

**MINUTES OF REGULAR MEETING,
BOARD OF EDUCATION, SCHOOL
DISTRICT #225, COOK COUNTY,
ILLINOIS, NOVEMBER 19, 2012**

A regular meeting of the Board of Education, School District No. 225 was held on Monday, November 19, 2012, at approximately 7:00 p.m. at Glenbrook South High School Student Center, pursuant to due notice of all members and the public.

The president called the meeting to order. Upon calling of the roll, the following members answered present:

Boron, Doughty, Hanley, Martin, Shein

Absent: Regalbuto, Taub

Also present: Caliendo, Petrarca (attorney), Pryma, Riggle, Siena, Wegley, Williamson

APPROVAL OF AGENDA FOR THIS MEETING

Motion by Mr. Boron, seconded by Mr. Doughty to approve the agenda for this meeting.

Upon calling of the roll:

aye: Boron, Doughty, Hanley, Martin, Shein

nay: none

Motion carried 5-0.

RECOGNITION OF COMMUNITY VISITORS

None.

BOARD AND SUPERINTENDENT REPORTS

Dr. Riggle reported on the recent Triple-I conference.

Mr. Shein shared his experience attending the Chicago Tribune event along with Dr. Riggle, Dr. Wegley and Mr. Pryma recognizing the district for being included Chicago's top workplaces. Mr. Shein stated that this was a tribute to the organization.

MOTION TO APPROVE CONSENT AGENDA

Motion by Mr. Boron, seconded by Mr. Doughty to approve the following items on the consent agenda

APPOINTMENTS

- 1.) a. no appointments of certificated staff as recommended by the assistant superintendent for human resources
- 1.) b. the appointment of the following educational support staff contained in the assistant superintendent for human resources memorandum

APPOINTMENTS

<u>NAME</u>	<u>POSITION</u>	<u>EFFECTIVE</u>	<u>SCHOOL</u>
Block, Bradley	IA SPED	11.13.12	GBS TR

Personnel - Resignations/Terminations

- 2.) a. no resignations/termination of certificated staff
- b. the resignation/termination of the following educational support staff contained in the memorandum dated September 7, 2010.

<u>NAME</u>	<u>POSITION</u>	<u>EFFECTIVE</u>	<u>SCHOOL</u>
Stoffel, Tyler	IA SPED	11.1.12	GBS TR

3. the Board of Education review of the FOIA request contained in consent agenda item #5.3.

4. the issuance of Vendor Checks Nos. 55422 through 55608 in the amount of \$676,890.07 as listed on the attached checks register dated November 13, 2012.

5. the issuance of the electronic wire transfers for credit union, TRS, federal taxes, employee and employer portion of FICA and Medicare taxes and state taxes, and payroll check numbers 67702, 67704 through 67791 totaling \$117,489.40. Vendor Payroll check numbers 67891 through 67896, 67992 through 67998 totaled \$7,560.96. With employees' Federal, State, and FICA/Medicare withholding taxes of \$1,081,597.66 TRS contributions of \$441,958.11 other deductions of \$416,755.00 and direct deposit of \$3,633,123.08 the gross payroll for the month of October was \$5,690,923.25. TRS employer contribution was \$434,109.05 and employer matching FICA and MED was \$157,106.95.

6. No imprest

7. the Open and Closed Session Minutes from the November 5, 2012 Regular Board Meeting.

Upon calling of the roll:

Boron, Doughty, Hanley, Martin, Shein

nay: none

Motion carried 5-0.

DISCUSSION/ACTION: PUBLIC NOTICE REGARDING THE APRIL 9, 2013 BOARD OF EDUCATION ELECTION

Dr. Williamson asked the Board to authorize the publication of a public notice regarding Board member elections. She stated that this notice is regarding the filing of nominating petitions for the April 9 election.

MOTION TO APPROVE PUBLIC NOTICE REGARDING THE APRIL 9, 2013 BOARD OF EDUCATION ELECTION

Motion by Mr. Boron, seconded by Mrs. Hanley to approve the publication of the public notice regarding the April 9 Board of education election.

Upon calling of the roll:

Boron, Doughty, Hanley, Martin, Shein

nay: none

Motion carried 5-0.

DISCUSSION/ACTION: HEALTH INSURANCE OVERVIEW

Dr. Riggle introduced Mr. Petrarca to present an overview of emerging health insurance issues relative to health care reform and emerging trends in the market.

