I. **Call to Order**
The meeting was called to order by Chair Laurie Hosie at 7:00 pm.

II. **Approval of the Minutes of December 10, 2014**
A motion was made by Mr. Mealey and was seconded by Mr. Needle to approve the meeting minutes of December 10, 2014. Motion carried by a unanimous vote.

III. **Debt Service Refinancing Presentation**
Mike Wolf, Managing Director of Boenning & Scattergood, Inc., provided a presentation regarding favorable refinancing options for the Township’s existing bond issue and bank loan. The Committee reviewed the options presented by Mr. Wolf and prioritized them in order of desirability (based on current information and assumptions which may change) as follows: option 4, option 3, option 2 and option 1 (least preferred). A motion was made by Mr. Mealey and seconded by Ms. Hosie to ask the Board of Supervisors to move forward as quickly as possible with the refinance process. Motion carried by a unanimous vote.

IV. **Review of Employee Healthcare Recommendation**
The Committee reviewed their employee healthcare recommendation to the Board of Supervisors:

*Background*

At the 07/15/2014 Upper Makefield Township Board of Supervisors meeting, the Financial Advisory Committee was tasked with examining the issue of healthcare coverage for all township employees. The BOS named 2 ad hoc members with extensive experience in healthcare, total benefits and human resource programs to assist the FAC with their examination—Brian Bark and Tom Kegelman.

*FAC Approach*

Given the BOS did not provide explicit direction or a codified healthcare strategy with specific financial goals, the FAC determined that its approach should culminate in presenting a range of options for the BOS to consider. The FAC also wishes to point out that a more ideal approach would be to employ a Total Rewards framework, and consider healthcare as just one component of the compensation and benefits package each employee receives.
The FAC asked for and received a variety of information and data from the Delaware Valley Health Trust, and also invited DVHT executives and its benefits consultant to present at the FAC’s 11/19/14 meeting.

The biggest deficiency in materials provided by DVHT was a lack of any data or insight with regard to relevant benchmarks in the private sector. DVHT acknowledged that the private sector is much more aggressive and further along in terms of cost saving and participatory (consumeristic) plan designs, as well as in the cost share born by employees (e.g., premium share and ongoing cost share in the form or coinsurance and/or deductibles and co-pays) when compared to its public-sector client base.

That being said, the FAC determined the information and data DVHT provided would be useful in helping identify several recommendations and would also be potentially useful in supporting a shift in approach.

Healthcare Recommendations

The FAC reached consensus on the following recommendations relative to UMT employee healthcare:

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<th>Recommendation</th>
<th>Rationale</th>
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<td>1. As soon as possible, discontinue the HMO plan for non-union employees and offer a comparable PPO option. While this will likely increase UMT premium expenses in the short-term, recommendations #3-5 below, along with the Total Rewards study recommendation, contemplate a longer-term plan to contain costs and maintain a competitive compensation and benefits program for all UMT employees.</td>
<td>By definition, HMOs limit choice. The FAC believes that non-union employees shouldn’t be offered lesser coverage than those who are unionized.</td>
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<td>2. For all employees, consider an “opt out” similar to those currently offered in other townships. Caveat: Under current designs, opt-out is highly unlikely as the richness of the UMT plans likely makes them the “plan of choice” for dependents and other eligible members.</td>
<td>This presents a win-win to UMT and its employees. UMT saves on premium expenses, and employees are compensated for declining UMT healthcare coverage.</td>
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<td>3. Consider a three-tier health care plan for all employees: a. The mid-tier plan should be benchmarked to median coverage levels for PA municipal workers b. An employee-funded “buy-up” option would provide more extensive coverage (75th-80th percentile) c. A lower-cost option this could be a high deductible plan or simply a lower value design of the median and top-tier plans) should also be offered (which only makes sense if employees are paying premiums)</td>
<td>Provides UMT a strategy for a solid, reasonable and defendable position based on the competitive market. Also allows for cost savings and provides employee flexibility in determining the right plan for their needs, as well as participation in the financial implications of their choices.</td>
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### 4. UMT must adopt a position on a reasonable premium cost sharing percentage for employees. (Note premium cost share is separate and distinct from any share of expense participants may bear when accessing care).

The private sector is rapidly moving closer to a 70/30 premium split, with 75/25 being more typical and 80/20 being a bit richer.

### 5. Include wellness programs and incentives for active participation for employees and potentially for other covered members.

Wellness programs reward good behaviors and engage employees in protecting their own health.

### 6. Begin now to develop a strategy for the tax ramifications to UMT and its employees of so-called “Cadillac” healthcare plans, which will be enacted in 2018. Do not offer buy-up options that will trigger the excise tax unless the employee is required to pay the penalty (see #3).

The Cadillac tax represents a significant potential liability to UMT and needs to be mitigated.

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**Total Rewards Strategy Recommendation**

As mentioned previously, the FAC believes that healthcare expenses should be considered as part of a Total Reward framework to attract, motivate and retain employees. Other elements include salary/wages, retirement benefits, income protection, paid time off (vacation, holidays, personal), performance and recognition, and career development and advancement.

We therefore recommend that the BOS hire an independent rewards consultant from a firm such as Mercer, Towers Perrin, Hay Associates, etc., to conduct a study comparing the Total Rewards package of UMT employees with their counterparts in other municipalities and private sector employees. Results should be utilized to prepare for the upcoming labor negotiations.

A motion was made by Mr. Mealey and was seconded by Mr. Needle to recommend the healthcare recommendation above to the Board of Supervisors. Motion carried by a unanimous vote. The Committee also offered to present the recommendations in entirety to the Board at an upcoming meeting, as long as ad hoc member Brian Bark could also be present to share his subject matter expertise.

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**IV. Personnel Policy Review through Section 310, page 11**

Time did not allow pursuit of this agenda item.

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**V. Other Business**

There was no other business.

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**VI. Board Liaison Report**

Board Liaison Larry Breeden was not present.

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**VII. Public Comment**

There was no public comment.
VIII. Adjournment

A motion was made by Mr. Mealey and was seconded by Mr. Needle to adjourn the meeting at 8:48 pm.

Approved: March 11, 2015