

# OFFICE OF FISCAL ANALYSIS

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SR-32

RESOLUTION PROPOSING APPROVAL OF A MEMORANDUM OF AGREEMENT BETWEEN THE STATE OF CONNECTICUT AND THE CONNECTICUT EMPLOYEES UNION INDEPENDENT, SEIU, LOCAL 511.

## ***OFA Fiscal Note***

### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 19 \$</b>	<b>FY 20 \$</b>	<b>FY 21 \$</b>
Various State Agencies	GF - Cost	12,993	41,746	93,060
Comptroller Misc. Accounts (Fringe Benefits)	GF - Cost	2,888	9,280	20,687

Note: GF=General Fund

***Municipal Impact:*** None

### ***Explanation***

The resolution proposes approval of an agreement between those employees in the Plants Facilities Engineer 1 job classification and the Connecticut Employees Union Independent (NP-2) bargaining unit. This agreement covers five fiscal years for the period of July 1, 2017 to June 30, 2021.

Total estimated costs associated with this agreement are \$15,881 in FY 19; \$51,026 in FY 20; and \$113,748 in FY 21.

The estimated impact to FY 19 - FY 21 associated with this agreement is reflected in the table below. There is no fiscal impact in FY 17 or FY 18.

### Plants Facilities Engineer 1 Employees Cost Estimate<sup>1</sup>

	FY 19 \$	FY 20 \$	FY 21 \$	FY 21 \$ Annualized
\$2,000 Bonus/\$1,000 plus top step	11,178	-	-	-
Conversion to Step Plan	1,815	11,798	11,798	11,798
FY 20 - 3.5% General Wage Increase (GWI)	-	21,934	21,934	21,934
FY 20 - Annual Increment	-	10,155	20,309	20,309
3 Furlough Days	-	(6,908)	-	-
Longevity Payments	-	4,767	5,108	5,108
FY 21 - 3.5% General Wage Increase (GWI)	-	-	23,413	23,413
FY 21 - Annual Increment	-	-	10,498	20,997
<b>Total Wages</b>	<b>12,993</b>	<b>41,746</b>	<b>93,060</b>	<b>103,559</b>
Social Security, Medicare, and Unemployment	1,024	3,290	7,333	8,160
OPEB 3%	390	1,252	2,792	3,107
State Employee Retirement System (SERS) <sup>2</sup>	1,475	4,738	10,562	11,754
<b>TOTAL</b>	<b>15,881</b>	<b>51,026</b>	<b>113,748</b>	<b>126,580</b>
<sup>1</sup> Source: April 25 Roster from Judicial				
<sup>2</sup> The SERS impact will not be recognized until FY 21.				

**Wage Increases** - This agreement establishes wage increases in accordance with the 2017 SEBAC Agreement. There are no wage increases in FY 17 or FY 18. In FY 19, members will receive a bonus payment of \$2,000, or a top step lump sum plus \$1,000. This is estimated to cost \$11,178. A conversion cost to upgrade into the new pay scale will cost \$1,815 in FY 19. In FY 20 and FY 21, employees will receive a cost of living adjustment (COLA) of 3.5%, as well as an annual increment; these wages are estimated to cost \$76,155 in FY 20 and \$86,653 in FY 21. The cost estimate for longevity is \$4,767 in FY 20 and \$5,108 in FY 21. Employees will take three furlough days in FY 20 which will save \$6,908.

**Fringe Benefits** - Social Security, Medicare, unemployment and retiree health related fringe benefit costs will be incurred based on the

wage related provisions negotiated in the contract. The current social security rate is 7.65% of salary. The current unemployment rate is 0.23% of salary. The current state contribution towards retiree health is 3%. The estimated fringe benefit costs are \$1,414 in FY 19; \$4,542 in FY 20; \$10,125 in FY 21, and \$11,267 in FY 22.

**Impact to Retirement** - Employees covered by this contract are members of the State Employees' Retirement System (SERS). The pension impact of the wage related provisions assume an average normal cost SERS rate of 11.35%. The total estimated retirement cost is \$1,475 in FY 19; \$4,738 in FY 20; \$10,562 in FY 21, and \$11,754 in FY 22. The increased costs to SERS will not be recognized in the state's actuarially determined employer contributions (ADEC) until FY 21, as the FY 20 contribution is set based on the June 30, 2018 actuarial valuation.

**Funding Availability** - The Reserve for Salary Adjustments<sup>3</sup> (RSA) General Fund account for collective bargaining costs associated with unsettled contracts and other related costs currently has adequate funding to transfer to the various agencies. Lastly, the provisions of this agreement remain in effect until a subsequent agreement is negotiated by the parties.

**Member Overview** - There are seven employees covered by this agreement.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

<sup>3</sup>The RSA account is used to finance collective bargaining and related costs that are not included in individual agency budgets.