



# **Economic Vitality Incentive Program (EVIP) Certification**

## **Employee Compensation Plan Under Public Act 152 of 2011 Option**

### **Issued Under Authority of Public Act 107 of 2012**

Each City applying for EVIP employee compensation payments under Public Act 152 of 2011 option must certify to the Michigan Department of Treasury that the local unit of government provides medical benefits for its employees or elected public officials in compliance with PA 152.

## Introduction

Since 2001, the City of Kalamazoo has been progressing towards implementing a compensation strategy for its employees that has resulted in significant shifts in sharing the cost of health care, both through increased out of paycheck contributions and through plan design changes. The City's stated goal of a strategy that includes a 20% contribution rate by employees is not new. The City has already been successful in bargaining with its five unions a cost share of 20% in plan design that has also been applied to the compensation package of non-union employees. This 20% cost to the employee is in addition to annual deductibles also in the plan design.

## Health Care

The City of Kalamazoo has a self-funded health care plan, and the cost of the plan per employee is calculated annually by Mercer Health and Benefits, the firm that has been contracted by the City to manage its health care costs since 2003. The cost per person is based on the plan design and the use of the plan by employees. Currently, all City employees pay a contribution to the cost of their health care plan that is compliant with PA 152 of 2011. The City chose to submit to the flat dollar caps as identified in the law. As stated earlier, the City also has a stated goal of achieving a monthly health care contribution that requires employees to pay 20% of the cost of health care from their paychecks.

Below is a table showing the cost of the plan to the three classes of coverage and the amounts attributable to the City and the employees for the plan year 2012:

	<b>2012 Annual Rates per Mercer Health and Benefits</b>	<b>Employee Annual Contributions</b>	<b>City Annual Contributions</b>	<b>Cap Amount per PA 152</b>
Single	\$5,113.85	\$720.00	\$4,393.85	\$5,500.00
Double	\$12,273.23	\$1,620.00	\$10,653.23	\$11,000.00
Family	\$15,341.54	\$1,944.00	\$13,397.54	\$15,000.00

In 2011, the City bargained successors to the collective bargaining agreements with all five of its unions. Those agreements are in effect as follows:

- American Federation of State, County and Municipal Employees (AFSCME) through October 2, 2014
- Amalgamated Transit Union (ATU) through February 13, 2014
- Kalamazoo Municipal Employees Association (KMEA) through December 31, 2013

- Kalamazoo Public Safety Officers Association (KPSOA) through December 31, 2013
- Kalamazoo Police Supervisors Association (KPSA) through December 31, 2013

Each of those agreements has a provision that locks in the amount of the contribution to the health care plan that their members pay. The City has followed its stated plan over the past ten years to increase the amount contributed by employees, and the next step is to negotiate a 20% contribution rate in the next round of bargaining with each of the unions. It is also the City's plan to increase the contribution rate of the non-union employees on January 1, 2014, the date on which the City anticipates putting in place the same rate for most of the union employees.

Because the City anticipates a considerable number of supervisory and non-union positions to vacate over the two years, 2012 and 2013, it will be important to offer incentives for union members to promote to higher level positions, which will be impossible to do if non-union benefits are not commensurate with those bargained by the unions. To do so, the City plans to effect the higher contribution rates for its non-union employees on the date which the City fully effectuates the higher contributions as set forth by statute for all City employees covered by collective bargaining agreements. However, Mercer calculates the cost per coverage on an annual basis, and if there is a cost increase to the extent that the cost exceeds the hard dollar caps, only non-contractual employees will be required to bear the added cost to be compliant until such contracts expire.

It is anticipated that any *new employees* hired into the City of Kalamazoo on or after January 1, 2014, will be required to pay the 20% contribution rate.

### **Summary**

This plan is consistent with the City's historic goal of increasing the employees' share of the cost of health care that it began to pursue in 2005 and is compliant with PA 152 of 2011.