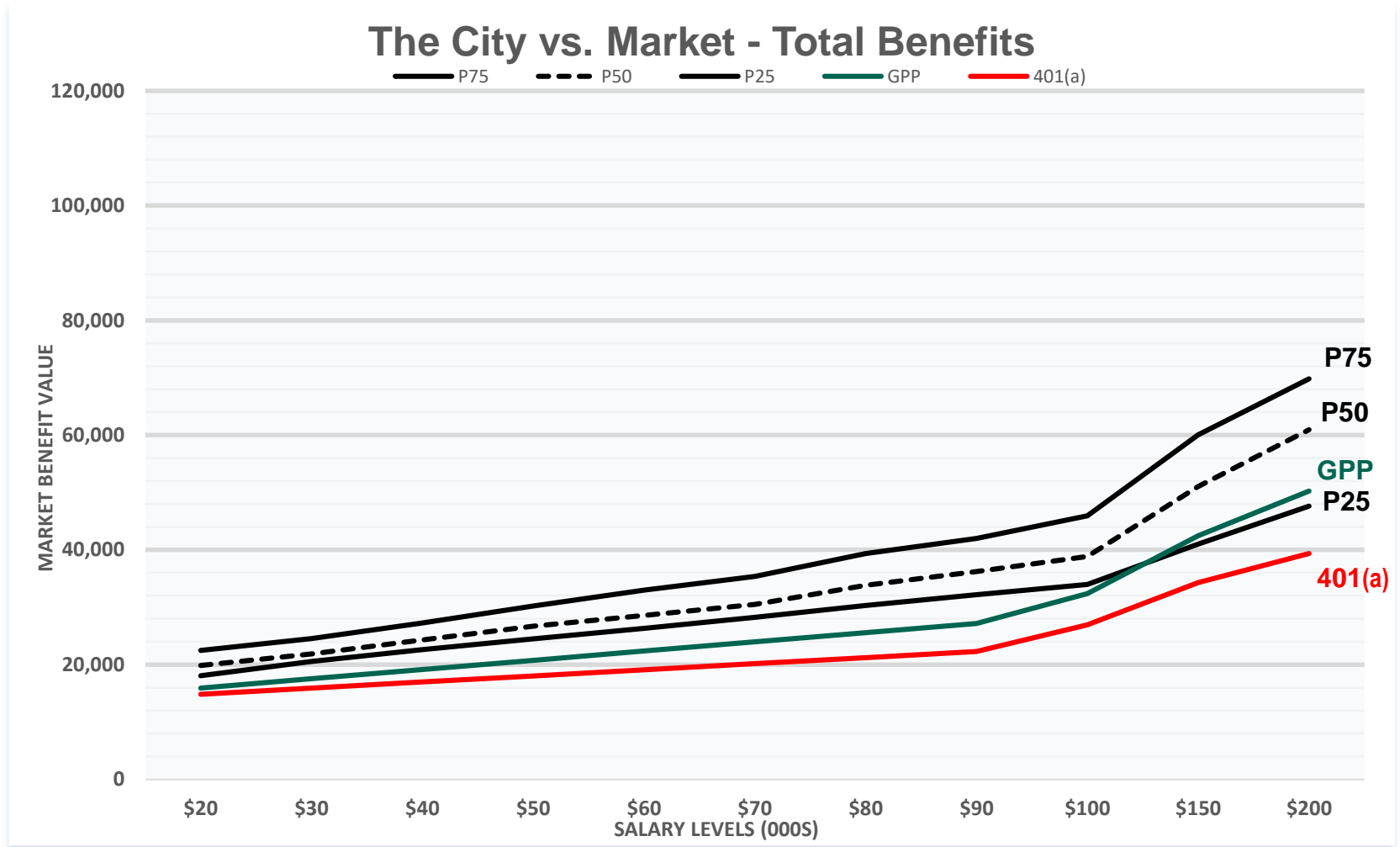


## Benefits Market Analysis - Total Benefits Summary

**Looking at the overall benefit package, we note that the City's ranking varies by employee group/union, mainly due to the retirement benefits (which is a significant driver of the overall benefit values)**

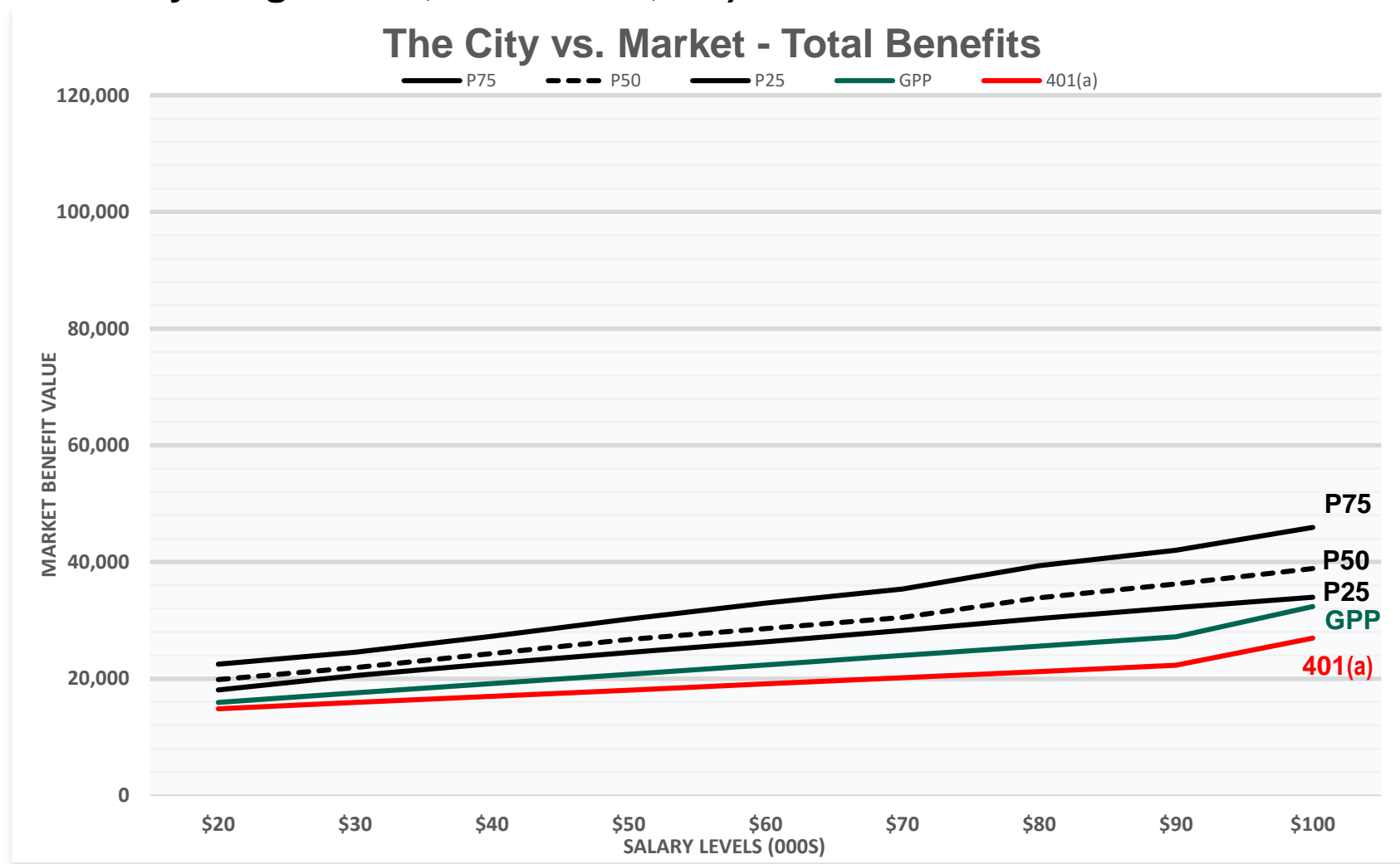
- The following slides combine the City's individual benefit plans relative to the market peer group prevalent plans, in order to provide a Total Benefit valuation
- A second combination for Police and Fire utilizing the Public Safety retirement plans is provided to derive the Total Benefits for Police and Fire

