



COUNTY ADMINISTRATOR
220 NORTH MAIN STREET, P.O. BOX 8645
ANN ARBOR, MICHIGAN 48107-8645
(734)222-6850
FAX (734)222-6715

MEMORANDUM

TO: Felicia Brabec
Chair, Ways & Means Committee

FROM: Diane M. Heidt
Human Resources / Labor Relations Director

THROUGH: Verna J. McDaniel
Washtenaw County Administrator

RE: Recommendations for Non-Union Employees & Other Related Matters

DATE: March 20, 2013

RECOMMENDED ACTION:

Approval the recommendations set forth as a result of negotiations Non-Union employees and other related matters.

BACKGROUND:

In January, 2013, Administration and Human Resources brought to the Board of Commissioners an overview of the collective bargaining process, including the status and process for negotiations with those labor union contracts which were set to expire 12/31/2013.

Given the ongoing economic challenges in Washtenaw County and the State of Michigan, Administration put forth a strategy with the following interests:

- eliminate the County's long-term legacy costs
- ensure pension funding for retirement
- work within the established budget projections
- increase general fund reserves
- ensure the long-term fiscal stability of the organization
- secure union security with and for union partners

In February and March, 2013, the Washtenaw County Board of Commissioners provided their approval of a recommended strategy for negotiations.

The vision for the process was “To create a product and process that both the union and management are satisfied with.” The guiding principles that were followed include:

- Partnership
 - Purpose
 - Right to say “No” ... ensure that everyone is heard
 - Honesty (full disclosure)
 - Accountability
- Engagement – Communication
- Fit with the 10-year Financial Projections
- Even Application of Policy
- Employee Morale (openness & communication)
- Professional Approach (respect & trust)
- Measures of Success / Checkpoints
- Communication (engagement)

The continued use of the Interest-Based Bargaining process assisted both parties in building trust, through full-disclosure, and enhancing communication to reach the settlements in the professional manner and timeframe that had been determined.

DISCUSSION:

The following economic factors have been agreed to:

DURATION

March 21, 2013 through December 31, 2023

WAGES

2014: Restore 3.85% to employee’s salary by elimination of Banked Leave days
A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.

2015: In the event there is no increase in property tax revenue, the minimum structural salary adjustment shall be 1% effective July 1st. In the event the annual equalization report indicates that property tax revenues increase from the prior year, the following formula shall apply allowing for structural salary change:

- 4% increase in property tax, a 2% raise would become effective July 1st
- 5% or higher increase in property tax, a 3% raise would become effective July 1st.

2016: A 2% structural salary increase effective January 1st

2017: A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.

2018 In the event there is no increase in property tax revenue, the minimum structural salary adjustment shall be 1% effective July 1st. In the event the annual equalization report indicates that property tax revenues increase from the prior year, the following formula shall apply allowing for structural salary change:

- 4% increase in property tax, a 2% raise would become effective July 1st
- 5% or higher increase in property tax, a 3% raise would become effective July 1st.

2019: A 2% structural salary increase effective January 1st

2020: A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.

2021: In the event there is no increase in property tax revenue, the minimum structural salary adjustment shall be 1% effective July 1st. In the event the annual equalization report indicates that property tax revenues increase from the prior year, the following formula shall apply allowing for structural salary change:

- 4% increase in property tax, a 2% raise would become effective July 1st
- 5% or higher increase in property tax, a 3% raise would become effective July 1st.

2022: A 2% structural salary increase effective January 1st

2023: A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.

RETIREMENT

Defined Contribution

All employees hired prior to 1/1/14 shall remain in the current defined benefit plan, unless they voluntarily make the election to transfer to the defined contribution plan.

Effective for employees hired 1/1/14 and thereafter, implement a defined contribution system with the following Employer / Employee pre-tax contributions:

- Employer 6%
- Employee 6%

The following increase in annual contribution rates shall apply during the length of the contract:

1/1/16 – 12/31/17

- Employer 7%
- Employee 7%

1/1/18 – 12/31/23

- Employer 7.5%
- Employee 7.5%

Vesting for Employer contributions:

- 0-3 years 0%
- 4-5 years 25%
- 6-7 years 50%

- 8-9 years 75%
- 10+ years 100%

Employees hired prior to 1/1/14 shall have a one-time opportunity to elect to transfer their WCERS employee account to the newly created defined contribution system. Such election must be made within the window of 1/1/14 – 2/28/14.

