

PRELIMINARY FISCAL NOTE
SR 12/HR 13

Appropriations Committee
Meeting

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OFFICE OF FISCAL ANALYSIS

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SR 12 and HR 13 – Resolution Proposing Approval of an Agreement between the State of Connecticut and the Connecticut Police and Fire Union (NP-5), Concerning Motor Vehicle Lieutenants.

Summary – The agreement moves three Motor Vehicle Lieutenants from the Managerial (MP 60) pay plan and places them in the Protective Services (NP-5) pay plan, salary group PS-19, effective October 3, 2014. The Motor Vehicle Lieutenants are placed into a pay grade step closest (of equal or greater value) to their current annual salary.

Transportation Fund (TF) estimated costs associated with this agreement are \$5,983 in FY 15 and \$9,307 in FY 16. A summary of the estimated TF costs is provided below:

Cost Estimate of Agreement

Cost Factors	FY 15 \$	FY 16 \$	Annualized Costs \$
Move from MP 60 to NP-5	3,905	5,343	5,343
Longevity Payments	1,645	3,290	3,290
Social Security	425	660	660
Unemployment	8	13	13
Subtotal	5,983	9,307	9,307
State Employee Retirement System ¹	670	1,043	1,043
TOTAL	6,653	10,350	10,350

¹The increased costs to the pension plan will not be recognized until FY 18.

Source: Core-CT report as of January 22, 2015.

Wage Increases – Under the agreement, Motor Vehicle Lieutenants will receive a raise and become eligible for longevity payments. The wage increase costs are estimated to be \$5,550 in FY 15 and \$8,633 in FY 16.

Fringe Benefits – Social security and unemployment 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 0.15% of salary. The social security and unemployment costs are estimated to be \$433 in FY 15 and \$673 in FY 16.

State Employee Retirement System (SERS) - The pension impact of the wage related provisions is based on the average normal cost rate for Tier II and Tier IIA SERS hazardous duty employees, and assumes all other actuarial assumptions remain the same. The estimated normal cost for SERS is \$670 in FY 15 and \$1,043 in FY 16. However, increased costs to the pension plan attributable to the identified wage provisions will not be recognized in the state’s actuarially determined employer contribution (ADEC) until FY 18, as the FY 15, FY 16 and FY 17 ADEC are set based on the June 30, 2012 and June 30, 2014 actuarial valuations.

Funding Availability - Funding was not provided in the Department of Motor Vehicles' (DMV) FY 15 Revised Budget for this purpose. However, OFA is projecting a DMV lapse which is sufficient to cover the contract costs of \$5,983 in FY 15. If needed, the Reserve for Salary Adjustments (RSA)¹ account has funding for collective bargaining costs associated with unsettled contracts and other related costs. The FY 15 Revised Budget appropriated \$2.6 million in the RSA Transportation Fund account. There is sufficient funding in the RSA account to cover the contract costs of \$5,983 in FY 15. Please note this does not include SERS costs as this contract does not modify the FY 15, FY 16 and FY 17 SERS ADEC.

It is anticipated that the Governor's FY 16 - FY 17 Biennial Budget will include funding to cover the FY 16 costs of this agreement. Lastly, the provisions of this agreement remain in effect until a subsequent agreement is negotiated by the parties.

¹The RSA account is used to finance collective bargaining and related costs that are not included in individual agency budgets.