

TOWN AND VILLAGE PERSONNEL POLICY COMMITTEE MEETING MINUTES
JOHNSON MUNICIPAL BUILDING
TUESDAY, NOVEMBER 10, 2015

Present: Scott Meyer, Gordy Smith, Bob Sweetser, Nat Kinney (4:57), Eric Osgood, Duncan Hastings, Sandy Miller, Rosemary Audibert, Jan Perkins, Troy Dolan

Note: All votes taken are unanimous unless otherwise noted.

1. Call to Order

Eric and Gordy called the meeting to order at 4:04.

2. Changes, Additions to Proposed Agenda

It was agreed to add approval of meeting minutes. It was also agreed to end the meeting by 6:00.

3. Approval of Meeting Minutes

Sandy moved to approve the minutes of November 3, 2015 as presented, seconded by

Bob. Scott said his comment about the state giving personal days for sick time was not entirely accurate. It's not one-to-one. You can get a personal day for some block of unused sick time. It was agreed to add a note to the minutes explaining that Scott had later corrected his statement. Duncan suggested taking out the sentence attributed to him about not being sure if he is on the committee as an employee or as a person assigned to implement the personnel policy to more accurately reflect what he was trying to say, which was that he has a dual role. **The motion to approve the minutes with the suggested changes was passed.**

Duncan passed out copies of the survey he put together last year with information about wages and benefits for other municipalities with municipal electric departments.

Sandy said short and long term disability quotes came in yesterday. He got quotes on short term disability with a 15-day waiting period. He meant for the percentage of wages provided to be the same as the long term disability we already have in place – 60% – but they quoted 66.67% instead. He also got a quote on long term disability with a 90-day waiting period instead of the 180-day period we have now. The total change in cost for all employees is just \$517 if we move to a 90-day waiting period. That doesn't include the village manager, but that won't change the figure much. The cost of short term disability with a 15-day waiting period is \$4,558. Adding coverage for the village manager will increase that a little, but changing the percent of salary paid to 60% will bring the cost down a little. He would recommend that both short term and long term disability pay the same percentage. We could also get a quote on short term disability with an 8 or 21 day waiting period. Rosemary has information about costs of payouts over the years to compare to these costs. These rates are locked until 2018. Eric pointed out that some portion of the \$517 would be paid by the village and some by the town. Sandy and Rosemary said the town's portion would be about 33-40%.

Gordy asked, this would not be for the fire department, right? Sandy said that is right. Fire department members are not considered employees for insurance purposes, just for worker's comp.

Eric said a lot of things in the personnel policy don't apply to elected or appointed positions such as Jan's or Rosemary's. What about providing disability to those people? Sandy said Johnson, like most municipalities, has extended the benefits other full-time employees get to elected and appointed officials, though they are not subject to the personnel policy.

Gordy said disability payments are tax-free, so those on disability, while only getting 60% of their salary, will not need to pay taxes on it. Duncan said the general rule of thumb is that disability payments of 66% provide take-home pay similar to the regular wage with taxes.

Eric said both companies he has worked for provided short term disability at 50% and if you wanted to increase it to 66% you paid a few dollars a week yourself. Is that something that was provided? Sandy said no, we just wanted a quick quote for the purposes of discussion. He doesn't think that option would be available from them, since this is group insurance, but he can ask.

Scott asked if enrollment with a pre-existing condition is an issue. Sandy said no.

Gordy suggested that if 66% of salary means take-home pay stays about the same, maybe we should check on the cost of changing to 66%. Sandy said we could have more discussion about that if the committee is serious about looking into it. Duncan said when we first looked at long term disability we looked at a wide range, maybe 50% to 100%. The numbers won't change much going from 60% to 66%. Sandy said by going from 60% to 66% we would be increasing the benefit employees have and it would cost slightly more.