Defined Benefit (WCERS)

The defined benefit plan (WCERS) will be closed to employees hired 1/1/14 and thereafter. The following cap schedule shall be implemented for employee contributions:

- 2014 – 2015 10%
- 2016 – 2017 9%
- 2018 – 2019 8.5%
- 2020+ 8%

Additionally, the cap schedule shall be overlaid with the already existing formula. Therefore, the cap indicates the most an employee would have to contribute. In the event the annual actuary valuation shows an overall reduction in contributions needed, such reductions will be applied to the employer and employee consistently.

ACTIVE HEALTHCARE

The Employer shall adopt the hard-cap option in accordance with PA 152. Employees shall contribute \$75/month in medical premium sharing. The Employer will review, on an annual basis, to ensure compliance with PA 152 as it related to premium sharing. The Employer will notify the Union of compliance by November 1st of each year and/or during open enrollment.

RETIREE HEALTHCARE

Employees hired 1/1/14 and thereafter shall receive active healthcare benefits as negotiated. However, the Employer shall establish a retiree health reimbursement account (HRA) with the following Employer pre-tax contributions for new hires:

- 0-10 years \$100/pay \$2,600 annually
- 11-15 years \$125/pay \$3,250 annually
- 16-20 years \$150/pay \$3,900 annually
- 21-25 years \$175/pay \$4,550 annually
- 26+ years \$200/pay \$5,200 annually

Upon normal retirement eligibility, and corresponding retirement, retiree would not receive any continuation of health care coverage, however, would have full access to his/her HRA account for eligible medical expenses as defined under IRC Section 213(d).

BANKED LEAVE DAYS

Effective 3/22/13, all Non-Union employees shall be provided with an additional banked leave day for use during 2013.

Effective 1/1/14, restore employee salaries by 3.85% for banked leave days utilized in 2012/2013.

Beginning in 2015, and in the event that the Equalization report indicates a decline in property tax revenue or other unplanned decrease in the general fund (e.g., reduction in personal property tax, revenue sharing), the County / Trial Court **may** implement up to four (4) banked leave days. Notification would be made to the Union no later than May 1st and prior to implementing any banked leave days. This language would replace the current language in the collective bargaining agreements.

PDQ's

PDQ submission bi-annually in April, beginning in 2014. Any reclassifications shall be effective January 1st of the following year.

457 PLANS

Employer agrees to allow employee to take loan withdrawals on 457 plan accounts if legally feasible with the 457 vendor.

ME TOO

In the event that another employee group within this Employer receives a contractual net gain (wages and benefits), parity shall be provided to Non-Union employees. This provision excludes Sheriff's Department labor groups.

IMPACT ON HUMAN RESOURCES:

None

IMPACT ON BUDGET:

All modifications have been considered as part of the budget.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

None

CONFORMITY TO COUNTY POLICIES:

Proposed tentative agreement conforms to County policies.

A RESOLUTION APPROVING THE RECOMMENDATIONS SET FORTH AS A
RESULT OF NEGOTIATIONS FOR NON-UNION EMPLOYEES AND OTHER
RELATED MATTERS

WASHTENAW COUNTY BOARD OF COMMISSIONERS

March 20, 2013

WHEREAS, in January, 2013, Administration and Human Resources brought to the Board of Commissioners an overview of the collective bargaining process, including the status and process for negotiations with those labor union contracts which were set to expire 12/31/2013, and

WHEREAS, given the ongoing economic challenges in Washtenaw County and the State of Michigan, Administration put forth a strategy with the following interests:

- eliminate the County's long-term legacy costs
- ensure pension funding for retirement
- work within the established budget projections
- increase general fund reserves
- ensure the long-term fiscal stability of the organization
- secure union security with and for union partners; and

WHEREAS, in February and March, 2013, the Washtenaw County Board of Commissioners provided their approval of a recommended strategy for negotiations; and

WHEREAS, extending the negotiated increases will assist with issues of internal compression and recruitment; and

WHEREAS, extending the associated benefit modifications and other policy changes will provide for consistency in policy application county-wide; and

WHEREAS, wages and other adjustments have been included in the County's budget projections and are within the Board of Commissioners guidelines

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners authorizes the following:

1. All wage and benefit adjustments agreed to with AFSCME Local 2733 will be extended to Non-Union employees and the five statutory elected officials as outlined and attached hereto
2. Align the Treasurer, Water Resources Commissioner and Clerk/Register of Deeds at the salary of \$101,685 effective immediately