Mr. Petrarca stated that there is a seven year calendar to fully roll-out healthcare reform. He gave examples of how the law will impact the district starting in January, 2013. The cost of health care plans must appear on W-2 forms at that time. The government will monitor W-2's to determine the cost of health care plans for single and family coverage.

Mr. Petrarca stated that by January of 2014 state insurance exchanges have to be up and running. Individuals will have access to one of four basic plans differentiated by cost. If employers choose to stop offering insurance coverage to employees

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and employees have to go to exchanges to find coverage, the employer will be fined \$2,000 per year per employee. Some school boards are considering paying the fine and eliminating employee health insurance. Insurance companies are developing their own small exchanges to compete with the state exchanges. The cost and benefits will be relatively the same. This will introduce competition with the state exchanges. Illinois is currently developing exchanges. There has been some rumor that partial waivers may be granted by the Federal government to postpone the implementation of the state exchanges.

Mr. Petrarca stated that in January of 2018, a significant change will be made in that if the employer provides coverage that exceeds certain premium levels, then the insurance carrier will be required to pay a significant Cadillac tax indexed to inflation. This Cadillac tax would be passed on to the district. Mr. Petrarca stated that it is a different calculation for those who are self-insured and this would be built into the administrative structure. If current premiums are extended by 5% per year until 2018 in all of the school districts that Mr. Petrarca works with, each district would exceed the premium limit and would be considered to have a Cadillac plan. To be considered a Cadillac plan, the cost of single coverage would have to exceed \$10,200 and the cost of family coverage would have to exceed \$27,500. The Cadillac tax will pay for the cost of healthcare reform. There will also be an excise tax on investment income at a rate of 3.5% over a certain level and payroll taxes on health care premiums.

Mr. Petrarca stated that the district needs to think about the insurance exchanges and anticipate the Cadillac problem. This could come into play within the life of the union contract. He stated that the exchanges will be a factor. He asked Mrs. Siena if the district had applied for grandfathered status.

Mrs. Siena confirmed that the district is currently under grandfathered status, but this will be lost in June.

Mr. Petrarca stated at that time co-pays will have to be at 100% for preventative services. Another element that has to be watched is an employee wellness program that has to be provided at no cost. Mr. Petrarca stated that insurance industry data indicate that if there is not at least 70% participation in wellness, there is no benefit to a wellness program.

Mr. Doughty asked about the scope of wellness programs.

Mr. Petrarca indicated that most wellness programs have to do with blood work screenings, provide smoking cessation and incentives to those who participate. Some wellness programs have

penalties if employees don't participate in wellness. Mr. Petrarca provided some examples of penalties.

Mr. Doughty asked about health insurance premiums appearing on W-2 forms with regard to whether this amount would be taxable.

Mr. Petrarca stated that insurance premiums will not be taxable in the current state of healthcare reform. This is a way for the government to monitor health insurance premiums.

Mr. Doughty asked if these premiums would be indexed for inflation.

Mr. Petrarca stated that these will be indexed for inflation starting in 2019.

Mr. Petrarca provided another example of a fine to employers if insurance is deemed unaffordable. The example was based upon single coverage where the employee pays more than 9.5% of their salary towards insurance costs. Mr. Petrarca stated that the penalty for this would be \$3,000 per person.

Mr. Shein asked Mr. Petrarca about the goal of healthcare reform.

Mr. Petrarca stated that the goal is to get to a single payer system.

Mr. Petrarca stated that exchanges are for those employers with fewer than 100 employees.

Mr. Petrarca also raised the issue regarding retirees' health coverage. Healthcare reform calls TRIP (Teachers Retirement Insurance Program) into question. This is significantly underfunded. The State is paying for coverage in TRIP that retirees don't need. He stated that the Federal government set aside \$5M to incent employers to have retiree plans. Most large companies already have plans for retirees.

Mr. Petrarca stated that there are some health insurance items to consider outside of the overview of Federal healthcare reform. The district still has to bargain items such as cost sharing which can be viewed as risk sharing. Plan design changes need to be considered through bargaining as well because these could constitute a change in working conditions.

Mr. Boron asked about the elimination of co-pays as part of healthcare reform.

Mr. Petrarca stated that co-pays will be eliminated only for preventative services. This would be a factor even without Federal health care reform because of changes in State law.

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Mr. Doughty asked if State laws will become companions of Federal legislation.

