

# OFFICE OF FISCAL ANALYSIS

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HR-11

RESOLUTION PROPOSING APPROVAL OF A MEMORANDUM OF AGREEMENT BETWEEN THE STATE OF CONNECTICUT AND THE ADMINISTRATIVE & RESIDUAL EMPLOYEES UNION.

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## ***OFA Fiscal Note***

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

| <b>Agency Affected</b>                           | <b>Fund-Effect</b> | <b>FY 22 \$</b> | <b>FY 23 \$</b> |
|--|--------------------|-----------------|-----------------|
| Various State Agencies                           | Various - Cost     | 326,210         | 356,511         |
| State Comptroller - Fringe Benefits <sup>1</sup> | Various - Cost     | 49,169          | 53,736          |

Note: Various=Various

***Municipal Impact:*** None

### ***Explanation***

This resolution proposes approval of an agreement between the State of Connecticut and the Administrative and Residual (A&R) Employees (P-5) Union concerning certain employee classifications. The agreement moves 62 non-union positions into the A&R bargaining unit. This agreement covers FY 21 and is retroactive to July 1, 2020. The job classifications are:

- Banking Department Manager
- Banking Assistant Division Director
- Chief Property Casualty Insurance Acting RC
- Director of Unemployment Insurance Field Services & Adjudications
- Insurance Certification Supervising Examiner (Mgr.)

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<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.77% of payroll in FY 21 and FY 22.

- Insurance Actuary
- Insurance Program Manager
- Labor Department Unit Director
- Transportation Assistant Planning Director
- Transportation District Maintenance Special Services Section Manager
  
- Transportation Maintenance Manager
- Transportation Transit Manager
- Transportation Purchasing and Stores Assistant Director

Total estimated costs associated with this agreement are \$375,379 in FY 21 and annualized at \$410,247 as reflected in the table below:

### Cost Estimate<sup>1</sup>

|  | FY 21 \$       | FY 21 \$<br>Annualized |
|--|----------------|------------------------|
| FY 21 - 3.5% General Wage Increase (GWI)             | 243,017        | 243,017                |
| FY 21 - Annual Increment                             | 30,300         | 60,601                 |
| Lump Sum at Top Step                                 | 20,693         | 20,693                 |
| Longevity  | 32,200         | 32,200                 |
| <b>Total Wages</b>                                   | <b>326,210</b> | <b>356,511</b>         |
|  |                |                        |
| Social Security, Medicare, and Unemployment          | 25,709         | 28,097                 |
| OPEB 3%  | 9,792          | 10,701                 |
| State Employee Retirement System (SERS) <sup>2</sup> | 13,668         | 14,938                 |
| <b>TOTAL</b>   | <b>375,379</b> | <b>410,247</b>         |

<sup>1</sup> Source: March 1 roster from CORE-CT.

<sup>2</sup> The SERS impact will not be recognized until FY 23.

**Wage Increases** - This agreement establishes wage increases retroactively for FY 21, employees will receive a cost of living adjustment (COLA) of 3.5% retroactive to June 19, 2020, as well as an annual increment (AI) of 2 % starting January 1, 2021.

These wages are estimated to cost \$326,210 in FY 21, annualized at \$356,511. Longevity payments are retroactive in FY 21 and will cost \$30,200 in both FY 21 and FY 22. Employees at their top step in the pay scale will receive lump sum payments totaling a cumulative \$20,693 in FY 21.

**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 \$35,501 in FY 21; annualized at \$38,798.

**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 assumes an average normal cost SERS rate of 4.19%. The total estimated retirement cost is \$13,668 in FY 21, annualized at \$14,938. The increased costs to SERS will not be recognized in the state's actuarially determined employer contributions (ADEC) until FY 23, as the FY 22 contribution is set based on the June 30, 2020 actuarial valuation.

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

**Member Overview** - There are 62 employees covered by this agreement.

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

The agreement will expire effective June 30, 2021. The wage provisions of this resolution will remain in effect in future years subject to the outcome of the collective bargaining process.

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