## Total Benefits\* (GPP and 401(a))



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans

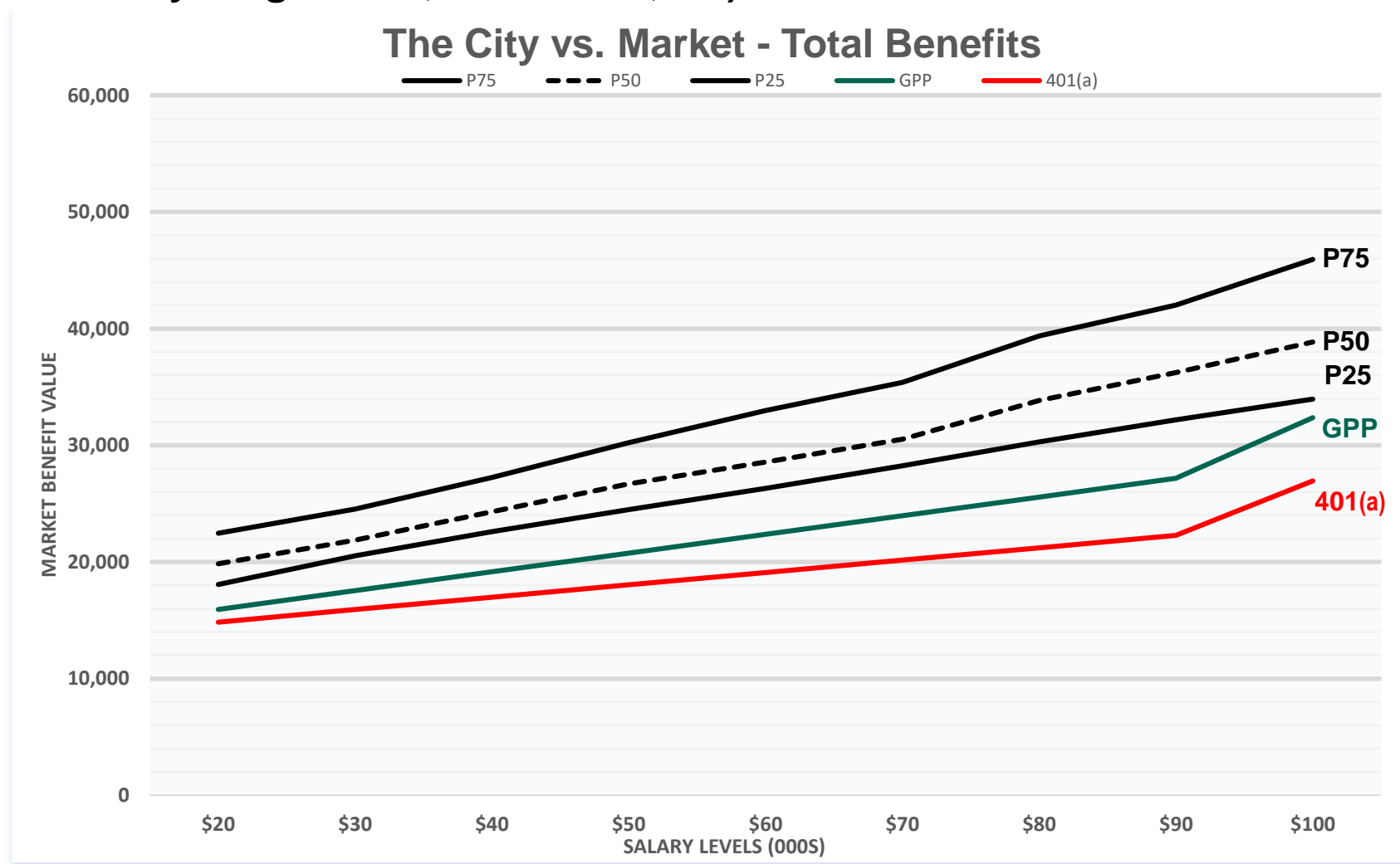
## Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$20,000 to \$100,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans



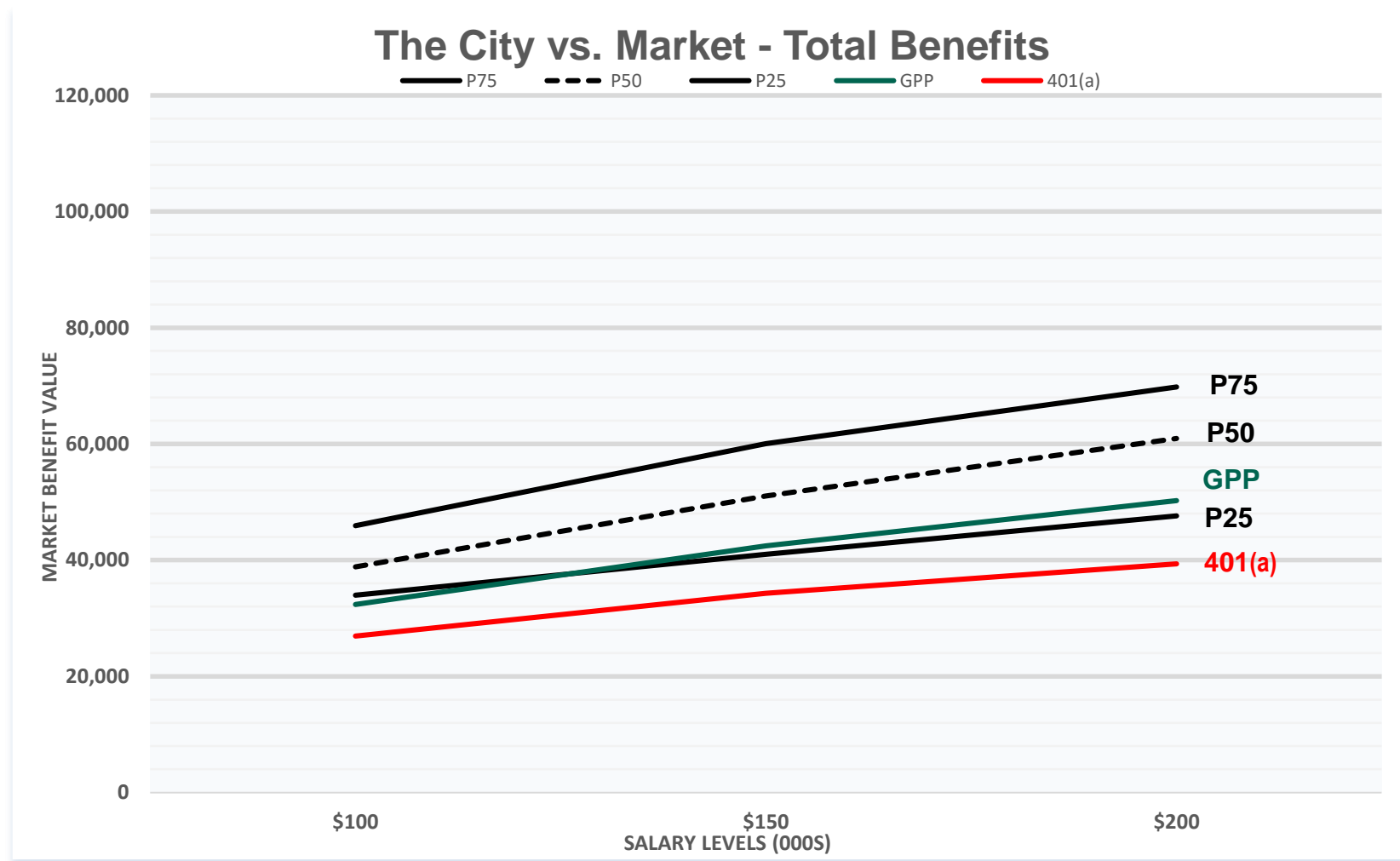
## Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$20,000 to \$100,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans



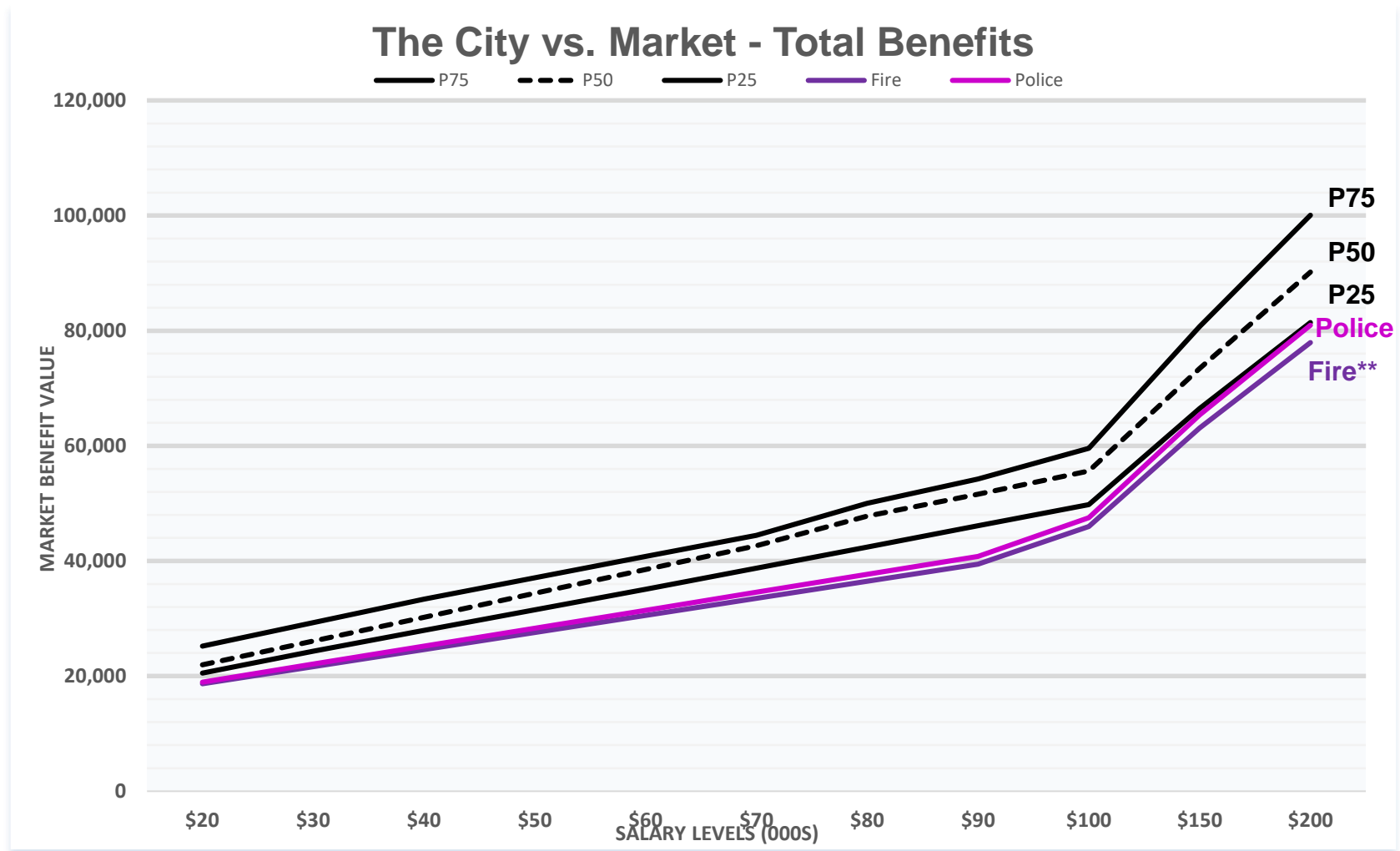
## Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$100,000 to \$200,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans



# Total Benefits\* (vs. market with Public Safety DB retirement plans)

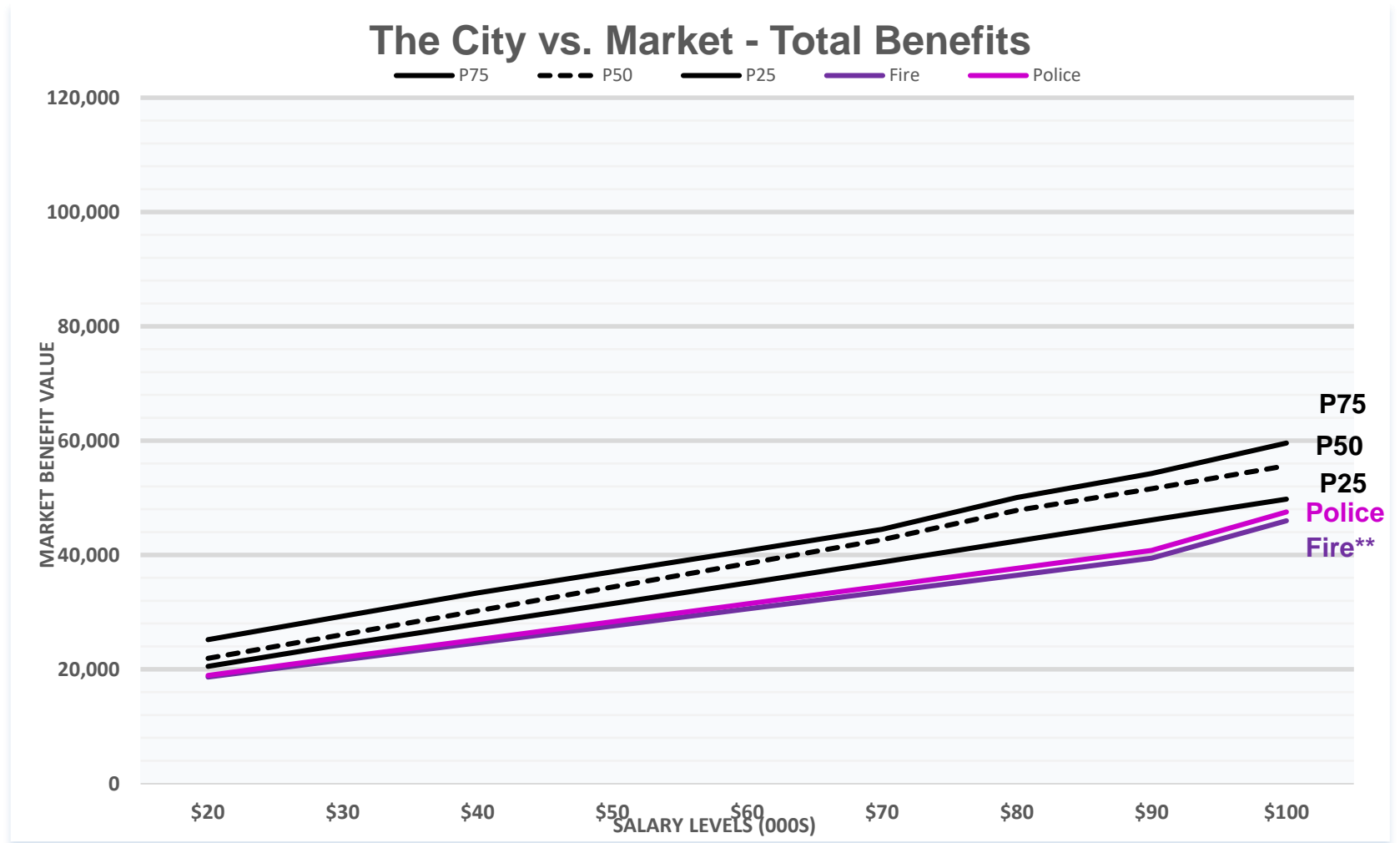


\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans except for **retirement which is based on a subset comprised of the peer group's Public Safety (Fire & Police) DB plans**

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)



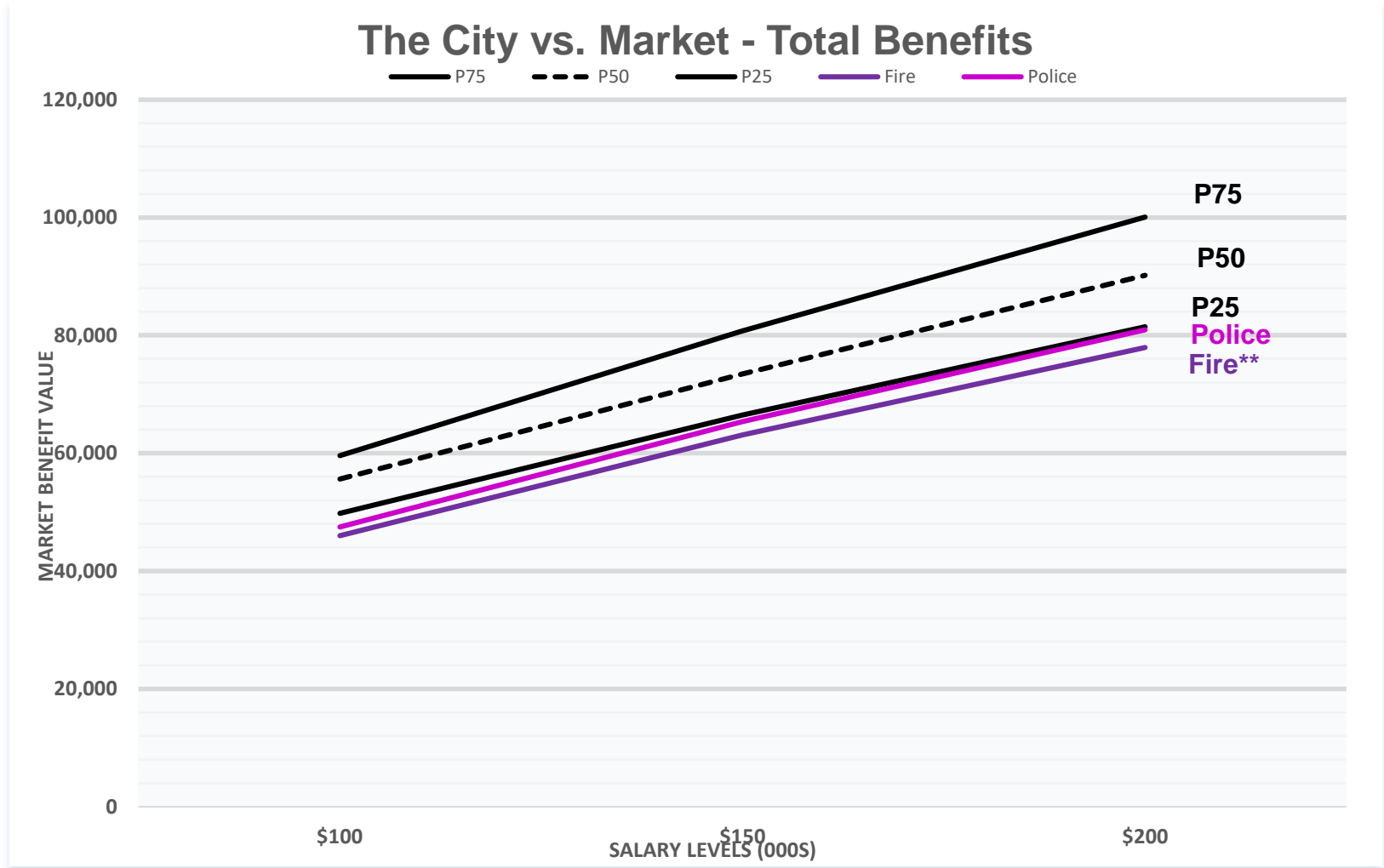
# Total Benefits\* (vs. market with Public Safety DB retirement plans for salary ranges: \$20,000 to \$100,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans except for **retirement which is based on a subset comprised of the peer group's Public Safety (Fire & Police) DB plans**