NON-UNION

March 21, 2013 through December 31, 2023

WAGES

- 2014:** Restore 3.85% to employee's salary by elimination of Banked Leave days
A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.
- 2015:** In the event there is no increase in property tax revenue, the minimum structural salary adjustment shall be 1% effective July 1st. In the event the annual equalization report indicates that property tax revenues increase from the prior year, the following formula shall apply allowing for structural salary change:
- 4% increase in property tax, a 2% raise would become effective July 1st
 - 5% or higher increase in property tax, a 3% raise would become effective July 1st.
- 2016:** A 2% structural salary increase effective January 1st
- 2017:** A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.
- 2018:** In the event there is no increase in property tax revenue, the minimum structural salary adjustment shall be 1% effective July 1st. In the event the annual equalization report indicates that property tax revenues increase from the prior year, the following formula shall apply allowing for structural salary change:
- 4% increase in property tax, a 2% raise would become effective July 1st
 - 5% or higher increase in property tax, a 3% raise would become effective July 1st.
- 2019:** A 2% structural salary increase effective January 1st
- 2020:** A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.
- 2021:** In the event there is no increase in property tax revenue, the minimum structural salary adjustment shall be 1% effective July 1st. In the event the annual equalization report indicates that property tax revenues increase from the prior year, the following formula shall apply allowing for structural salary change:
- 4% increase in property tax, a 2% raise would become effective July 1st
 - 5% or higher increase in property tax, a 3% raise would become effective July 1st.
- 2022:** A 2% structural salary increase effective January 1st

2023: A 2% non-structural increase shall be paid to employees in bi-weekly payments effective with the first pay period of January, or as a lump sum the first pay period of March if elected by the employee.

RETIREMENT

Defined Contribution

All employees hired prior to 1/1/14 shall remain in the current defined benefit plan, unless they voluntarily make the election to transfer to the defined contribution plan.

Effective for employees hired 1/1/14 and thereafter, implement a defined contribution system with the following Employer / Employee pre-tax contributions:

- Employer 6%
- Employee 6%

The following increase in annual contribution rates shall apply during the length of the contract:

1/1/16 – 12/31/17

- Employer 7%
- Employee 7%

1/1/18 – 12/31/23

- Employer 7.5%
- Employee 7.5%

Vesting for Employer contributions:

- 0-3 years 0%
- 4-5 years 25%
- 6-7 years 50%
- 8-9 years 75%
- 10+ years 100%

Employees hired prior to 1/1/14 shall have a one-time opportunity to elect to transfer their WCERS employee account to the newly created defined contribution system. Such election must be made within the window of 1/1/14 – 2/28/14.

Defined Benefit (WCERS)

The defined benefit plan (WCERS) will be closed to employees hired 1/1/14 and thereafter. The following cap schedule shall be implemented for employee contributions:

- 2014 – 2015 10%
- 2016 – 2017 9%
- 2018 – 2019 8.5%
- 2020+ 8%

Additionally, the cap schedule shall be overlaid with the already existing formula. Therefore, the cap indicates the most an employee would have to contribute. In the event the annual actuary valuation shows an overall reduction in contributions needed, such reductions will be applied to the employer and employee consistently.

ACTIVE HEALTHCARE

The Employer shall adopt the hard-cap option in accordance with PA 152. Employees shall contribute \$75/month in medical premium sharing. The Employer will review, on an annual basis, to ensure compliance with PA 152 as it related to premium sharing. The Employer will notify the Union of compliance by November 1st of each year and/or during open enrollment.

RETIREE HEALTHCARE

Employees hired 1/1/14 and thereafter shall receive active healthcare benefits as negotiated. However, the Employer shall establish a retiree health reimbursement account (HRA) with the following Employer pre-tax contributions for new hires:

- 0-10 years \$100/pay \$2,600 annually
- 11-15 years \$125/pay \$3,250 annually
- 16-20 years \$150/pay \$3,900 annually
- 21-25 years \$175/pay \$4,550 annually
- 26+ years \$200/pay \$5,200 annually

Upon normal retirement eligibility, and corresponding retirement, retiree would not receive any continuation of health care coverage, however, would have full access to his/her HRA account for eligible medical expenses as defined under IRC Section 213(d).

BANKED LEAVE DAYS

Effective 3/22/13, all non-union employees shall be provided with an additional banked leave day for use during 2013.

Effective 1/1/14, restore employee salaries by 3.85% for banked leave days utilized in 2012/2013.

Beginning in 2015, and in the event that the Equalization report indicates a decline in property tax revenue or other unplanned decrease in the general fund (e.g., reduction in personal property tax, revenue sharing), the County / Trial Court **may** implement up to four (4) banked leave days. Notification would be made to the Union no later than May 1st and prior to implementing any banked leave days. This language would replace the current language in the collective bargaining agreements.

457 PLANS

Employer agrees to allow employee to take loan withdrawals on 457 plan accounts if legally feasible with the 457 vendor.