

State of Connecticut and SEBAC -- Recommended Agreement on Savings, Transformational, and Financial Issues -- and Framework for Job Security -- 5/13/2011

- I. Savings and Transformation -- The parties have explored and will continue to explore and, where appropriate, implement strategies to (a) harness the creativity and experience of front-line bargaining and nonbargaining unit state employees to improve the efficiency and effectiveness of state government; (b) streamline and flatten organizational structures to concentrate on service delivery; (c) examine and redress barriers to the most efficient use of in-house resources to address agency and cross agency needs; (d) discourage the use of outside contractors and consultants when internal capacity exists or can be reasonably developed; and (e) make best efforts to ensure that vendors and service providers doing business with the state do so at reasonable rates of return and under terms that reflect the shared sacrifice being asked from all sectors of Connecticut society. As part of this process:
 - a. A joint information technology committee will be established as soon as possible following the appointment of the CIO that will consider, among other things, utilizing new technologies and reducing licensing procurement and consulting costs.
 - b. No later than September 1, 2011, a joint labor management committee will be comprised and begin to explore all the issues in (a)-(d) above, except issues that impact matters of collective bargaining.
 - c. The Governor will issue an Executive Order no later than June 1, 2011, or similar appropriate directive to agencies that will implement (e), above
- II. Health care -- the parties will achieve savings by the incorporation of value-based health care principles, including the imposition of increased premium shares and a deductible for those who refuse to enroll in, or fail to comply with (after appropriate notice), the value-based plan. The parties shall:
 - a. Create a plan structure which includes a standard plan and a value added plan affecting employees and retirees. All impact on current retirees shall be based on their voluntary participation except as specifically provided here. There shall be no increase in costs in the standard plan affecting current retirees.
 - b. The standard plan shall have an employee premium share of \$100 per month over the value added plan. The value added plan shall have a premium share as determined by the parties' usual practice of trending claims.
 - c. Both plans shall offer "value based" design features which
 - i. Implement edits currently existing in the plan design but not fully implemented by the vendors, including edits which discourage inefficient

- care, and those which maximize participation in "centers of excellence" and other best practices by providers of particular medical care
- ii. Implement \$35 co-pays for emergency room visits occurring which do not lead to hospital admission, and happen in areas where there are medically reasonable alternatives to the emergency room Maximize the use of patient-centered medical homes
 - iii. Where patient-center medical homes are unavailable, use "care-connections" and similar methods designed to provide appropriate medical follow-up to minimize hospital readmissions post-surgery and/or other initial hospital confinement
 - iv. Provide for voluntary participation in obesity reduction and tobacco cessation programs
 - v. Provide for pharmacy mail order that is:
 - 1. Mandatory after the first prescription for a new medication for actives, new retirees, and current retirees under the age of 65. Co-pays for actives and new retirees are single co-pay for a 90 day supply.
 - 2. Voluntary for current retirees over age 65. Retirees may opt in at any open enrollment after which participation will be mandatory.
 - 3. There are no co-pays for current retirees who begin participating in the mail order program.
 - vi. Provide for pharmacy co-pays for actives and future retirees that are 5/10/25 for maintenance drugs (except as lower for listed diseases under the value added plan), and 5/20/35 for non-maintenance drugs.
- d. The value added plan shall
- i. Require the commitment to the principles and requirements of the value added plan in order to be admitted and remain admitted to that plan, including agreed upon health assessments and screenings designed to provide early diagnosis and appropriate treatment of illness
 - ii. Have co-pays waived (Diabetes) or reduced (0, \$5, \$12.50) for drugs prescribed for the following chronic conditions:
 - 1. Diabetes both Type 1 and 2
 - 2. Asthma or COPD
 - 3. Heart failure/ heart disease
 - 4. Hyperlipidemia
 - 5. Hypertension
 - iii. Office visit co-pays waived for treatment and monitoring of the above conditions,

- iv. Require participation and adherence with disease management programs in place by either insurer to address any of the above. Require adherence to a medically approved schedule maintained by insurers for immunizations and tests such as colorectal cancer screenings; pap tests; mammograms; and annual vision exams with waiver or rebate of co-pays for such services,
- v. Upon appropriate notice and opportunity to improve, remove the financial incentives of participation in the value-added plan from members who fail to get medically appropriate disease management as required by their health care professional.
- vi. Include a dental component requiring two dental cleanings and no periodontal limit.
- e. There will be a \$350 deductible for the standard plan for services not otherwise covered by co-pays.
- f. The HCCC will seek to identify additional cost savings that may be available through renegotiation of contract provisions with vendors and improved service delivery.