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

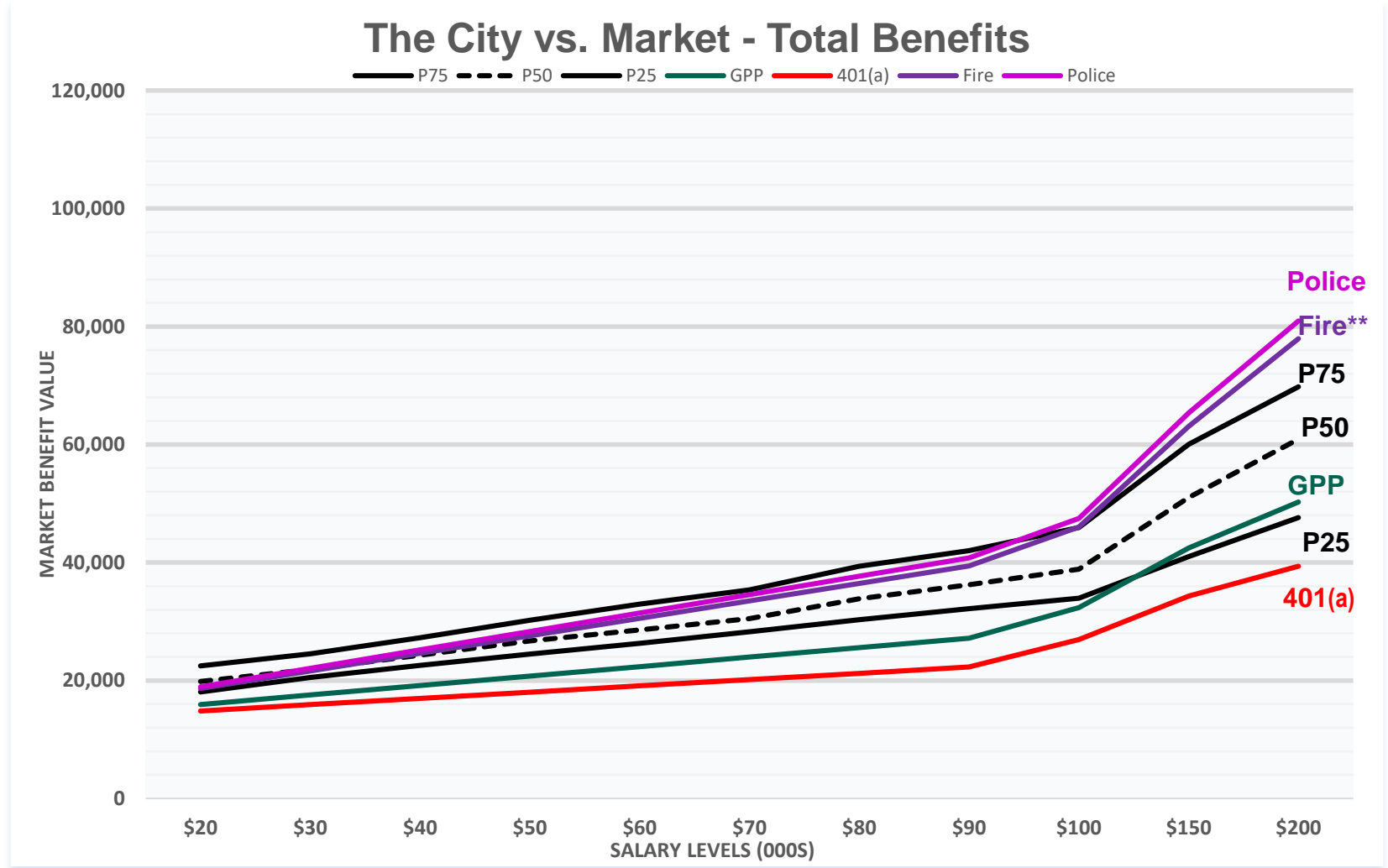
# Total Benefits\* (vs. market with Public Safety DB retirement plans for salary ranges: \$100,000 to \$200,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans except for **retirement which is based on a subset comprised of the peer group's Public Safety (Fire & Police) DB plans**

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

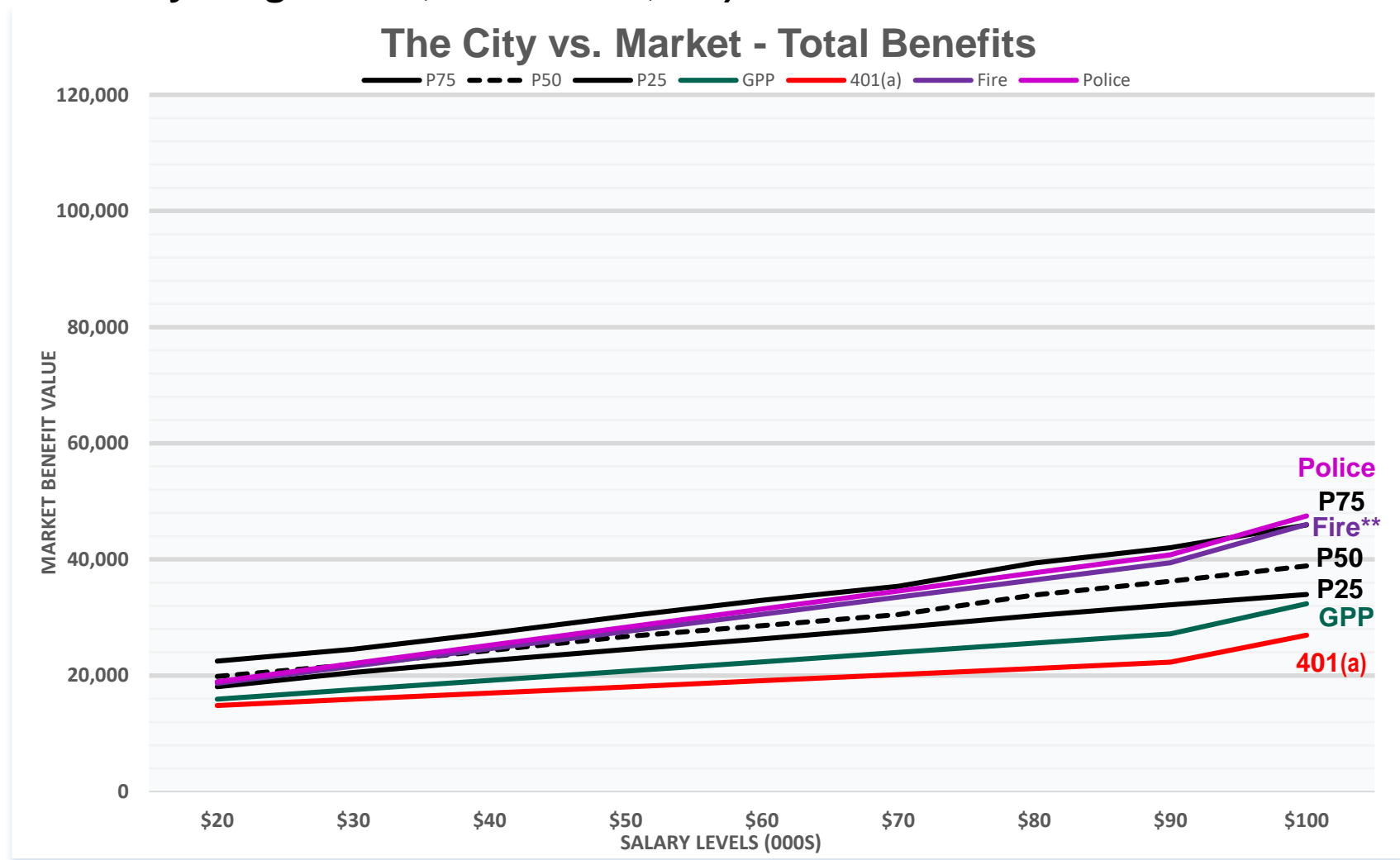
# Total Benefits\*(combined - based on prevalent peer group market plans)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

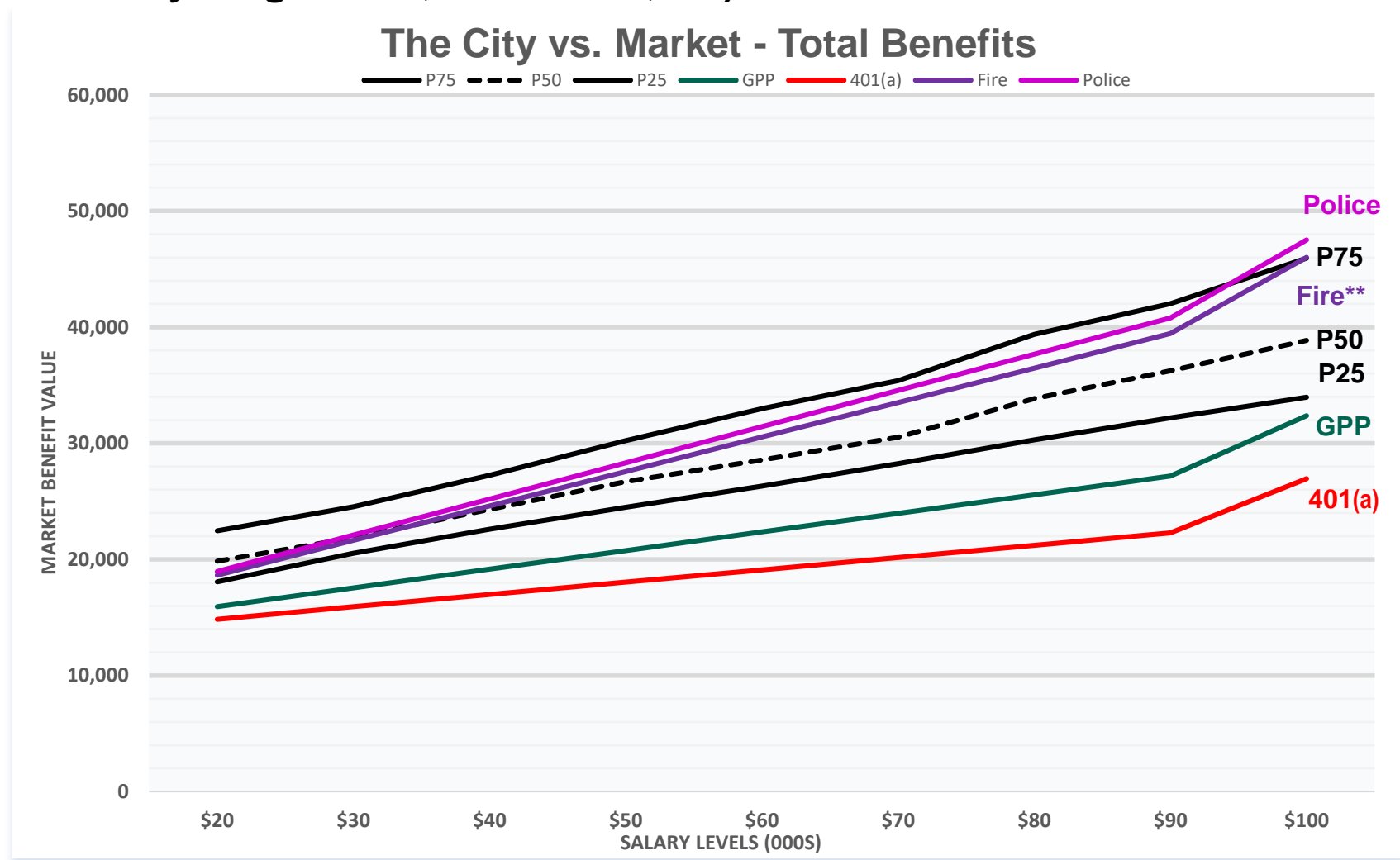
# Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$20,000 to \$100,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

