



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

BOARD OF DIRECTORS

*Human Resources/Labor Relations
Committee*

December 20, 2006

MEETING MINUTES

Committee Members

Bruce F. Romer, Chair
Howard Gibbs
F. Alexis Roberson

WASA Staff

Jerry N. Johnson, General Manager
Linda R. Manley, Board Secretary
Barbara Grier, Assistant General Manager
Avis M. Russell, General Counsel
Katrina Wiggins, Human Resources Director
Otho Milbourne, Benefits Manager

Bruce F. Romer, Chairman, called the Human Resources/Labor Relations Committee Meeting (the Committee) to order at approximately 9:10 a.m. Jerry N. Johnson, General Manager, provided an overview of the retiree medical benefits offered to WASA employees. Mr. Johnson noted that WASA employees hired by the District of Columbia Government prior to 1987 are entitled to retiree medical benefits under the Civil Service Retirement System (CSRS). However, WASA employees hired by the District after 1987 (post 1987 employees) and all employees hired by DCWASA do not have retiree medical benefits. Mr. Johnson also stated that the recommended retiree medical benefits are only for nonunion employees because benefits for union employees are subject to negotiation.

Mr. Johnson introduced Otho Milbourne, Benefits Manager, and David Boomershine, Senior Vice President, Aon Consulting, who presented the Retiree Medical Study findings and recommendations.

Mr. Boomershine presented an overview of "defined benefits vs. defined contribution" approaches and brought attention to the Government Accounting Standards Board (GASB) Statements No. 43 and 45. He indicated that under GASB, defined benefit retiree medical plans have to be fully funded or the cost of these programs must be recorded as a liability, which can impact credit and bond ratings. He further explained that under GASB 45, WASA would have to recognize an estimated 7.5 million dollar

liability every year on financial statements and that this liability would continue to accumulate each year on unfunded retiree medical expenses. He indicated that if DCWASA were to implement a defined benefit Retiree Medical Program for Post 1987 employees the estimated GASB liability on financial statements could reach as high as 15 million in the second year, an option that is cost prohibitive.

Mr. Boomershine then highlighted defined contribution alternatives such as Health Savings Accounts (HSA), 401(a) Employer Matching Contributions and Voluntary Employee Benefits Associations (VEBA). The primary advantages and disadvantages of each of these programs were discussed. After reviewing the advantages and disadvantages of each alternative, the implementation of an employer match into the 401(a) Plan was recommended. The primary advantage of the 401(a) Plan employer match was that it provides pre-tax contributions and encourages employees to contribute additional employee contributions. An actuarial calculation projected that most employees would need to save a minimum of 3% of their base pay to provide funding for adequate retiree medical benefits upon retirement at age 65. A recommendation was made for an employer match of 2% of base pay to supplement this expense. This approach would require that employees receive education on their financial responsibility regarding retiree medical costs.

In addition, Mr. Boomershine discussed a proposal to implement a Retirement Health Savings Plan (RHS) under the ICMA VantageCare Program. The benefits under this program would be tax-free and would cover medical expenses for participants, spouses and dependents. The contributions for this program would be accrued sick leave at the time of separation. A recommendation was made to implement a Retirement Health Savings Plan.

Committee member Alexis Roberson, asked if the General Manager would consider increasing the proposal to match contributions for non-union post 1987 employees. Mr. Johnson deferred the discussion until he could determine the impact this would have on the Authority's budget. Ms. Roberson made a motion to recommend to the Board the implementation of a Retirement Health Savings Plan and a supplemental employer matching contribution of 2% for Post 1987 nonunion employees. The motion was seconded by Committee member Howard Gibbs and was unanimously approved by the Committee.

Katrina J. Wiggins, Director of Human Resources, presented recruitment incentive recommendations for the Committee's consideration. Staff proposed signing bonuses and housing assistance on a case-by-case basis. The Committee posed several

questions regarding administration of the incentives program and requested that staff provide responses at the next meeting.

The Human Resources Staff Report was presented by exception noting that staff would respond to questions from Committee members. Ms. Wiggins highlighted the success of the recent Benefits open enrollment period and online enrollment process, the end of the Performance Management Process for nonunion employees and the initial meetings with front line supervisors to share the results of the Employee Climate Survey focus group meetings. Mr. Johnson added special emphasis on the plan to continue to communicate the results throughout the Authority.

Chairman Romer asked the General Manager if the goals on the Committee Work Plan for 2007-2008 were on target. Mr. Johnson indicated that many of the goals are ongoing and the rest are on target for being met. There were no questions regarding the status reported as of the fourth quarter.

The Committee convened an Executive Session to discuss labor negotiations.

The meeting was reconvened at 10:50 a.m.

Having no further business, the meeting was adjourned at 10:51 a.m.