



## Legislation Text

File #: 39320, Version: 3

### Fiscal Note

The City of Madison currently participates in the Wisconsin Public Employers (WPE) Group Health Insurance Program operated by the Wisconsin Department of Employee Trust Funds (ETF). This program allows access to HMOs in Dane County, including Dean, Group Health Cooperative, Physicians Plus, Unity-UW Health, and WEA Trust. The WPE enrolls 12,000 employees from municipalities and school districts throughout the state; the City of Madison represents approximately 20% of the total enrollment. The City's share of the program is approximately 40% to 50% of the total enrollment in Dane County.

The resolution would shift the City's participation from the Traditional Option under the program to the Deductible Plan offered by the WPE. Under the Deductible Plan, participating employees would pay the first \$500 of costs under the single plan and the first \$1,000 for a family plan. According to ETF, approximately 65% of WPE participants in the Deductible Plan pay the entire deductible amount. For a full-time City employee earning \$40,000, the deductible for a single plan would represent 1.25% of earnings and for a family plan would represent 2.5% of earnings. At the average salary of \$63,700, the deductible represents 0.8% of earnings for the single plan and 1.6% for the family plan. Since employees can choose to set-aside compensation in flexible spending accounts, up to federal tax law maximums, to pay out-of-pocket costs on a tax free basis, the share of earnings impact of deductibles can be reduced depending on an individual's tax status.

According to ETF, the Deductible Plan has premiums that are 5% less than the Traditional Option. Based on actual health insurance premiums paid by the City in 2014 and expected health care cost inflation, the Deductible Plan would save between \$1.5 million and \$1.9 million all funds (approximately 85% to 90% of the savings would be realized in the general fund). The amount of premium paid by employees would also be expected to decline as well.

The resolution also directs that the City provide a minimum level of pay increases to employees in many compensation groups for calendar years 2016 through 2019. In addition, the resolution directs that the City provide a contribution to a post-retirement health insurance trust fund for employees in these compensation groups, equivalent to 1.25% of salaries, starting at the end of calendar year 2016.

[The fiscal note was corrected on September 9, 2015. The previous version had inadvertently included other compensation groups.]

On an all funds basis, the total cumulative cost of the proposed pay increases in the resolution by the end of 2019, assuming the 1.15% pay increase occurs at the end of 2018, is ~~\$22.5 million~~ \$18.4 million. The proposed contribution to a post-retirement health insurance plan is estimated to have an estimated cumulative cost of ~~\$5.6 million~~ \$4.2 million by the end of 2019. The year-over-year total cost of the pay increases is ~~\$9.3 million~~ \$7.6 million and of the post-retirement health insurance plan contribution is ~~\$1.9 million~~ \$1.4 million. In 2016, on an all funds basis, the estimated cost of the 2.25% pay increase is estimated to be ~~\$3 million~~ \$2.4 million. In 2017, the 1% pay increase is estimated to cost ~~\$1.5 million~~ \$1.3 million. The annual cost of the post retirement health insurance contribution is estimated to be ~~\$1.9 million~~ \$1.4 million.

The table below summarizes the annual, cumulative and year over year fiscal impacts on an all funds and levy supported basis.

<b>All Funds</b>	2016	2017	2018	2019	To
<b>Annual Pay Increases</b>	2.25%	1%	1%	1%	
2016	2,427,483	2,427,483	2,427,483	2,427,483	\$ 9,709,93
2017		1,264,396	1,264,396	1,264,396	\$ 3,793,18
2018			1,279,360	1,279,360	\$ 2,558,77
2019				1,294,523	\$ 1,294,52
2020					
	\$ 2,427,483	\$ 3,691,880	\$ 4,971,240	\$ 6,265,763	\$ 17,356,30
<b>Post-Retirement Health</b>					
2017		1,395,152	1,395,152	1,395,152	4,185,41
<b>1.15% Pay Increase by December 2018</b>					
2019				1,018,627	1,018,62
					\$ 22,560,41
<b>Levy Supported</b>	2016	2017	2018	2019	To
<b>Annual Pay Increases</b>	2.25%	1%	1%	1%	
2016	\$ 1,924,768	\$ 1,924,768	\$ 1,924,768	\$ 1,924,768	\$ 7,699,07
2017		986,869	986,869	986,869	\$ 2,960,60
2018			998,662	998,662	\$ 1,997,33
2019				1,010,614	\$ 1,010,61
	\$ 1,924,768	\$ 2,911,637	\$ 3,910,298	\$ 4,920,912	\$ 13,667,61
<b>Post-Retirement Health</b>					
2017		1,092,535	1,092,535	1,092,535	3,277,60
<b>1.15% Pay Increase by December 2018</b>					
2019				1,018,627	1,018,62
					17,963,81

Title  
 SUBSTITUTE - Authorizing the City of Madison to move all employees into the Deductible HMO-Standard PPO health insurance program option 4 and to provide annual wage increases for employees in certain compensation groups.