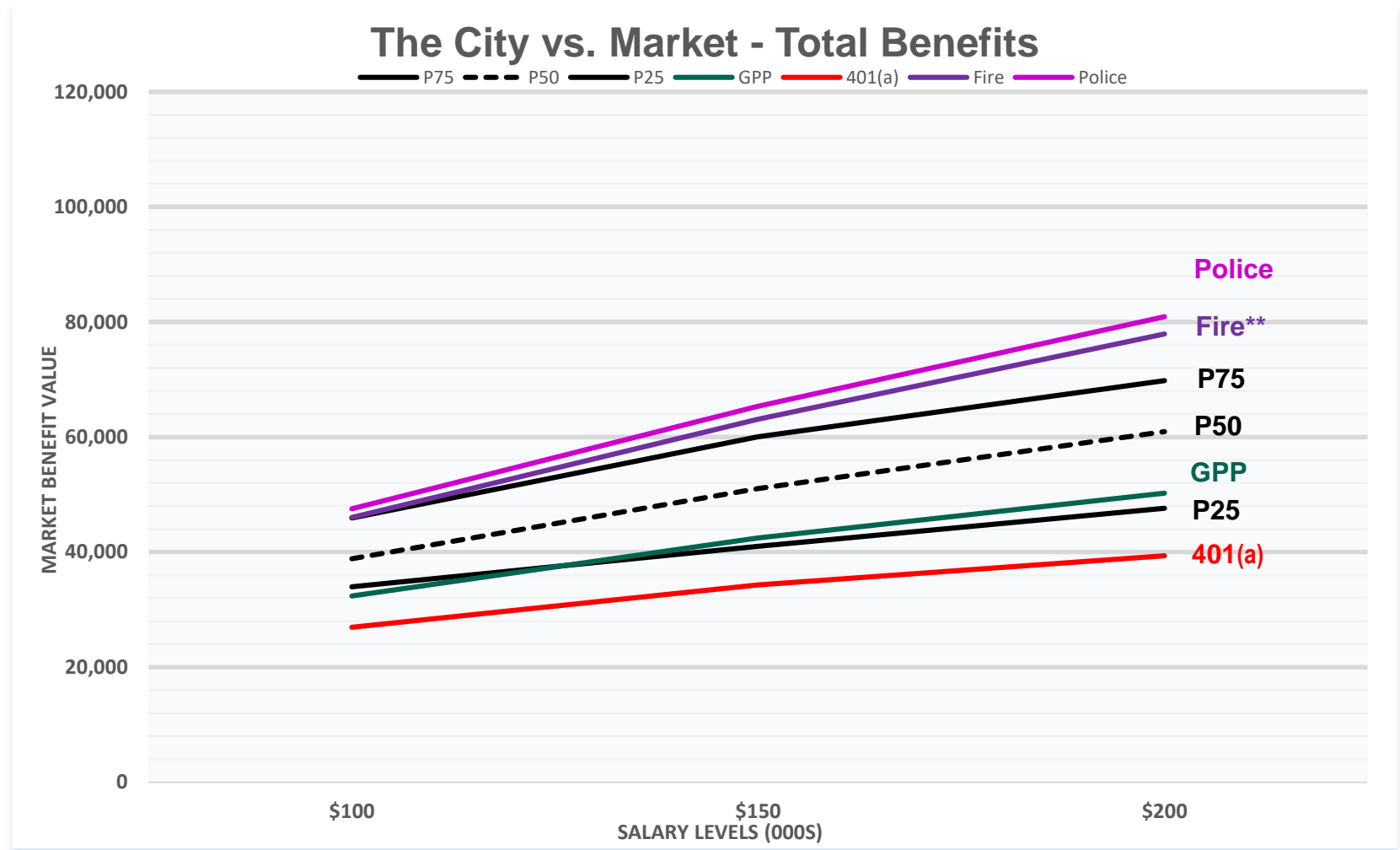
# Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$20,000 to \$100,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

# Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$100,000 to \$200,000)



\* Does not include "values" for paid leave. Market data is reflective of survey participants' prevalent plans

\*\*Note: Fire is shown as slightly below Police at higher income levels due to methodology utilized for benchmarking purposes (which is not an actuarial comparison)

## Market Prevalence - Summary

| Benefit Type  | The City vs. Market  |
|---|--|
| <p><b>Total Benefits</b><br/>(includes retirement, healthcare, life insurance, disability and other benefits/allowance)</p> | <p><b>Fire:</b></p> <ul style="list-style-type: none"> <li>Below P25 when compared to subset of Public Safety DB plans (slide #32-#34;</li> <li>Above P50 when compared to peer group market prevalent plans (slide #35-#38)</li> </ul> <p><b>Police:</b></p> <ul style="list-style-type: none"> <li>Below P25 when compared to peer group subset of Public Safety DB plans (slide #32-#34);</li> <li>Above P50 when compared to peer group market prevalent plans (slide #35-#38);</li> </ul> <p><b>GPP:</b></p> <ul style="list-style-type: none"> <li>P25 and below (slides #28-#31)</li> </ul> <p><b>401(a) Participants:</b></p> <ul style="list-style-type: none"> <li>Below P25 (slides #28 - #31)</li> </ul> |



## Market Prevalence - Summary...(cont'd)

| Benefit Type                         | The City vs. Market  |
|--------------------------------------|--|
| <b>Retirement</b>                    | <p><b>Fire:</b></p> <ul style="list-style-type: none"> <li>Between P25 and P50 when compared to peer group subset of Public Safety DB retirement plans</li> <li>Above P75 compared to peer group market prevalent plans</li> </ul> <p><b>Police:</b></p> <ul style="list-style-type: none"> <li>Approx. P50 when compared to peer group subset of Public Safety DB retirement plans</li> <li>Above P75 compared to peer group market prevalent plans;</li> </ul> <p><b>GPP:</b></p> <ul style="list-style-type: none"> <li>P50 to P75 compared to peer group market prevalent plans</li> </ul> <p><b>401(a):</b></p> <ul style="list-style-type: none"> <li>Above P75 when compared to Only DC plans of peer market group</li> <li>Between P25 and P50 compared to peer group market prevalent plans,</li> </ul> |
| <b>Healthcare</b>                    | <b>Below P25</b> (mainly due to higher employee cost-share on monthly premiums)  |
| <b>Life Insurance</b>                | <b>Varies by income level</b><br>(competitive for lower income earners, but not for those earning above \$50,000, except for Charter Officers - due to increased maximum vs core employees)  |
| <b>Disability</b>                    | <b>Below P25</b> (due to lack of an employer paid STD benefit and lower income replacement ratio under LTD programs)   |
| <b>Other Benefits and Allowances</b> | <b>Varies by income level</b> (above market median for employees earning < \$100,000; below market median for employees earning > \$100,000 without an auto allowance; above market median for employees with auto allowance)  |
| <b>Paid Leave*</b>                   | <b>In-line with market practices</b>   |

\* Values for paid leave not included in Total Benefits, but details are provided for comparative purposes



## **Observations/ Considerations**



# Observations/Considerations

**Following a review of the City's benefits offering relative to the market peer group, the following observations were noted:**

- **Retirement:**

- The City's GPP falls between P50 and P75, while the Police and Fire pension plans (when compared to the Public Safety DB plan subset) are P50 and P25 - P50, respectively
- The City's DC plan (401(a) money purchase) offered to "at will" executives and select temps is between P25 and P50 when compared to the Total Retirement market (DC and DB plans) due to influence of the richer DB plans, but is above P75 when compared to just the DC retirement plans offered by the peer group market (the 10% employer contribution is driving this)
  - Our understanding is that those enrolled in the 401(a) money purchase plan do have the option to move into the GPP during the enrollment period



## Observations/Considerations...(cont'd)

- **401(a)**
  - These types of plans provided by public-sector/not-for-profit/educational institutions are often in lieu of a DB pension plan; thus, often having a higher employer contribution than typical DC retirement plans (such as a 401(k) or 403(b))
    - Contribution strategies vary from a fixed percentage to escalators based on years of service (e.g., 1-5 yrs: 3%, 6-9 yrs: 4%, 10-14yrs: 5%, 15-19yrs: 6%, 20+yrs: 8.5%)
    - Typical "non-uniform" vesting is 5 to 6 yrs - cliff or graded (e.g. 1-2 yrs: 0%, 25% each year thereafter reaching 100% in yr 6)
  - Other DC retirement plans such as 401(k)/403(b) typically have a 3% - 4% employer contribution (normally provided on a match basis), with executives often receiving an additional 4-5% via a supplemental retirement plan; vesting is typically 4 - 5 yrs (cliff)
  - Although the 401(a) plan provided by the City is quite competitive based on the 10% employer contribution, it is somewhat atypical for employers to provide this type (and this rich) of benefit to "at will" and temporary employees
    - From a strategic perspective, is the intent of the 401(a) plan to provide a retirement benefit comparable to the private sector DC plan (e.g. 401(k)) or to a public sector DB plan (pension)?

