

MEMORANDUM

TO: Honorable East Greenwich Town Council

FROM: Michael D'Amico

DATE: May 20, 2019

SUBJECT: Fiscal note for police CBA

I. Introduction -

The Town and the local police union have reached a tentative agreement for the term beginning on July 1, 2019, and ending on June 30, 2022. This tentative agreement will be brought before the Council on the May 28, 2019, Council meeting. The purpose of this memorandum is to provide a summary of the fiscal impact of the changes in that agreement.

II. Summary of changes -

- Article 20 Wages were amended to provide all union members a 0% increase in 2019, a 2% increase in 2020, and a 2% increase in 2021. That increase equates to \$0 in FY20, \$59,470 in FY21, and \$60,659 in FY22.
- Article 16, Section 1, Holidays was amended so that, beginning in July 1, 2020, officers will be paid 12 hours per holiday rather than 10 hours. The cost of this change is \$0 in FY20, \$27,439 in FY21 and \$27,988 in FY22.
- Section 30 was also amended so that, once a retiree becomes Medicare eligible, the Town will only provide gap coverage, with the Town's payment toward the premium capped at \$250 per month, with the retiree responsible for anything over \$250. The Town's actuary has calculated that this change will immediately reduce the town's OPEB liability by \$2.6 million in FY20. By FY28, the reduction will have grown to approximately \$5.4 million. Furthermore, this

change will reduce the Town's actuarially required contribution to its OPEB trust by \$312,000 in FY20, \$333,000 in FY21, and \$353,000 in FY22.

- Section 32, Retired Employees' Benefits, was amended so that for any employee hired after July 1, 2019, the employee must be employed with the Town for 20 years before the employee will receive any retiree benefits from the Town. Previously, a police officer could have worked in another MERS district for as many as 19 years, then worked in East Greenwich for as little as 1 year and the Town would have been responsible for free healthcare for life for that officer upon retirement. That is no longer the case. Furthermore, instead of the town paying the coverage in full, the Town will now pay 3.3% for each year of employment with the Town. If a police officer works for the town for 20 years and retires, the town will now pay 66.6% of the healthcare cost instead of 100%. The Town will not begin to see the financial benefits of these changes until it hires a police officer after July 1. Even then, the true savings will be many years in the future when that officer retires. However, for sake of comparison, if this contract provision had always been in existence, the cost of pre-65 healthcare for retired police officers in FY19 would have been approximately \$190,000 versus an actual cost of approximately \$269,000 – a 29% reduction in retiree healthcare costs.
- Article 20, Section 4 was amended to increase life insurance from \$50,000 to \$100,000 for active officers and from \$25,000 to \$50,000 for retirees. The cost of this change is \$3,600 per year.

- Article 20 Section 6 was amended to provide that maximum annual allowance for dental coverage is \$1,500 and to add a rider for composite fillings. As the town is self-insured for dental, there is no premium increase. Furthermore, our broker estimates the cost of these changes to be almost zero. For purposes of this analysis, I have estimated the cost at \$1,000 per year.

III. Conclusion -

This agreement will not significantly increase the budget over the next 3 years and provides the town with a 0% salary increase in the first year. The total raises are below the state average in recently negotiated police contracts. The cost to the budget will be \$4,600 in FY20, an additional \$91,509 in FY21, and \$152,717 in FY22 for a total of \$248,826 over 3 years. Additionally this agreement will save the town \$998,000 in contributions to the OPEB trust. As the town has not been making the full contribution to the trust in the past, this will not result in a savings to the budget. However, this is a true savings in that it represents money the town would have eventually had to contribute and now that cost has been avoided. In total, this contract will save the town approximately \$750,000 over 3 years.