Eric said he thinks it will help us a lot to know that this benefit has a very reasonable cost. Duncan said the cost of changing the waiting period for long term disability to 90 days would probably go up a little if we changed to 66% instead of 60%, but not much. Sandy said if we went to 66.67% but left the max at \$4K per month the premium might hardly change at all.

Gordy asked, for employees who get overtime, is the disability payment just based on the 40-hour base? Sandy and Duncan said yes.

Eric said we need to decide whether to throw out the personnel policy and start over or start going through it line by line to see what changes should be made. He knows there will be a lot of discussion around CTO and vacation. He thinks a lot of the other areas could be cleaned up and approved pretty quickly and then the committee can modify the areas we want to modify without having to throw the whole thing out. He thinks maybe there is value in getting other municipal policies and seeing how they are different but he thinks what we have is pretty good.

Duncan said he and Sandy sent out an email to town and village managers and administrators. He has already gotten quite a few responses and copies of policies. About half the people actually answered the survey questions and about half just sent copies of their personnel policies. It will take some time to read through the pile of policies. He can share the survey questions with everyone by email. He hopes information on the responses will be

available for the next committee meeting. He will probably focus on certain key items as he goes through the individual policies.

Duncan said VLCT has a benefits survey but Sandy has some concerns about its accuracy or whether everyone answers the questions in the same way. Sandy said he has found it somewhat useful but not something we should rely on as authoritative. He has seen a lot of inaccuracies.

Rosemary passed out a spreadsheet showing past payouts of employees who have retired from 2004 to now. Duncan said in the next 5 to 10 years we will see a number of employees all retiring at once as we did this past year. On the village side, the total payout was \$60,675, which comes out to \$5500 per year. On the town side, it came out to \$3030 per year. The combined sick leave payout for the town and village was \$1564 per year. It is important to remember that some of this is already budgeted. We budget for a year's worth of CTO for each employee every year. Sandy said it is budgeted, but if someone retires and we want to replace them right away we will end up having to pay more than we budgeted. He would recommend budgeting for the situation where we replace the person immediately or even have some overlap. If we create a reserve fund and we find it is getting too large we can adjust the contribution. Duncan said he doesn't disagree, but he doesn't want to lose sight of the point that of the payout, a year's worth of CTO time is budgeted. If the CTO bank is full the additional half year's worth is not budgeted and the payout of 25% of accumulated sick leave is not budgeted.

Eric said 5 people left in a year. That is why we are feeling the impact. If they were spread out more there wouldn't be such a big impact. Even we purchased short term disability instead of having the sick bank, we would still have to pay out for CTO because people would have unused vacation time. Sandy said we could separate vacation and sick time into different buckets. Eric said then we could reduce the payout by some amount because some of the time would be sick leave. Duncan said all of the actuarial rates we have received for short term and long term disability are predicated on a policy that lets employees accrue sick time before short term disability starts. If we were regularly using short term disability he thinks we would see the rates change. Sandy said he doesn't think we are talking about eliminating sick time, just saying sick leave would not have cash value on retirement and would not be part of CTO. We could replace CTO with separate vacation, personal and sick time that could be accrued up to a maximum. Eric asked if employees would have to use or lose their sick leave in one year. Scott, Sandy, and Duncan all agreed that would not be typical. Having short term and long term disability usually results in having a different level of maximum sick leave accrual.

Bob said Walter seemed to think we could cut down the number of hours accrued and pay people a little more per hour to compensate and employees would come out the same but it would be easier on us because we would pay out less in the end. Sandy said the increase in pay would increase the overtime rate and it would increase the retirement contribution since VMERS is based on total compensation, not the base rate.

Duncan reviewed a spreadsheet on time off. A first year employee gets 176 hours of CTO. That is based on one week of vacation, 3 personal days, 2 floating holidays and sick leave. Time off increases by one week at 2 years, 5 years, and 10 years. Everyone is capped at 480 hours of accumulated sick leave and 120 hours is the maximum payout for sick leave. Rosemary handed out a list of employees' CTO and sick leave balances. Duncan reviewed some examples, showing what the payout would be for each. The numbers are pretty different depending on how much time they take off and how much they bank and how much accrued time they have in their sick leave banks. Some would get nothing and some would get pretty minimal payments.