# Observations/Considerations

## ■ Healthcare:

- The City's healthcare plan is significantly below market (<P25), mainly due to high employee cost-share (both individual and dependent cost-share is above market median levels); although the City's plan design is more favorable compared to the market, it costs more
  - Results from the employee survey indicated the main identifiable reason for not being enrolled in the City's medical plan is "cost" (by an overwhelming majority (>90%), Medical was the most valued benefit from responders)
  - This is likely a major source of the negative comments/perceptions around the benefits plan
- The City only offers one Medical plan, yet offers three (3) Dental plan options
  - The City may want to considered offering an additional Medical plan to provide greater choice (and lower cost) to its employees, e.g., a High Deductible Health Plan (HDHP), which is the prevalent medical plan type for the peer market (44% vs. PPO at 33%)
  - A HDHP could be structured to deliver a less rich benefit, but with a lower premium. These types of medical plans are becoming increasingly popular with employees who are only light users of healthcare (often, younger/single employees)



## Observations/Considerations....(cont'd)

### ▪ **Disability:**

- **STD:** The City does not provide an employer paid STD benefit (employees must purchase their own coverage), however, there is no cap on sick day accruals
- **LTD:** The City does not provide a standalone LTD benefit; rather, employees are eligible for LTD coverage under their retirement plan
  - Although LTD benefits vary by plan, the minimum LTD benefit (via the retirement plans) is below market median practices (when analyzing the Public Safety pension disability benefits, the income replacement percentage ranges from 42% to 66 2/3%, however, the average of this subset is closer to 60%)

### ▪ **Life Insurance:**

- The City's life insurance benefit lags the market due to the low \$50,000 cap (Charter Officers have a \$250,000 cap). As such, the City may want to consider increasing this level more in-line with the market (e.g., \$200,000).



## Other suggested benefit offerings

The City provides a customary set of “other benefit” offerings to employees, including an EAP, FSA, ID Theft, Legal, Discount Fitness Membership, Parental Paid Leave, Wellness Program, etc. Other types of benefits the City may want to consider include:

### ■ Educational Assistance:

- The City provides employees with a tuition reimbursement benefit (actual cost up to state limit)
- A related benefit that is starting gain traction in the marketplace is **Student Loan Assistance/Repayment**
  - Given the increasing amount of debt students are graduating with in today’s market, employers are giving more consideration to student loan benefit programs as an attractive recruitment and retention strategy.
    - Utilizing these types of programs can assist employers with attracting high-quality talent and are being used as another way for employers to set themselves apart from their peers
      - In addition to setting up programs for employer contributions, student loan benefit vendors also work with employees to review refinancing options and provide advice on alternative programs for loan forgiveness (e.g., for those employed by a not-for-profit). Providing these types of “counselling” benefits can be done at relatively low cost by the employer and can have significant positive impact on employees via: i) assistance in navigating what can sometime be a relatively complex refinancing market and; and ii) substantial savings.

### ■ Long-Term Care:

- Offered on a voluntary basis and utilized to help offset the high cost of future elderly care



## Other suggested benefit offerings...(cont'd)

- **Adoption Assistance:**

- Typically provides reimbursement for associated adoption expenses up to a pre-determined maximum

- **Pet Insurance**

- Becoming increasingly popular in current market (100% employee paid, so no cost to employer other than administration)

- **Financial Wellness**

- Counsellors to assist in retirement savings, taxes, debt consolidation, etc.



## Other Leading-Edge Benefits

While some of the below lend themselves to a particular work environment, others do not ( e.g., flexible work arrangements/remote working may be an option for individuals working in front of a computer, but not suitable for positions that require a physical presence on the job)

- **Paid time off for volunteering**
- **Unlimited PTO**
- **Flexible work arrangements** (The City has a formal program in place, but obviously not able to carry it out across all positions)
- **Paternity Benefits** (spouse can take paid leave after birth/adoption, i.e., not just the wife) - The City already provides this type of benefit to those eligible employees who are not in a bargaining unit, but may want to consider expanding the program to all employees at some point
- **Onsite fitness center, child care, medical clinics**
- **Standing desks/treadmill desk**
- **Quiet/lactating room/massage chairs**
- **Free drinks/snack** (can be stocked as “healthy”)
- **Charitable gift matching**





## Other Practices around Benefits

- **Communication** of benefits to employees is becoming increasingly important – the majority of employers in a recent study by HSA Bank believe employees do not fully understand their benefits (while some are straight forward, others are complex and can be confusing)
  - With the advancement of technology, organizations are able to reach more employees through text, email, teleconference or face-to-face contact. Employees who work shifts or work around the clock want 24 hr access (i.e., the employer needs to tailor access to these employees' schedules, not the other way around).
  - Communication should be ongoing and frequent; once a year open enrollment is no longer the best practice or only time to communicate benefits to employees.
- **Motivation** – beyond financial incentives (\$), employees are looking to feel valued and appreciated; some of the more simpler, no cost “incentives” - like saying “thank you” and making eye contact with staff works, too.
  - Studies found that employees often feel more motivated if their managers expressed thanks more often...this doesn't cost anything, but can go a long way to motivating and making an employee feel that they are valued and appreciated. Many of these types of employees are looking to work for an organization with a sense of purpose, beyond just making a profit and/or doing their job.



## **Appendix A - Market Peer Group**



# Market Peer Group (18 count)

## List of participants

City of Cape Coral (Lee County)\*  
City of Clearwater (Pinellas County)  
City of Lakeland (Polk County)\*  
City of Ocala (Marion County)\*  
City of Palm Coast (Flagler County)\*  
City of Tampa (Hillsborough County)\*  
City of West Palm Beach (Palm Beach County)\*  
Hillsborough County\*#  
Jacksonville Electric Authority  
Kissimmee Utility Authority  
Lee County\*#  
Lynx (Orlando)  
Pinellas Suncoast Transit Authority  
Sarasota County\*#  
Seminole Electric Cooperative  
Shands at University of Florida  
University of Florida\*#  
Votran (Volusia County Transit)

\* Included in Fire and Police (2015 Public Safety) subgroup for pension comparison  
# utilize Florida Retirement System (Special Risk Class)



## **Appendix B - Market Prevalence Comparison**



# Market Prevalence Comparisons

| Summary of Benefit Practices               | Selected Organizations | The City | Client - Notes                   |
|--|------------------------|----------|----------------------------------|
| <b>Death Benefits</b>                      | 100%                   | Yes      |                                  |
| Standard Death Benefits                    | 100%                   | Yes      |                                  |
| Accidental Death Benefits                  | 89%                    | No       |                                  |
| <b>Disability Benefits</b>                 | 100%                   | Yes      |                                  |
| Sick Leave / Short-term Disability         | 94%                    | Yes      |                                  |
| Long-term Disability                       | 89%                    | Yes      | Offered through retirement plans |
| <b>Healthcare</b>                          | 100%                   | Yes      |                                  |
| General Medical Care                       | 100%                   | Yes      |                                  |
| Prescription Drugs                         | 100%                   | Yes      |                                  |
| Dental Care                                | 100%                   | Yes      |                                  |
| Vision/Optical Care                        | 94%                    | Yes      |                                  |
| <b>Retirement</b>                          | 100%                   | Yes      |                                  |
| Defined Benefit (DB) Plans                 | 61%                    | Yes      | GPP, Police and Fire             |
| Defined Contribution (DC) Plans            | 94%                    | Yes      | 401(a) select group              |
| <b>Cars</b>                                | 28%                    | Yes      |                                  |
| Car Benefit                                | 11%                    | No       |                                  |
| Car Allowance                              | 22%                    | Yes      | select groups                    |
| Median Monthly Allowance                   | \$517                  | N/A      |                                  |
| <b>Other Benefits</b>                      | 78%                    | Yes      |                                  |
| Discounted Stock Purchase Plans            | 0%                     | No       |                                  |
| Subsidized Canteen Benefits                | 0%                     | No       |                                  |
| Meal Assistance                            | 0%                     | No       |                                  |
| Employee Education Assistance              | 78%                    | Yes      |                                  |
| Allowance                                  | 0%                     | No       |                                  |
| Reimbursement                              | 78%                    | Yes      |                                  |
| Club Membership                            | 0%                     | Yes      | fitness                          |
| Allowance                                  | 0%                     | Yes      |                                  |
| Reimbursement                              | 0%                     | No       |                                  |
| Discounts on Company Products/Services     | 0%                     | No       |                                  |
| Transportation/Commuting Assistance        | 11%                    | Yes      |                                  |
| Allowance                                  | 0%                     | No       |                                  |
| Reimbursement for Public Transportation    | 0%                     | Yes      |                                  |
| Company Supported (Company Bus, Van, etc.) | 11%                    | No       |                                  |
| Housing/Rental Allowance                   | 0%                     | No       |                                  |
| Telecommunications Assistance              | 0%                     | No       |                                  |
| Allowance                                  | 0%                     | No       |                                  |
| Reimbursement                              | 0%                     | No       |                                  |



