



NRHA BOARD OF COMMISSIONERS

POLICY MEETING

910 Ballentine Blvd.
Norfolk, VA

Monday, April 26, 2010



April 22, 2010

TO THE BOARD OF COMMISSIONERS:

Please find enclosed agenda information for the Board of Commissioners meeting on April 26, 2010. The meeting will be conducted at 910 Ballentine in the Housing conference room at 8:00 a.m.

There are two agenda items:

1. Proposed Ballentine facility
2. Proposed 2011 Budget strategies

I have also enclosed some additional information about employee benefits for your review.

Sincerely,

Shurl R. Montgomery
Executive Director

Enclosure



Agenda Item NRHA Board of Commissioners

Subject: Ballentine Facility

Executive Contact: James E. Gehman, Chief Development Officer

Date: April 26, 2010

BACKGROUND

During our last meeting on April 12, 2010 we advised the board that we would give an update on the Ballentine facility.

Please find attached a flow chart for the three major action steps. A presentation will be done in the following order.

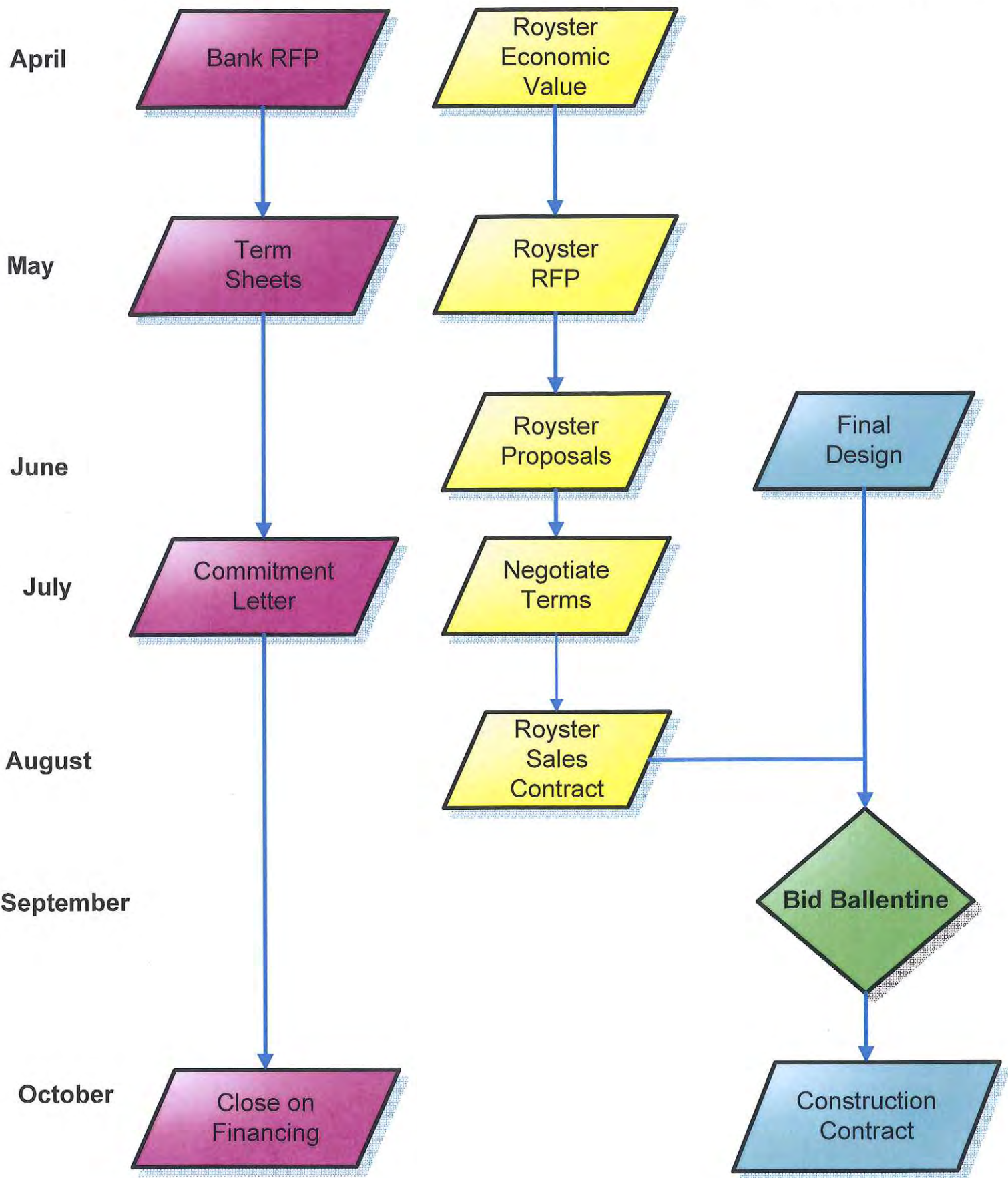
- Decision Making Process
- Project Summary
- Financial Analysis
- Discussion