Mr. Petrarca stated that State laws can always exceed Federal standards. He provided examples where Illinois exceeded the Federal standard such as in age 26 coverage. In this case the State plan is more liberal than the Federal plan.

Mr. Doughty asked if there were any aspects of healthcare reform that were not on the books yet.

Mr. Petrarca stated that all aspects of healthcare reform are known and officially enacted. He stated that there was a belief that if the Republicans won this would all go away.

Mr. Boron asked if the Federal regulations are developed enough.

Mr. Petrarca stated that the Federal regulations are done but there are waiver provisions that may have some slight delays of one to two years for some aspects of healthcare reform.

Mr. Petrarca referenced three important components to consider going into bargaining - the implementation of Federal health care reform, PERA (Performance Evaluation Reform Act) and potential changes in Teachers' Retirement System (TRS) funding. He stated that more should be known in January or at least by May with regard to TRS. Mr. Petrarca stated that the governor met last summer with some large school districts' superintendents and indicated that it could be a fifteen year process to shift the pension burden to local districts. There is discussion of moving 0.6% per year to local districts over a period of 12-13 years. He stated that the Republicans are still resistant to this shift. This is not outside of the tax cap. IMRF is fully funded by employees and employers and not the State. Another component of a change in teacher pensions may be to allow current members to make a choice between continuing to enjoy annual cost of living raises without limitation, but forego any raises in the last four years. This doesn't indicate that raises cannot be given, but these can't count towards TRS. These three main issues will have some impact on bargaining.

Mr. Petrarca indicated that there was good participation in recent Interest Based Bargaining training with the GEA. The administration and GEA bargaining team will meet one week from today at 3:30 p.m. to exchange topic lists.

Mr. Martin asked how a contract agreement will be reached in the spring if there is so much uncertainty on benefits.

Mr. Petrarca stated that if pension reform is resolved in January it will be possible to reach a contract agreement in the spring, but if this is not achieved, this could cause a delay in the settlement. He stated that he is concerned about how the bond rating agencies will respond and how this may generate pension reform.

Mr. Martin observed that there are some fundamental elements that can't be nailed down until March or April.

Mr. Petrarca stated that the most critical issue that will be unresolved is TRS. PERA and Federal healthcare are fully known. He stated that he is not sure that the Illinois legislature has the political will to achieve pension reform. There may be a need to have a reopener on pension reform in the contract. There must be very specific language on a reopener.

Mr. Boron referenced the chart provided by Mrs. Siena that outlined the organization of various insurance components. He asked Mr. Petrarca if this structure is fairly common for school districts.

Mr. Petrarca stated that the most common structure is limited to employee benefits. The comprehensive nature of the district's benefits structure outside of employee health benefits is unusual.

Mr. Boron asked if there were other models used for healthcare that provide more efficiency and lower cost.

Mr. Petrarca stated that every school district is examining if they are as efficient as they can be. Insurance was initially intended to be catastrophic coverage. Everybody is examining efficiencies and economies of scale. Mr. Petrarca stated that it is fairly common in the industry to be at 6-8% of claims.

Mrs. Siena stated that the district is at 4% of claims.

Mr. Petrarca stated that it is common that pharmaceutical costs amount to 28-32% of the plan. Some districts are revisiting whether or not drug cards are the way to go. Mr. Petrarca stated that often districts pay an access fee to Blue Cross/Blue Shield for their volume discounts. He commented about broker structure sometimes being commission-based relative to the cost of the plan. It may be best to hire an independent broker and have the assurance that companies are not paying the broker. Small elementary districts may move to insurance groups.

Mr. Boron asked if the district's insurance model will hold in response to the Affordable Care Act.

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Mr. Petrarca stated that the model will move to an exchange model in an arena more closely defined by the Federal government. In some cases more people are shifting to HMO from PPO. These will survive, but they will look different.

Mr. Boron asked if there is another business model that the district should look at.

Mr. Petrarca stated that usually there is a minimum notice requirement for a district to leave an insurance consortium. Self-insurance can be challenging because the district pays the claims.

Mrs. Siena stated that she carries re-insurance because the district is self-insured.

Mr. Petrarca stated that everything should be on the table for consideration such as the broker, the plan, to be self-insured compared to being fully insured. Once everything is reviewed, nothing may change.

Mr. Boron asked if this should be done now or after the contract is settled.

Mr. Petrarca stated that he has worked with CBC before and they always give recommendations for bargaining. He stated that the time to make adjustments is when increases are low.