# Market Prevalence Comparisons - Retirement

| Summary of Retirement Benefit Practices                    | Selected Organizations      | The City                             | Comments   |
|--|-----------------------------|--------------------------------------|--|
| <b>Retirement Benefits Provided</b>                        | 100%                        | Yes                                  |  |
| <b>Defined Benefit Plans</b>                               | 61%                         | Yes                                  |  |
| <b>Definition of Pay</b>                                   | Base Salary                 | Base Salary                          |  |
| Base Salary  | 82%                         |                                      |  |
| Total Cash (Base + Bonus)                                  | 18%                         |                                      |  |
| <b>Maximum Pay for Benefit Formula</b>                     | Provide Maximum:<br>275,000 | 275,000                              |  |
| Provide Maximum  | 82%                         | Yes                                  |  |
| Median Amount  | 275,000                     | 275,000                              |  |
| <b>Method of Payment</b>                                   | Annuity                     | Annuity                              | 3 annuity options, Police & Fire have 4th 10yr Life Certain option |
| Lump Sum   | 0%                          |                                      |  |
| Annuity  | 91%                         | x                                    |  |
| Employee Choice  | 9%                          |                                      |  |
| <b>Median Minimum Number of Years of Service (Vesting)</b> | 8                           | 5 (GPP) / 10 (Police & Fire)         |  |
| <b>Median Spouse Death Benefit</b>                         | 50%                         | 67%                                  |  |
| <b>Payment Increases Provided</b>                          | 73%                         | Yes Payments Increase                |  |
| <b>Basis of Benefit (Final Average Plans)</b>              | Uniform Accrual             | Yes                                  |  |
| Uniform Accrual  | 100%                        |                                      |  |
| Step-Rate Accrual  | 0%                          |                                      |  |
| <b>Accrual for Uniform Plans</b>                           | 1.68%                       | 1.80% (GPP) / 2.5% (Police & Fire)   |  |
| P75  | 2.00                        |                                      |  |
| P50  | 1.68                        |                                      |  |
| P25  | 1.64                        |                                      |  |
| Average  | 1.85                        |                                      |  |
| <b>Median Employee Contribution</b>                        | 3%                          | 5% (GPP) / 7.5% (Police) / 9% (Fire) |  |



## Market Prevalence Comparisons - Retirement...(cont'd)

| Summary of Retirement Benefit Practices (cont'd) | Selected Organizations   | The City | Comments  |
|--|--------------------------|----------|---|
| <b>Defined Contribution Plans</b>                | 94%                      | Yes      | To "at will" execs and some temps               |
| <b>Plan Types Offered</b>                        | 457                      |          |   |
| 401(k)   | 12%                      |          |   |
| Post-Tax   | 0%                       |          |   |
| Profit Sharing                                   | 0%                       |          |   |
| ESOP   | 0%                       |          |   |
| 403(b)   | 6%                       |          |   |
| 457  | 59%                      | x        | employee contribution only                      |
| Money Purchase or Cash Balance                   | 29%                      | x        | for " at will" executives/temps                 |
| <b>401(k) Plans</b>                              | 12%                      | No       | The City provides 457 for EE contributions only |
| <b>Definition of Pay</b>                         | Base Salary              |          |   |
| Base Salary                                      | 100%                     |          |   |
| Total Cash (Base + Bonus)                        | 0%                       |          |   |
| <b>Maximum Pay for Benefit Formula</b>           | 275,000                  |          |   |
| Provide Maximum                                  | 50%                      |          |   |
| <b>Method of Benefit Determination</b>           | Employee Match           |          |   |
| Fixed Percentage of Pay                          | 0%                       |          |   |
| Fixed Amount of Money                            | 0%                       |          |   |
| Step-rated Based on Salary Levels                | 0%                       |          |   |
| Age and/or Years of Service                      | 0%                       |          |   |
| Employee Match                                   | 100%                     |          |   |
| No Employer Contribution                         | 0%                       |          |   |
| <b>Employer Match</b>                            |                          |          |   |
| P75  | N/A                      |          | insufficient responses to report on             |
| P50  | N/A                      |          | insufficient responses to report on             |
| P25  | N.A                      |          | insufficient responses to report on             |
| <b>Vesting</b>                                   | Require Vesting: 5 years |          |   |
| Require Vesting                                  | 50%                      |          |   |
| Median Years to Vest                             | 5                        |          |   |



## Market Prevalence Comparisons - Retirement...(cont'd)

| Summary of Retirement Benefit Practices (cont'd) | Selected Organizations  | The City | Comments                            |
|--|-------------------------|----------|-------------------------------------|
| <b>403(b) Plans</b>                              | 6%                      | No       |                                     |
| Definition of Pay                                | Base Salary             |          |                                     |
| Base Salary                                      | 100%                    |          |                                     |
| Total Cash (Base + Bonus)                        | 0%                      |          |                                     |
| Maximum Pay for Benefit Formula                  | Provide Maximum: N/A    |          |                                     |
| Provide Maximum                                  | 100%                    |          |                                     |
| Median Amount                                    | N/A                     |          |                                     |
| Method of Benefit Determination                  | Fixed Percentage of Pay |          |                                     |
| Fixed Percentage of Pay                          | 50%                     |          |                                     |
| Fixed Amount of Money                            | 0%                      |          |                                     |
| Step-rated Based on Salary Levels                | 0%                      |          |                                     |
| Age and/or Years of Service                      | 0%                      |          |                                     |
| Employer Match                                   | 50%                     |          |                                     |
| No Employer Contribution                         | 0%                      |          |                                     |
| Fixed Percentage of Pay                          |                         |          |                                     |
| P75  | N/A                     |          | insufficient responses to report on |
| P50  | N/A                     |          | insufficient responses to report on |
| P25  | N/A                     |          | insufficient responses to report on |
| Employer Match                                   |                         |          |                                     |
| P75  | N/A                     |          | insufficient responses to report on |
| P50  | N/A                     |          | insufficient responses to report on |
| P25  | N/A                     |          | insufficient responses to report on |
| <b>Cash Balance / Money Purchase Plans</b>       | 29%                     | 401(a)   |                                     |
| Definition of Pay                                | Base Salary             | Base     |                                     |
| Base Salary                                      | 100%                    |          |                                     |
| Total Cash (Base + Bonus)                        | 0%                      |          |                                     |
| Maximum Pay for Benefit Formula                  | Provide Maximum:        |          |                                     |
| Provide Maximum                                  | 100%                    | Yes      |                                     |
| Method of Benefit Determination                  | Fixed Percentage of Pay |          |                                     |
| Fixed Percentage of Pay                          | 67%                     | 10%      | 5% employee contribution required   |
| Fixed Amount of Money                            | 0%                      |          |                                     |
| Step-rated Based on Salary Levels                | 0%                      |          |                                     |
| Age and/or Years of Service                      | 0%                      |          |                                     |
| Employer Match                                   | 33%                     |          |                                     |
| No Employer Contribution                         |                         |          |                                     |
| Fixed Percentage of Pay                          |                         |          |                                     |
| P75  | N/A                     |          | insufficient responses to report on |
| P50  | N/A                     |          | insufficient responses to report on |
| P25  | N/A                     |          | insufficient responses to report on |
| Employer Match                                   |                         |          |                                     |
| P75  | N/A                     |          | insufficient responses to report on |
| P50  | N/A                     |          | insufficient responses to report on |
| P25  | N/A                     |          | insufficient responses to report on |



# Market Prevalence Comparisons - Healthcare

| Summary of Healthcare Benefit Practices             | Selected Organizations | The City | Comments |
|---|------------------------|----------|----------|
| Healthcare Benefits Provided                        | 100%                   | Yes      |          |
| Employee Only Coverage Cost (Percent Employer Paid) | 99%                    | 82%      |          |
| Dependent Coverage Cost (Percent Employer Paid)     | 74%                    | 60%      |          |
| Prevalent Plan Type                                 | High Deductible        | PPO      |          |
| Fee-for-Service                                     | 0%                     |          |          |
| HMO   | 6%                     |          |          |
| PPO   | 33%                    |          |          |
| POS   | 17%                    |          |          |
| High Deductible                                     | 44%                    |          |          |
| Individual Medical Plan Deductible                  | 1,375                  | 600      |          |
| Family Medical Plan Deductible                      | 2,750                  | 1,800    |          |
| Individual Out-of-Pocket Maximum                    | 3,625                  | 4,500    |          |
| Family Out-of-Pocket Maximum                        | 7,250                  | 7,500    |          |
| Medical Coinsurance                                 | 80%                    | 80%      |          |

