Review of Proposed Tentative Agreements between the City and Local 1033

Present to the Committee of Finance
Matthew Clarkin, Internal Auditor
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Early Retirement Incentive (ERI)

- Offered to Local 1033-represented employees who have either:
  - Attained the age 55 and have 21 or more years of service to the City.
  - 25 years or more of service in the City regardless of age.
- Employees who accept the ERI must submit a letter of intent to retire no later than October 15, 2011 and must actually retire no later than December 31, 2011.

ERI Incentives

- Total severance incentive of $6,500 will be paid over a 36-month period.
  - Aramark Management Services Limited Partnership will provide the City with the funds to pay the first incentive payment.
- The retiree co-share for pre-Medicare healthcare coverage is waived for 12 months from the employee's last day of active employment.

ERI Findings

- There are a total of 122 employees eligible for the ERI (88 City, 31 PWSB and 3 PCWS).
- 85 or 70% of eligible employees will need to take advantage of the ERI in order to achieve a net reduction of 60 positions assuming a backfill percentage of 30%.

ERI Projected Results

Description	FY2011	FY2012	FY2013	FY2014	FY2015	Total
ERI						
60 Few City/1033 positions	$0	-$1,320,500	-$3,960,000	-$3,960,000	-$3,960,000	-$13,200,500
Wavier of medical Co-share	$0	$35,000	$35,000	$0	$0	$70,000
Total	$0	-$1,285,500	-$3,925,000	-$3,960,000	-$3,960,000	-$13,130,500

- The ERI will result in an increase of $7.9 million to the Employees' Retirement System's accrued liability.
  - It is projected that it will take approximately three years to cover the increase in the accrued liability.

Annual Required Contribution to Employee's Retirement System

- Due to the lower than the actuarial assumed salary increases. It is estimated that the City's ARC will fall by approximately $305,000 in fiscal 2012 and a total of $1.3 million over the period of these Tentative Agreements.

Across-the-Board Salaries

Description	FY2011	FY2012	FY2013	FY2014	FY2015	Total
Waiver 1% Jan 1, 2011	-$156,214	-$293,969	-$278,636	-$278,636	-$278,636	**-$1,286,091**
Waiver 2% July 1, 2011		-$587,939	-$557,272	-$557,272	-$557,272	**-$2,259,755**
Waiver 1% Jan 1, 2012		-$139,318	-$278,636	-$278,636	-$278,636	**-$975,226**
Wage Reduction July 1, 2011		-$293,969	-$278,636	$278,636	-$278,636	**-$1,129,877**
Raise of 3% July 1, 2013				$835,907	$835,907	**$1,671,814**
Raise of 3% July 1, 2014					$860,984	**$860,984**
Total	$156,214	$1,315,195	$1,393,180	$557,273	$303,711	**-$3,118,151**

Wage Rates for New Hires

- Effective July 1, 2011 and terminating July 1, 2014, all new employees will be compensated at a wage rate of fifteen percent (15%) below current applicable wages.
  - Wages for these new employees will be then increased by five percent (5.0%) increments annually.
  - The savings is projected to be approximately $483,000.

Step Increases

- During fiscal 2012 annual step increases will not be provided to Local 1033-represented employees.
  - It is estimated savings of $75,000 in FY2012.
  - Annual step increases will be re-implemented effective July 1, 2012.

Longevity Pay

- Longevity will be paid on or before September 15, 2011 and continuing thereafter on or before September 15th.
  - The deferral of the longevity payments from June 2011 will result in savings of $1.51 million in fiscal 2011.
- The percentages for the annual longevity payments will be reduced by 1%.
  - The 1% reduction to the Longevity schedules will result in annual savings of approximately $230,000 each year beginning in fiscal 2013.

Health Benefits

- Fiscal 2012 and 2013 – Effective July 1, 2011 employees with an annual base wage of $50,000 or more will contribute through pre-tax weekly payroll deductions the same percentage of their base wages but will see the maximum cap increased from 15% to 16.5% of the annual working rate.

- Fiscal 2014 – Effective July 1, 2013 employees with an annual base wage of $50,000 or more will contribute through pre-tax weekly payroll deduction a medical co-share of 18% of the annual working rate. Employees with an annual base wage of less than $50,000 will contribute through pre-tax weekly payroll deduction a medical co-share of 15% of the annual working rate.

- Fiscal 2015 – Effective July 1, 2014 employees with an annual base wage of $50,000 or more will contribute through pre-tax weekly payroll deduction a medical co-share of 20% of the annual working rate. Employees with an annual base wage of less than $50,000 will contribute through pre-tax weekly payroll deduction a medical co-share of 15% of the annual working rate.

Health Benefit Findings

- It is projected that the changes to medical co-shares will result in total savings of $783,000 over the period of these Tentative Agreements.
- Material changes to current healthcare plans result in the loss of grandfather status for that health plan.
  - The loss of the city's grandfathered status expected to result in the loss of $432,000 in savings due to the employee co-payments for various preventative care services.

Union Pension

- In the spring of 2009 the LIUNA National (Industrial) Pension Fund entered into what is considered under the federal Pension Protection Act of 2006 as a critical status.
- This led to the city being charged a surcharge on its contributions to the Fund.
- These surcharges would remain until the city and Local 1033 agreed to what the Act referred to as a "Preferred Contribution Schedule."

Union Pension Findings

- The preferred contribution schedule agreed upon these Tentative Agreements requires for 10% increases on an annual basis.
  - This agreed upon increase is 2% greater than the "Default Contribution Schedule" established by the Pension Protection Act of 2006
    - The net increase for the purpose of this fiscal note is projected to be approximately $270,000 over the period of these Tentative Agreements.
- The total additional city costs to fund the LIUNA National (Industrial) Pension Fund over the period of these proposed Tentative Agreements is $1.4 million.

Communications Overtime

- Currently the Communications Department, is required to call back employees to cover vacancies on shifts based on a classification by classification basis.
- The Communications Department would now replace a Dispatcher who calls out with a less expensive Control Center Operator (CCO).
  - It is estimated the total annual savings will be $80,000 including by implementing a "Floating Crew Chief" strategy.

Vehicle Identification Number Verification

- Local 1033 and the city will jointly support the Vehicle Identification Number (VIN) verification process becoming a state-responsibility and function.
  - The net savings will be approximately $90,000 annually beginning in fiscal 2013.

Fleet Maintenance

- Most of the city police vehicles are maintained and repaired by a private contractor.
  - The increased flexibility with the scheduling of mechanics will realize approximately $200,000 in year 1 and $275,000 in subsequent years.

Conclusion

- It is projected that the changes made in the Tentative Agreements will result in total net savings of $9.9 million.
- Early Retirement Incentive is projected, based upon a net of 60 fewer positions, to save $13.4 million over the period.