Mr. Petrarca stated that the Board has to be conscious of the fact that even if the third-party administrator changes, this has to be bargained. This can create a change in working conditions if there is a different mechanism or time frame for processing claims.

Mr. Boron stated that to rush through decisions regarding insurance doesn't make sense.

Mr. Petrarca stated that the Board has talked about in-school health clinics for staff, but if people don't buy-in then these will not be worth the anticipated savings.

Mrs. Siena provided reasons for low participation in wellness. Currently there is no monetary incentive to participate in wellness.

Mr. Petrarca stated that he has seen wellness programs where people were allowed to have blood work and flu shots at their own physician's office.

Dr. Riggle stated that the district is currently providing better services than it used to, but there is a need to find out why people are not participating in wellness. This could be related to convenience.

Mr. Petrarca suggested asking the union how they think participation could be increased.

Mr. Petrarca also raised the issue of people migrating to the district's plan when their spouse has coverage. He suggested looking at a spousal carve-out and spousal surcharge where spouses can get coverage, but have to pay towards premium. Mr. Petrarca stated that Corporate Benefits Consultants (CBC) should have data on this. Mr. Petrarca stated that he has not seen any claims data, but this usually is provided by category and this will also provide ideas regarding how to target wellness.

Mrs. Siena stated that the health risk assessment completed online shows indicators that may inform decisions regarding wellness. She stated that data on the top 20 drugs used by employees includes anti-depressant/anti-anxiety medication.

Mr. Petrarca stated that he has seen mandatory mail order drugs in some places.

Mrs. Siena stated that there has been a 4% shift to generics.

Mr. Petrarca stated that there are changes from medications being formula to generic drugs over a period in no time.

Mrs. Siena stated that with healthcare reform there will be a limit of \$2500 that an individual can place in a health saving account.

Dr. Riggle asked Mr. Petrarca how much normally would be targeted in looking at things like wellness or clinics.

Mr. Petrarca stated that this is common if you have a functional group of individuals as part of the Cost Containment Committee that will make decisions. The group could be given guidelines and asked to make recommendations regarding the implementation of a site-based clinic.

Mr. Petrarca stated that the district could agree to implement site-based clinics, but then designate who will be responsible for them.

Dr. Riggle stated that the current Cost Containment Committee has been more informational. This has not been a group where people have had to really get invested.

Mr. Petrarca described how a very organized insurance committee in another district made significant changes to the insurance plan that saved the district money with limited impact on staff. This committee became the insurance experts of the district and has an incentive to keep the rates as low as possible.

Dr. Riggle asked Mr. Petrarca what more he needed from the Board to position the team to go into bargaining.

Mr. Petrarca suggested that the administrative team share the total compensation model with the Board and then the Board can let the team know where they would like to focus. Once the Board reviews the data then at some point the team can be given parameters to work with.

Mr. Petrarca stated that the team will have a better feel for where things are going when they see the list from the GEA.

MOTION TO MOVE INTO CLOSED SESSION

Motion by Mr. Boron, seconded by Mr. Doughty to move into closed session at approximately 8:00 p.m. to consider the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body or legal counsel for the public body, including hearing testimony on a complaint lodged against an employee of the public body or against legal counsel for the public body to determine its validity; student disciplinary cases; and litigation, when an action against, affecting or on behalf of the particular public body has been filed and is pending before a court or administrative tribunal, or when the public body finds that an action is probable or imminent, in which case the basis for the finding shall be recorded and entered into the minutes of the closed meeting (Section 2(c) (1), (9) and (11) of the Open Meeting Act).

Upon calling of the roll:

aye: Boron, Doughty, Hanley, Martin, Shein

Nay: none

Motion carried 5-0.

The Board returned to open session at 9:55 p.m.

ADJOURNMENT

Motion by Mr. Martin, seconded by Mrs. Hanley to adjourn the meeting at approximately 9:55 p.m.

Upon call for a vote on the motion, all present voted aye.*

Motion carried 5-0.

* Boron, Doughty, Hanley, Martin, Shein

CERTIFIED TO BE CORRECT:

PRESIDENT - BOARD OF EDUCATION

SECRETARY - BOARD OF EDUCATION

UPCOMING BOARD MEETINGS:

Upcoming meetings will be held at
Glenbrook South High School
Student Center
4000 West Lake Avenue
Glenview, IL 60026

Monday, December 10, 2012 7:00 p.m. Regular Board Meeting
(GBS Student Center)