III. **Retiree Health Care**

- a. Premium structure – New Retirees(effective 9/2/2011). Current premium structure of retiree healthcare remains unchanged for those choosing Value Added Plan. Turning down or failing to comply with value based option after appropriate notice leads to \$100 per month premium increase.
- b. Increase the Employee Contribution to 3% for Retiree Health Care Trust Fund (OPEB) for all employees (not just new employees) phased in beginning 7/1/13 for employees not currently paying to .5% effective July 1, 2013; 2.0% effective July 1, 2014 and 3.0% effective July 1, 2015. The contribution would continue for ten (10) years for all employees or until retirement whichever happens first. Effective July 1, 2017, the State would begin to contribute into the Retiree Health Care Trust Fund on a periodic basis the amount matching the contributions of each contributing employee.
- c. Eligibility for retiree healthcare changed to 15 years of actual state service for employees eligible for a normal, early, or hazardous duty retirement benefit , with effect on current employees phased in as done in the SEBAC 2009 agreement. The Rule of 75 shall continue for Deferred Vested employees as provided in the 2009 SEBAC Agreement.
- d. Healthcare premiums for Early Retirees -- the parties have agreed to a grid where healthcare costs are imposed on early retirees until they reach their normal retirement date, or age 65, whichever is earlier. They have agreed that the costs will be based on a grid where the costs increase as a factor of years before normal retirement date (with 5 as the maximum), and decrease as a function of years of service before retirement

(with 25 or more years paying the least premium). They have further agreed that the premium for any given employee will be capped at a percentage of his/her pension calculated in consultation with plan actuaries to be sufficient to encourage most employees to work until normal retirement age, without being higher. No early retirement health care premium will be charged for any employee who has 25 years of service as of July 1, 2011 who retires before July 1, 2013. The grid will be finalized as soon as possible and attached to the Tentative Agreement.

IV. Pension

- a. Cap salary that can be considered as part of an individual's pension benefit as provided under the Internal Revenue Code. The parties will meet and review the list of payments which are presently included in the calculation of an individual's salary for pension purposes. In the event the parties agree to exclude items from salary for pension purposes, there shall be no pension contribution required on the excluded amount. The exclusions shall be effective July 1, 2011.
- b. Change the minimum COLA for individuals who retire on or after 9/2/11 from 2.5% to 2.0% with the highest amount going from 6.0% to 7.5%
- c. Effective 9/2/11, change the Early retirement reduction factor from 3% to 6% for each year before eligible to take Normal Retirement with associated Health care costs outlined in Section III. d.
- d. For current employees who retire after 7/1/2022, Normal Retirement eligibility for non-hazardous duty retirement increases from Age 60 and 25 YOS or Age 62 and 10 YOS to Age 63 and 25 YOS or Age 65 and 10 YOS. This change affects all years of service on and after 7/1/2011. By 7/1/13, present employees may make a one-time irrevocable election to pay the actuarial pension cost of maintaining the normal retirement eligibility that exists in the present plan which is scheduled to change effective July 1, 2022. The cost shall be established by the Plan's actuary and shall be communicated to employees by the Retirement Division. Such election shall be made on a form acceptable to the Retirement Commission and shall indicate the employee's election to participate or not to participate. In the event the employee fails to make an election, he/she shall not be eligible to participate. In the event the employee makes a successful claim to the Retirement Commission of agency error, the employee shall make payments in accordance with the usual practice.
- e. New Tier III for individuals hired after 7/1/11, Normal Retirement eligibility Age 63 and 25 YOS or Age 65 and 10 YOS and salary based upon final five year average pay; Early Retirement Age 58 and 10 YOS; HD 20 Years of HD service and age 50 or 25 Years of HD Service regardless of age and salary based on final five year average pay;
- f. Provide the availability of individuals in the Alternate Retirement Plan to switch to a Hybrid-Defined benefit/Defined contribution type plan. Purchase option shall be at the full actuarial cost. The Hybrid plan shall have defined benefits identical to Tier II/IIa but shall require employee contributions 3% higher than the contribution required from the applicable Tier II/IIa plan. An employee shall

have the option, upon leaving state service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the hybrid plan, plus a 5% match, plus 4% interest. No match shall be provided on any purchased service

- V. **OJE** -- The parties have agreed that the current practice for five year review will continue and OJE adjustments may be resolved for jobs which the Union believes have substantial changes in duties through interim bargaining and if necessary arbitration (rather than through the MEC) will be applied to all OJE-covered units. New positions will be subject to bargaining and arbitration one year after their creation. No new costs created by the bargaining or arbitration referenced in this paragraph shall take effect before July 1, 2013.