Attachment

BANK FINANCING

ROYSTER SALE

BALLENTINE





Agenda Item NRHA Board of Commissioners

Subject: FY2011 Budget Process – Budget Balancing Strategies

Executive Contact: Clara Graves, Chief Financial Officer

Date: April 26, 2010

BACKGROUND

The April 12th meeting provided an opportunity to discuss expenditure projections which will impact major programs administered by NRHA in FY2011. During our discussion we projected \$1.7 million of expenditures exceeding revenues.

A presentation on Budget Balancing Strategies for FY2011 will be presented and the objective is to provide the following information:

- Review Budget Calendar
- Cost Containment (Key Reductions)
- Projection of Revenues and Expenditures FY2011
- Areas of Interest by Program (Challenges)
 - Assumptions
 - Revenue Enhancements
 - Strategies for balancing
- Reserves Discussion
- Next Steps
 - Advocacy Steps
 - May 10 - Proposed Budget and Public Hearing Presentation
 - Budget Amendments

EMPLOYEE BENEFITS



Agenda Item
NRHA Board of Commissioners

Subject: Employee Benefits

Executive Contact: Shurl R. Montgomery, CEO

Date: April 26, 2010

BACKGROUND

During our last meeting on April 12, 2010 there were several questions concerning employee benefits related to the proposed budget.

The attached information is provided as general background on the various programs. We will be glad to discuss further as needed at the next meeting on April 26, 2010.

Attachment



Briefing Paper: NRHA Core Benefits Prepared April 20, 2010

RETIREMENT BENEFITS	
Provider	Virginia Retirement System (VRS).
History with Current Provider	NRHA joined the VRS in 1967 and is active to the present day. By state law, employer membership is irrevocable; once entered the employer cannot opt out.
Type of Retirement Benefit Plan	Defined benefit.
Employees Covered	All regular full time (RFT) employees.
How Benefits are Calculated	1.7 percent of average final compensation multiplied by years of service credit, with a reduction factor applied for early retirement.
Full Benefit Eligibility	For current employees, 50 years of age with at least 30 years of service, or 65 years of age with at least 5 years of service. For employees hired after July 1, 2010 the normal VRS retirement age will be the same as the Social Security retirement age.
How Employer Contributions are Determined	VRS actuary prepares an actuarial valuation report for each member organization every two years; rates increase or decrease based on market conditions, plan changes, and factors such as the number of employees eligible for benefits, the number of retired employees, and employee salaries, age, and mortality rates.
Employee Contribution to Retirement Account	NRHA has paid <i>both</i> the employee <i>and</i> the employer contribution since 1977. In 1983 the employer's decision to pay both contributions became irrevocable by state mandate.
Current NRHA Status	The total (both employee and employer) contribution rate will increase from 14.09 percent of RFT employee payroll to 15.38 percent. The increase takes effect FY11 and continues through FY12. The change will increase contribution expenses by an estimated \$180,747 per year for the next two years.
NRHA's Ability to Change Contribution Rates	None; contribution is determined by VRS actuary; any changes in procedure would have to come through legislation.