Gordy said we need to look at this not strictly from a budget point of view but also from the employee point of view. We need to see what will work well for employees and for taxpayers. Eric said it might be good to compare what we paid out for past retirements to what we would pay out if we had short term and long term disability. Sandy said it depends on assumptions about things like how much CTO people have and if there is any value for sick leave.

Scott said the town and village combined paid out just shy of \$7K for an 11-year period. That is a lot of money. Gordy said he thinks the majority of trustees would like to see the larger bumps softened. Bob agreed.

Duncan said retirements or separations would not be covered by short or long term disability. The savings from disability would be from not making payroll for employees who were out longer than 15 days. (*Nat arrived at 4:57.*)

Sandy asked why it was decided that the sick leave reserve would have a cash value. Why do we need it to have cash value upon separation if its purpose is to help bridge the time before long term disability starts? Eric said he thinks we did that because some of the time carried over into the sick bucket could be vacation time. He doesn't know how we came up with 25% as the payout percentage. Some of the time is paid out because some was vacation time. Scott said that's why the trustees were thinking that if sick time were separated out then we wouldn't have to worry about paying out for accumulated sick time.

Scott said Dave has been a big advocate of people having to use their vacation, personal, and floating holiday time. Most employers say it is gone by the end of the year if you don't use it. It would soften the payout if people would use it. Eric said he thinks the hourly employees mostly do use it but there may be no one else who can do a supervisor's job so they end up cheating themselves on vacation because they have to work twice as hard before and after they go. Scott said he understands that, but there has been a lot of research about the value of people getting a break for their health. If people are getting no breaks we can expect higher rates of illness and more down time. Eric said he thinks if we require people to take their time we have to be prepared to hire some help to do some of the work when they are not here. Duncan said that has a cost. Gordy said he thinks people need to get away for their health but we need someone to help do their work while they are gone. Bob asked if the problem could be addressed by training others in key parts of their jobs. Sandy said he thinks most people here are already covering for each other to the extent possible. In larger

organizations where there are assistant managers and administrative assistants they can cover for a supervisor for a few weeks, but we don't have that here. For certain things, senior management people are the only ones that can do them. At certain points the level of complexity and experience needed is such that there isn't anyone else to do it. You can tell people they have to take time off, but when you ask why they didn't get something done do you want to hear, "Because I took the vacation you made me take?" Scott said it appears that we have no contingency planning for situations like someone getting a chronic disease. Sandy said that is a legitimate point, but a different issue. Scott said it is not really different. If we worry that no one can do an employee's work if they are gone, it is the same problem whether they are gone on vacation or in an accident. Sandy said he knows of a muni where a supervisor had an accident and even though there were 2 deputies and 3 clerical support people the work still piled up. He thinks we can have contingency plans but these aren't people that can be replaced by temporary help. Eric said we don't have the depth to have a second Rosemary. Jan said when Rosemary was out ill she thinks they did a pretty good job of filling in. Fortunately Rosemary was able to provide guidance on the phone. Sandy said that can't go on forever. Jan said we are talking about someone going on vacation. Scott said he knows the strengths of all his employees, who can fill in if someone is out and how to prepare for someone going on vacation. He has worked for tiny employers and they made it work. It's not like anyone here is a surgeon. It's week or a few days off.

Duncan said when someone has been here 15 or 20 years and accrued the maximum amount, that is 6 or 7 weeks a year. He can't take that much time off. Scott said that should be conveyed back to the selectboard or trustees. Eric said we have had discussions about whether to hire an assistant for Duncan. Duncan said Rosemary works more hours than he does and has more in the sick bank. He had over 1800 hours of time accrued. That is time he was here working instead of on vacation – 1800 hours of value received from him that he was compensated for.