VI. **Wage increases for FY 2012 and FY 2013**

Except as provided below, no state employee who is a member of a bargaining unit that is part of SEBAC will receive any increase in salary for either of the next two fiscal years, deriving from a General Wage, step increase, annual increment, payment for individuals who were at their top step as a bonus, a merit increase or any similar payment for the 2011-2012 and the 2012-2013 Fiscal years.

Individuals entitled to a promotion in accordance with the rules governing these subjects as outlined in the Connecticut General Statutes or their collective bargaining agreement shall receive increases in wages in accordance with past practice. Members of the P3A bargaining unit shall be entitled to share in the contractually created Merit Pool fund in the amount and manner provided in the contract and past practice

Wage Increases - FY2013-14, FY 2014-15 and FY2015-16 - provide Three Percent plus step increases, annual increments or their equivalent in those units that have them as part of their collective bargaining agreement. Non-increment units will receive additional payments in accordance with the parties' usual practice.

All other funds shall remain in place and continue in the same amounts presently in the respective collective bargaining agreement. The current collective agreements shall be extended until June 30, 2016 with all other funds remaining in place as provided in the current collective agreement with new funding in each year at the prior level. No funds shall lapse before June 30, 2016 and shall roll over year to year at the end of the contract or not, in accordance with present rules.

- VII. **Longevity Pattern** – In no event shall any employee first hired on or after July 1, 2011 be entitled to a longevity payment; provided, however, any individual hired on or after said date who shall have military service which would count toward longevity under current rules shall be entitled to longevity if they have the necessary service requirement in the future. For current employees, no service shall count toward longevity for the two year period beginning January 1, 2012 through June 30, 2013. Effective July 1, 2013, any service accrued during that period shall be added to their service for the purpose of determining their eligibility and level of longevity entitlement.

Capped units - Individuals in units with capped longevity shall not receive a longevity payment in October, 2011.

Uncapped units – The employer representative and the bargaining unit with uncapped longevity shall meet and discuss the issue of longevity. The parties shall agree on a procedure by which individuals in those units contribute an amount equal in value to the amount that was contributed in the Capped units. Default is that uncapped units will give up longevity using the executive branch bargaining unit schedule.

VIII. Job Security

The parties have agreed that from the date of this Agreement and through June 30, 2015, there shall be no loss of employment for any bargaining unit employee hired prior to July 1, 2011, including layoff due to changes in the adopted budget signed by the Governor on May 5, 2011 subject to the limitations set forth in SEBAC 2009.

The geographic limitations set forth in SEBAC 2009 shall be modified as follows:

"Acceptable geographic radius" for Phase I means a one way commute equal to the greater of his/her present commute or thirty (30) miles from his/her work location at the time of notice. During Phase III, acceptable geographic radius means a one-way commute equal to the greater of his/her present commute or thirty (30) miles from his/her home. The thirty (30) miles shall be measured utilizing Mapquest, shortest distance. In the event there is no comparable job within the thirty (30) mile radius, the individual will be offered a position within fifty (50) miles of the appropriate starting point under the applicable Phase. In such event, when a position becomes available within thirty (30) miles of the appropriate measuring point, it shall be offered to such individual if there is not another individual with superior rights to the closer position.

This agreement shall apply to all OLR units ratifying contracts patterned on this agreement. Other than the job security provisions, all other shall apply to nonOLR units that ratify agreements following the pattern. Appropriate job security provisions will be negotiated by non-OLR represented units prior to the Tentative Agreement.

IX. Non-economic terms of contracts -- Unions that do not agree to extend their bargaining agreement unchanged can open up to 8 issues that have *de minimus* no cost impact and are identified pre-TA. State can do same if Union opens agreement. Only these can be submitted to interest arbitrator.

X. Duration of current SEBAC agreement shall be until June 30, 2022.