## Market Prevalence Comparisons - Healthcare....(cont'd)

| Summary of Healthcare Benefit Practices (cont'd)                  | Selected Organizations         | The City                      | Comments                            |
|---|--------------------------------|-------------------------------|-------------------------------------|
| <b>Prescription Drug Benefits</b>                                 |                                |                               |                                     |
| <b>Generic</b>  | \$10                           | \$10                          |                                     |
| <b>P75</b>  | \$14                           |                               |                                     |
| <b>P50</b>  | \$10                           |                               |                                     |
| <b>P25</b>  | \$9                            |                               |                                     |
| <b>Brand Name</b>   | \$55                           | \$80                          | Separate \$300 deductible for Brand |
| <b>P75</b>  | \$60                           |                               |                                     |
| <b>P50</b>  | \$55                           |                               |                                     |
| <b>P25</b>  | \$50                           |                               |                                     |
| <b>Retiree Coverage</b>   | Both Early and Normal Retirees | Yes, the plan covers retirees |                                     |
| <b>Early Retirees Only</b>  | 11%                            |                               |                                     |
| <b>Normal Retirees Only</b>                                       | 11%                            |                               |                                     |
| <b>Both Early and Normal Retirees</b>                             | 39%                            |                               |                                     |
| <b>Neither</b>  | 39%                            |                               |                                     |
| <b>Retiree Coverage Cost (Normal Single Coverage)</b>             | Retiree-Paid                   | Shared                        |                                     |
| <b>Employer-Paid</b>  | 0%                             |                               |                                     |
| <b>Cost-Shared</b>  | 22%                            |                               |                                     |
| <b>Retiree-Paid</b>   | 78%                            |                               |                                     |
| <b>Dental Employee Only Coverage Cost (Percent Employer Paid)</b> | 49%                            | 0%                            |                                     |
| <b>Dental Dependent Coverage Cost (Percent Employer Paid)</b>     | 0%                             | 0%                            |                                     |
| <b>Dental Coinsurance</b>   |                                |                               |                                     |
| <b>Preventative (Median)</b>                                      | 100%                           | 100%                          |                                     |
| <b>Basic Restorative (Median)</b>                                 | 80%                            | 80%                           |                                     |
| <b>Major Restorative (Median)</b>                                 | 50%                            | 50%                           |                                     |



## Market Prevalence Comparisons - Death Benefits

| Summary of Death Benefit Practices              | Selected Organizations      | The City                    | Comments                                  |
|---|-----------------------------|-----------------------------|---|
| <b>Death Benefits Provided</b>                  | 100%                        | Yes                         |   |
| <b>Cost of Coverage</b>                         | Employer                    | Employer                    |   |
| Employer  | 100%                        |                             |   |
| Employee  | 0%                          |                             |   |
| Shared  | 0%                          |                             |   |
| <b>One-Time Payment Method</b>                  | Percentage of Annual Salary | Percentage of Annual Salary |   |
| Flat/Fixed Amount of Money                      | 11%                         |                             |   |
| Percentage of Annual Salary                     | 89%                         |                             |   |
| <b>Flat/Fixed Amount of Money Median Amount</b> | N/A                         |                             |   |
| <b>Median Percentage of Annual Salary</b>       | 100%                        | 200%                        |   |
| <b>Maximum Benefit Amount</b>                   | Provides Maximum: 200,000   | Provides Maximum: 50,000    | Maximum of \$250,000 for Charter Officers |
| Provide Maximum                                 | 94%                         | Yes                         |   |
| Median Amount                                   | 200,000                     | 50,000                      | 250,000 for Charter Officers              |
| <b>Accidental Death Benefits Provided</b>       | 89%                         | Yes                         |   |
| <b>Cost of Coverage</b>                         | Employer                    | Employee                    |   |
| Employer  | 100%                        |                             |   |
| Employee  | 0%                          |                             |   |
| Shared  | 0%                          |                             |   |



## Market Prevalence Comparisons - Disability Benefits

| Summary of Disability Benefit Practices  | Selected Organizations | The City   | Comments   |
|--|------------------------|--|--|
| <b>Sick Leave / Short-Term Disability Benefits Provided</b>                              | 94%                    | Yes  |  |
| Benefit Payment as a Percent of Monthly Salary (single benefit period)                   | 100%                   | 100%   |  |
| Number of Months of Benefit Payment  | 4                      | 1 week from PTO (assume 5 days when sick days included in PTO) | The City offers employee paid STD, but has unlimited sick days accrual |
| Maximum Payment  | No Maximum             | No Maximum   |  |
| Initial Period Benefit Payment as a Percent of Monthly Salary (multiple benefit periods) | 100%                   | N/A  |  |
| Initial Period Number of Weeks of Benefit Payment  | Average 4.4 weeks      | N/A  |  |
| Second Period Benefit Payment as a Percent of Monthly Salary (multiple benefit periods)  | Average 69%            | N/A  |  |
| Second Period Number of Weeks of Benefit Payment   | Average 17.4 weeks     | N/A  |  |
| <b>Long-Term Disability Benefits Provided</b>  | 89%                    | Yes  |  |
| Cost of Coverage   | Employer               | Employer   |  |
| Employer   | 69%                    |  |  |
| Employee   | 25%                    |  |  |
| Shared   | 6%                     |  |  |
| Percent of Salary  | 60%                    | varies, but min 42% for in-line disability                     | varies, but min 25% for out-of-line disability                         |
| P75  | 60%                    |  |  |
| P50  | 60%                    |  |  |
| P25  | 60%                    |  |  |
| Maximum Payment  | Provide Maximum: 5,000 | Provides Maximum: 3,750  | GPP  |
| Provide Maximum  | 94%                    | Yes (GPP) No (Fire&Police)                                     |  |
| P75  | 10,000                 |  |  |
| P50  | 5,000                  |  |  |
| P25  | 5,000                  |  |  |



## **Appendix C – Benefits Valuation Methodology**



# Benefits Market Analysis - Methodology

## Korn Ferry utilizes a proprietary actuarial valuation methodology to evaluate benefit plans in terms of the “cash equivalence” of the benefits

- Our unique cash equivalent approach was developed to translate the complexities and variations among benefit practices into uniform, quantitative evaluations. This valuation method is applied to the full range of employee benefits including health insurance, life insurance, disability and sick leave, pension and capital accumulation plans, executive perquisites, and other benefits and allowances. Without it, plan comparisons can be different and inefficient.
- While the standard values developed for such cash equivalents are representative of average costs, they should not be interpreted as the actual costs of any given employer's benefit compensation package.
- Although actual cost is clearly of vital concern to any employer, it can have the following disadvantages, which we believe renders it unsuitable for most benefit plan comparison studies:
  - Actual costs are very often not available from survey participants. This can be true either because of the difficulty in developing the desired figures, or because of a conscious decision not to share such data.
  - Funding, financing, and accounting techniques differ widely among firms. Therefore, the actual cost of two identical benefits can be significantly different for a host of reasons in no way related to the benefit itself.
  - The employee "mix" can vary substantially from one employer to another. That is, the distribution of employees by age, gender, service, salary level, and relative health is rarely similar from one firm to another. Therefore, even if the same benefit and the same financing method were used, the actual cost could, and probably would, be different.
  - A firm's bargaining power and skill as market negotiator is another variable making actual cost unreliable as a tool for measuring relative value. A poor plan in one environment can cost more than a rich plan in another.



## Benefits Market Analysis - Methodology...(cont'd)

- For all these reasons, KF does not use actual cost in studies comparing benefit values, but instead has developed a technique of "common costs." This permits the assignment of dollar values, a common yardstick, without the problems associated with using actual costs. It assists with putting together an apples-to-apples comparison across all employer benefits.
- The common cost approach is illustrated below using life insurance

|               |                              | A            | B               | C                     | D = BxCx12           | E                          | F = BxEx12                    |
|---------------|------------------------------|--------------|-----------------|-----------------------|----------------------|----------------------------|-------------------------------|
|               | Basic Life Insurance Benefit | Salary Level | Coverage Amount | Actual Cost per month | Actual Cost Per year | Common Cost Rate per month | Common Cost per Year or VALUE |
| <b>Client</b> | 1 x pay                      | \$200K       | \$200K          | \$.20/\$1000          | \$480                | \$.1575/\$1000             | \$378                         |
| <b>Market</b> | 2 x pay                      | \$200K       | \$400K          | \$.10/\$1000          | \$480                | \$.1575/\$1000             | \$756                         |

- If value is based on actual costs, then these benefits would be equal (i.e. the each cost \$480). However, by using the common cost approach, i.e., eliminating the impact of company specific costs, the 2x pay benefit has more value than the 1x pay benefit.



## Benefits Market Analysis - Methodology...(cont'd)

- Benefit values are calculated on an “Employer-paid” basis. Employer-paid benefit values are discounted to reflect the relationship of any required employee contributions to the total cost. For fully employee-paid plans, the discount is 100%. For fully employer-paid plans, there is no discount, and for cost-shared plans, a pro-rata is applied
- Using 401(k) plans as an example, the table below compares three match formulas:

|          | Match Formula                               | Salary Level | Maximum Match | Discount | Value    |
|----------|---|--------------|---------------|----------|----------|
| Client   | 100% of 6% of pay                           | \$200,000    | \$12,000      | 3%       | \$11,640 |
| Market 1 | 100% of 3% of pay and 50% of next 2% of pay | \$200,000    | \$8,000       | 7.5%     | \$7,424  |
| Market 2 | 50% of 6% of pay                            | \$200,000    | \$6,000       | 13%      | \$5,234  |

- The discount rate reflects the likelihood employees will maximize their contribution to receive the full employer match. In the example, employees are more likely to contribute 6% under Client's plan because the match potential is 100%, whereas under the Market 1 plan, the match potential is only 80%. Under the Market 2 plan the match potential is only 50%, but of a higher 6% contribution

**The utilization of “standard or common cost assumptions” provides a uniform quantitative evaluation method which produces values based solely on the level of the benefit provided**