Scott said he is not sure Duncan's situation covers all town and village employees. Sandy said no, there is a distinction. In his experience, the manager is on call 24-7 every day of the year and has to show up at fires, worksites, etc. Those people can't use their time as easily as others can. Saying they should isn't going to make it happen if they are conscientious. That has been his experience working in municipalities. Scott said we are looking at a new model now with part-time village manager and town administrator. Eric said it will cost the town and village more money but will give more capacity so maybe the managers can take time off. But we can't hire another town clerk or highway foreman. Scott said he doesn't see how it can be a big problem to take a day or two off.

Gordy said now that there are separate town and village managers, if the boards agree they could cover for each other. Eric said that could happen today because Duncan has knowledge of the village departments but when he is gone the new town administrator probably will not have experience with water and electric departments. Gordy said in that case the foremen can help.

Duncan said he thinks it will be useful to go through other personnel policies. He thinks most in the pool we compare to will allow some accrued leave to be paid out at the time of

separation. He doesn't think we will see many that don't provide some payout for sick or vacation. Sandy said FLSA requires that vacation has to be paid out on termination in good standing. We have an issue because we pay out no matter what. Duncan said he is hearing that if you don't use it you would lose it and it would not be paid out. He doesn't think many municipalities' policies have that. Sandy said most will cap the vacation that can be carried over. Duncan said yes and most will pay you for your unused time. And he thinks many will pay some percentage of unused sick time. Scott said he doesn't think the trustees are saying we should not pay for unused time. He thinks they were looking at the payout for sick leave and capping it. Duncan said it is capped at 25% of the max of 480 hours. Scott said it's a benefit to be used when you are ill. The payout doesn't make any sense. Jan said we call it a sick bank but there could be vacation in there. Scott said he thinks there is a push from the trustees to separate it out. Jan said if there is a company that caps accrued sick time then once an employee reaches the cap they are going to be sick one day every month. Smuggler's Notch found that providing CTO reduced the number of employees that were sick every month. Scott suggested not capping sick leave but not paying out for it. Sandy said he thinks Jan is correct that once people reach the point where their accumulated sick time is enough to bridge to long term disability they will call in sick to use the time. That becomes a chronic problem. Scott said that's where supervision comes in. The supervisor can check whether someone seems to be sick every Friday. Sandy asked how we will ask someone to show they are really sick. Typically policies say an employer needs a doctor's note once they take 3 days off, but employers have found that difficult to manage. If someone takes every fourth Friday off and you question it they will just change when they take the time off. We want to not encourage people to take more time off.

Jan said she loves the CTO the way it is. Other employees feel the same way. They really don't want to lose it. It is a major benefit to them.

Sandy said he has heard the trustees say they don't want to hurt any of the existing employees. We could leave things in place for the existing employees and have a new set of rules for those hired after a certain date. Scott said he thinks it would be fair for existing employees to be grandfathered in. Troy said he agrees. Part of the agreement when he was hired was the benefits package. Sandy said he thinks any change would feel like something was taken away from employees.

Duncan said he thinks it will be beneficial to come up with a comparison of what other munis are doing. He thinks employees really like the flexibility of CTO. If we make a major change he thinks there would be a lot of employee discontent. He is not sure it would be worth it for the dollar amount involved. Making a change going forward for new employees seems like a great idea. For everyone hired after a certain date we could change the amount of CTO people can accrue from 1.5 of the annual amount to just the annual amount. That would decrease the financial impact enormously. Scott said he would be fine with a tiered system but would want to ask Walter and Dave. Nat said he is open to exploring anything but he is not seeing the need to add a new tier and a new system of complexity.

