



## City of Saline

### Employee Compensation Plan

### Part Three of the State of Michigan Economic Vitality Incentive Program (EVIP)

April 2012

The City of Saline intends to implement the following four types of employee compensation measures, to be in compliance with Part 3 of the Economic Vitality Incentive Program under Public Act 278 of 2011. The City intend to implement these measures with any new, modified, or extended contract or employment agreements for employees not covered under contract or employment agreement. This plan shall be available for public viewing in the City Clerk's Office and shall also be posted on the City's main website.

The City intends to pursue changes in existing labor contracts as each contract expires so that these changes can be incorporated during contract negotiations. It is projected that through this approach these changes can be in place subsequent to contract negotiations by calendar year 2016.

1. New Hires eligible for the City's retirement plans will be placed in a retirement plan that caps the City's annual contributions at 10% of base salary for employees who are eligible for social security benefits
2. For the City's defined benefit plans, a maximum multiplier of 1.5% for all employees who are eligible for social security benefits, except where post-employment health care is not provided, then the maximum multiplier will be 2.25%
3. For the City's defined benefit pension plan, final average compensation for all employees will be calculated using a minimum of 3 years of compensation and shall not include more than a total of 240 hours of paid leave. Overtime hours shall not be used in computing the final average compensation for an employee
4. Health care premium costs for new hires shall include a minimum employee share of 20%, or the employer's share shall be cost competitive with the new state preferred provider organization health plan on a per-employee basis.

The City is already in compliance with PA 152 of 2011 (Publicly Funded Health Insurance Contribution Act) and intend to remain in compliance with that law. The City has already implemented items #1 and #2 for new hires. The City will comply with item #3 through the current Michigan Employees' Retirement System of Michigan (MERS) retirement plan, because MERS is implementing the new law. The City has already met the item #4 objective for existing employees and will continue to do so with new hires.

During the past few years the City has already taken many steps to limit the costs of employee wages and benefits. A listing of some of these measures to reduce the costs of employee wages and benefits is included as Exhibit A.

## Exhibit A -- City of Saline Employee Cost Cutting Measures

**2007** - Dropped Care Choices and M-Care; went with Blue Care Network – All Blue (Traditional, Community Blue and Blue Care Network)

**2008** - Moved to high deductible plan – Flexible Blue Plan 3 (deductible \$2,000 and \$4,000) employees still had option of Community Blue and BCN but needed to pay portion of monthly premiums (between 15% -20%) Savings: \$7,159

**2009** – Employee layoffs (4). We went to a \$10/\$40 prescription plan. Past & Present changes showed an \$119,542.00 savings.

**2010** – Prescription went to \$10/\$60 – Staff paid 20% of deductible; Teamsters paid 15% of deductible; and police paid 15%. Savings: \$77,948.00.

**2011** – Went to Simply Blue - \$3,000 and \$6,000 deductible – Staff paid 20% of deductible; Teamsters paid 15% of deductible; and police are made whole. After meeting deductible, prescriptions went to a three tier plan (\$10/\$40/\$80 until \$2,000 was met). Past and Present changes showed a \$125,426.00 this year.

Staff and Non-Union/Non-Staff – pay freeze, no steps, no merit award. Savings: \$88,396.44

Teamsters – pay freeze, yes to steps and longevity. Savings: \$38,952.75

Police – 1.5% increase, yes to steps and longevity. Savings: \$14,700.84

**2012** – Stayed at \$3,000 and \$6,000 deductible – Staff pays 20% of deductible; Teamsters pays 15% of deductible; and police are made whole. A 1% health tax was implemented in 2012 showing a \$7,500 a year increase. Savings to the City (as a result of experience-rated renewal action): \$25,000 - \$7,500 = \$17,000.

Hard Cap started for Staff on 1/1/12; Teamsters will start Hard Cap 7/1/12; Police on 7/1/13.

(Staff Pre-tax: single \$13.90 month; 2-Person \$68.03 per month; and family \$23.11 month)

(Teamsters Pre-tax: single \$25.21 month; 2-Person \$92.26 per month; and family \$47.34 month)

(Police Pre-tax: single \$21.17 month; 2-Person \$84.18 per month; and family \$39.27 month)

Hard Cap Savings to the City: \$39,396 in 2012.

2008 Health Insurance Premiums were \$788,832

2012 Health Insurance Premiums are \$622,614

\$166,218 difference in annual premiums