Body  
 WHEREAS, all participants in the Wisconsin Public Employer Group Health Insurance Program will need to be enrolled in one of the program options offered by the Group Health Insurance Board by January 1<sup>st</sup> of the plan year, and

WHEREAS, the City of Madison proposes to participate in the following health insurance program option for all City employees: Program Option 4 (renumbered as necessary), Deductible Uniform Benefits Option paired

with the Deductible Standard PPO, without dental, which will require families to pay a deductible of \$1,000 and single employees to pay a deductible of \$500 beginning in 2016; and

WHEREAS, the City recognizes the need to compensate employees for this through a wage package for 2016 that reduces the financial impact on employees and their families; and

WHEREAS, the City is committed to providing equitable wage increases to employees at all levels of the organization, and

WHEREAS, budget difficulties brought about by decisions made at the State level, especially in recent years, have made it more difficult for the City to offer wage increases to its employees that are truly representative of the work they do and the services they perform for the citizens of Madison; and

WHEREAS, during the 2015 budget approval process the Mayor and City Council expressed continuing desire to achieve equitable pay increases for employee groups who have fallen behind the overall trend in wage increases as compared to other employee groups; and

WHEREAS, the City and employees desire to establish for those employees who do not already have one, a method to assist with post-employment health expenses and reduce income tax liability for employees and payroll tax obligations for the City; and

WHEREAS, as the result of a cooperative effort, the City's voluntary employee associations together with the City have developed a plan that contains a floor for wage increases to begin to address this concern in 2016 and also would achieve wage equity across all employee groups by 2018 as follows:

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Madison, that pursuant to the provisions of Wis. Stat. Sec. 40.51(7) the City hereby determines to offer the above-referenced Group Health Insurance program to eligible personnel through the program of the State of Wisconsin Group Insurance Board for the 2016 plan year, and agrees to abide by the terms of the program as set forth in the contract between the Group Insurance Board and the participating health insurance providers. The proper City Departments are authorized and directed to take all action necessary, and to make the appropriate salary deductions for premiums, and submit the appropriate payments required by the State of Wisconsin Group Insurance Board to provide such Group Health Insurance.

BE IT FURTHER RESOLVED that the City will provide at least the following wage increases to City employees in Compensation Groups 15, 16, 17, 18, 19, 20, 23, 31, 32, 33, 43, 44, 71 and 83:

Pay period 26 in December 2015 - increase wages at least 2.25%

Pay period 26 in December 2016 - increase wages at least 1.0%

Beginning with pay period 26 in December 2016 the City shall make a contribution to a retiree health insurance trust fund or Voluntary Employee Benefit Association (VEBA) for employee compensation groups in a manner similar to the contribution the City is currently making for employees in compensation group 15. The amount shall be equal to 1.25% of base wages and shall continue annually thereafter, and be increased every year thereafter by the same percentage increase applied to base wages. (The 2016 contribution for compensation group 15 shall be given as a 1.25% wage increase.) In the event that a plan is not legally established this contribution shall be given in 2016 to those employees as a 1.25% wage increase. The City will not administer these trusts and shall be held harmless in the administration of the program and from making any additional contributions to the health insurance fund beyond the amounts stated above unless adopted through a subsequent

resolution. Once plans have been established the employee handbook shall be updated to reflect said plans in a manner similar to that of compensation group 15.

Pay period 26 in December 2017 - increase wages at least 1.0%

Pay Period 26 in December 2018 - increase wages at least 1.0%

In addition, the City will provide a 1.15% (0.15% for Comp for group 23) increase in wages between the first pay period in 2015 and the last pay period in 2018 to achieve and continue pay equity for all employee groups of the City; and

In addition, the City is committed to providing the 1.15% pay increase in a manner that provides a larger percentage pay increase to lower wage classifications and that the intent is to provide this pay increase in 2016 to the extent practicable given other budget priorities.

BE IT FINALLY RESOLVED if any other employee group is granted an increase in excess of that described in the above pay equity pattern (defined as the total wage increase across groups from 2011 through the last pay period of 2018), the employee groups listed above will be granted an identical wage increase.