Duncan said he thinks we could put a cap on catastrophic hours accrued without much employee discontent. They don't get compensated for those when they separate anyway. Jan

said that would probably be all right as long as people could accrue enough to get to long term disability. Sandy said those who take all their time may not have that bridge. Duncan said that is a choice. We have the employee sick bank that could be a bridge. Scott said that is not guaranteed. Jan said she sees the catastrophic bank as an advantage to the village because it is time the employee earned but it doesn't have to be paid out. Employees are guaranteed a payout of only 120 hours from the sick bank and 1.5 years' annual CTO accrual. She suggests looking at the employees we have, planning for retirements and funding for them.

Nat said the two primary problems we are trying to solve seem to be having to pay out a lump sum and people not taking time off when we want them to for their health. We are looking at major changes to address those two problems that seem to him like they could be solved with minor tweaking.

Gordy said when this policy was created we did not have long term disability so he thinks we planned on employees having a sort of insurance policy.

Eric said he would advocate for not throwing the whole policy out but going through the current policy and tweaking and cleaning it up. When we get to vacation and CTO that will require a lot of discussion. Gordy asked if we can have Sandy and Duncan provide a comparison with other munis. Sandy said if we want to compare the cost of short term disability to the cost of payouts we would need to come up with some assumptions about payouts.

Troy said there is a lot of concern among employees which could eventually affect morale. He would like to be able to give them information about what the next step will be. Gordy suggested that Sandy and Duncan compare to other munis and compare what our costs would be if we had short term and long term disability. Scott said Troy can take back to employees that there is no plan to make any changes retroactive. Benefits will stay the same for current employees. Others agreed. Scott and Gordy said we don't want to take away what employees have accumulated. Scott said tweaks for those hired in the future should not affect those who are already hired. Gordy said he thinks there might be some pushback from the other trustees about changes affecting existing employees. We might want to tweak some things. Eric said Troy can let them know we are putting everything on the table and that doesn't mean we are going to go there. In the end he hopes we make decisions that employees are comfortable with. When the policy was first created it was presented to employees for input before it was presented to the boards for approval. That might be a good approach to use again. Gordy said whatever is on employees' checks now won't get deleted or changed. No one is touching anything that has been earned. He said all the trustees stressed that.

Scott asked if staff are able to take vacation time. Jan said yes. Troy said yes. Rosemary said she is getting better at it. Duncan said he is getting better at it.

Duncan said he and Sandy will collate data and look at how short and long term disability could be meshed into the existing policy. Eric asked if they could come up with some assumptions to use in their calculations.

Gordy asked if an employee could use sick leave while getting disability. Sandy said he doesn't think they could do that. He thinks if you are on worker's comp you can use time you have in the bank to make up the difference in pay but he doesn't think you can do that with disability. Duncan asked if the policy could be written so employees had to use all their sick leave bank time before they had access to disability insurance. Sandy said yes, that is common. Eric asked if that would save us much. Sandy said it depends on our assumptions.

Sandy said a change to a 90-day waiting period for long term disability almost seems like a no-brainer because the cost is relatively small. He asked employees to think about whether there are any changes in terms of banks that would be acceptable if that change to the waiting period were made. Employees wouldn't necessarily need the banks to be the same if the waiting period were reduced. And if we implemented short term disability employees certainly wouldn't need the same bank. People should think about how that could change.

Duncan said the only issue he sees is that short and long term disability require annual premiums and each year the boards will be able to choose whether to pay the premium or not. What if the policy is based on an assumption that there will be disability benefits and a future board decides not to pay for it? Sandy said that type of breach of faith is how we can wind up with a different labor-management relationship.

Scott said he is confused about the exclusions for short term disability related to community assault and felonies. Sandy said the exclusion is if an employee initiates those actions. If an employee committed a felony they would be excluded. Scott asked, if they were a recipient of workplace violence would they be covered? Sandy said yes. He said short term and long term disability are for non-worker's comp issues. Scott asked what would happen if someone were injured while representing the town at a meeting. Sandy said then they would be covered by worker's comp.

4. Adjourn

The meeting was adjourned at 5:51.

Minutes submitted by Donna Griffiths