PRIMARY LIFE INSURANCE BENEFIT	
Primary Provider	Virginia Retirement System, underwritten by Minnesota Life.
Employees Covered	All regular full time (RFT) employees.
How Benefits are Calculated	For natural death, the benefit is equal to the employees annual pay rate rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit.
How Employer Contributions are Determined	By VRS and Minnesota Life; FY10 employer contribution was 0.79 percent of RFT employee payroll.
Current NRHA Status	Member employers given a contribution holiday for the fourth quarter of FY10. No (0.0 percent) payment is required by NRHA during this period; members still enjoy full coverage. Premiums will decrease from 0.79 percent to 0.33 percent for FY11-FY12, saving NRHA an estimated \$64,452 per year for those two years.
Other Life Insurance	NRHA offers three additional life insurance programs at no cost to the Authority. A \$5,000 benefit program for all RFT employees is provided through the Housing Authority Insurance (HAI) group. Two employee-paid optional life insurance programs – a term life program through the VRS and a whole life program through Colonial Life – are also available RFT and part-time employees; the premiums for the optional programs are paid for entirely by the employees who select them.

HEALTH INSURANCE BENEFIT	
Provider	Optima Health.
Plans Available	Optima Value POS and Optima Plus POS.
How Benefit Plan and Plan Costs are Determined	NRHA has participated in the Norfolk Consortium (including the City of Norfolk, Norfolk Public Schools and the Community Services Board since 1999; the consortium negotiates with Optima Health on plan features, coverage, and cost.
Current NRHA Status	In March 2010, Optima had projected a 12.5 percent increase over current rates; on April 14, 2010, NRHA was informed that the rates would increase by 10.5 percent for 2011, but that there would be no other changes to benefit plans.
NRHA's Membership in the Consortium	Contractual; the Norfolk Consortium's current contract with Optima extends through 2011.
Benefits of Participating in the Consortium	<ul style="list-style-type: none"> • Spreading risk over a much larger group: 11,097 Norfolk Consortium employees instead of just 302 NRHA employees. • Reduced volatility of high cost claims: Just four high cost claims accounted for 32.45 percent of NRHA cost. • Market share allows for Consortium's, strong negotiation position. • Consortium's partnership with Optima to pilot innovative wellness and disease management programs. • Access to benefit expertise made available by working with members of other organizations. • Networking.
Liabilities of Participating in the Consortium	<ul style="list-style-type: none"> • High health insurance benefit utilization by partners can lead to higher rates for NRHA. • Lose some – but not all – flexibility in working with partners; may have to accept terms that are good for other partners but not necessarily good for NRHA.
Flexibility	<ul style="list-style-type: none"> • While the consortium does negotiate benefit premium values, it is left to each partner to determine how much the employee will pay toward their health insurance. A participating organization determines <i>on its own</i> whether to charge all, some, or none of the cost of the health benefit to the employee. NRHA currently pays approximately 90 percent of the coverage for an individual employee, and approximately 70 percent of the cost of the employee+spouse, employee+children, and family coverages to be competitive in the labor market. • The participating employer can also discount an employee's payment for participating in wellness programs. At NRHA, employees get a \$10 per month premium reduction if they do not use tobacco, and another \$10 per month premium reduction if they complete a Health Risk Assessment (HRA).
Has NRHA Exercised this Flexibility?	Yes. As a health insurance cost management strategy, NRHA has employees already contributing proportionately higher payments for their health insurance. The City of Norfolk has not changed its proportion of contributions for several years, leading them to now propose a sharing of the 10.5 percent increase that will effectively lead to a 1.68 percent pay reduction for City employees.
Has NRHA Gained Savings by Participating in the Consortium?	Yes. NRHA saved a total of \$539,200 the first year it participated in the Norfolk Consortium. NRHA utilization is currently higher than the Norfolk Consortium as a whole: the rolling 12 month loss ratio is 132.72 percent for NRHA compared to 104.78 percent for the consortium. This means that for the present the consortium is partially subsidizing NRHA: NRHA makes up 2.9 percent of the Norfolk Consortium membership but accounts for 3.8 percent of the total cost.