FOR IMMEDIATE RELEASE
June 21, 2017

Fasano Raises Questions about Governor's SEBAC Concessions Deal

Hartford – Today **Senate Republican President Pro Tempore Len Fasano (R-North Haven)** released the following list of concerns about the proposed state employee concessions deal negotiated by Governor Dannel P. Malloy and the State Employee Bargaining Agent Coalition (SEBAC)**.**

"Connecticut needs to pursue a new direction when it comes to our state budget. That path must include structural changes to government, protections for core services, and not rely on new taxes to plug the massive budget shortfall. It also must include changes to state employee benefits to create a system that is fair and sustainable for employees and taxpayers alike. Unfortunately, after a close review of the SEBAC documents made available on June 26, I have more concerns that the governor's negotiated labor deal cannot create the sustainable system we all seek," said **Sen. Fasano**.

"Senate Republicans had hoped increased labor savings could be achieved through negotiations that would have justified extending the current SEBAC contract and providing such extensive job security protections. Unfortunately, the governor's proposed concessions deal continues to offer benefits that far exceed what other union workers – such as firefighters, police officers, teachers, nurses, and non-government union workers – receive today. In addition, a closer analysis of the labor deal has raised additional questions as detailed below. All lawmakers need to heavily consider these items before they vote on a deal that will not only tie the hands of future lawmakers, but also that will increase costs and unfunded liabilities in many respects."

The following details concerns about the SEBAC deal regarding pension and health care benefits. This does not include an analysis of the over three dozen individual bargaining unit wage contracts which were only just shared with lawmakers on July 20.

1) The SEBAC Deal Severely Ties the Hands of Future Lawmakers & Governors:

- **Removes Current Legislative Authority over Pension and Healthcare Issues:** The first section of the agreement titled "Reaffirmation of the Independence of the Plans" eliminates the ability of the legislature to make changes to state employees' pension and health care plans in the future. Paragraph I states that the State Employee Pension and Health Care Plans "shall remain independent of any other pension or health care plans" and that "[n]either the Legislature nor the Governor shall have the ability to include the state employee's health care plan with any other plan." This provision appears to be an attempt to exceed the statutory scope of collective bargaining and tie the hands of future Governors and Legislatures with regard to not just the benefits guaranteed under the agreement, but the operation and administration of the plans. This will result in the state losing all flexibility for 10 years.

- **Prevents Privatization:** The job security provisions which begin on page 7 provide that from "July 1, 2017 through June 30, 2021, there shall be no loss of employment for any bargaining unit employee hired prior to July 1, 2017, including loss of employment due to programmatic changes." This provides for absolutely no layoffs for any reason prior to June 30, 2021. Attachment F under "Additional Provisions" further states that bargaining units will be offered the continuation of language to prevent privatization. These sections tie the hands of the state legislature and future governors and will completely eliminate any opportunity to reorganize or reduce the size and scope of state government. This will make it impossible to consolidate administrative functions, close certain prisons or move services to private nonprofits to enhance and preserve care.

- **Extends Contract:** This SEBAC agreement extends the duration of the SEBAC contract by five years to June 30, 2027. Therefore, this is a 10 year deal for employment which cannot be altered for any reason whatsoever. **This means when there is a deficit cuts will hit social services and/or municipalities under this deal.**

<u>2) The SEBAC Deals Contains New Costs and Delayed Savings:</u>

- **Overtime Calculated in Pensions:** There is no capping or elimination of overtime from the pensions of current state employees.

- **Social Security Disability Retirement Offsets:** The "Disability Retirement Modification and Continuing Discussions" section located on page 5 states that "current plan provisions which impose Social Security Disability Retirement Offsets on retirees' spouses or designated dependent following the passing of the retiree are removed from the plan."
    - The social security disability retirement offset may increase costs to state taxpayers.
    - Subsection ii of this section requires disability retirees to apply for Social Security Disability within two years of their receipt of State Disability retirement. There is no penalty in place if a disability retiree fails to make their application. The section further states that cost of the filing of any appeal reside with the state and that no disability retiree shall receive less in total benefits if the federal government rejects their claim.
    - This section further states that "the parties" presumably the Office of Labor Relations and the unions will continue discussing the appropriateness of the differing offset rules that affect state disability retirement. Does this provision allow for additional modifications to be made to the disability retirement in the future without legislative approval?

- **Costly Expansion of Sick Time and Family Leave:** The "Use of Sick Leave to Care for Family Member Requiring Care" section of the agreement located on page 6 modifies a benefit that is currently limited to five sick days per calendar year to allow for unlimited use of sick time by a state employee to provide for a sick relative. Therefore, an employee could leave work for months or even years and the State of Connecticut cannot refill that position. In addition, this section gives employees the ability to take unpaid maternity, paternity, or other childbearing leave for up to four months beyond the expiration of any leave as provided under the Family Medical Leave Act. This provision provides job security for a seven month period of time for those that do not have time. These two provisions may result in a significant cost to the state.

- **Purchasing Service Towards Retirement Eligibility:** The section titled "Sheriff's Time Purchased by Judicial Marshals and former Judicial Marshalls" on page 6 of the agreement expands a Memorandum of Agreement (MOA) dated April 28, 2015 to allow all current hazardous duty employees who are otherwise eligible (defined in the MOA as serving as a deputy sheriff for the state for at least one year prior to 7/1/1999) to purchase service as provided under the agreement. The April 28, 2015 MOA states as follows " the actuary reported that having purchased service count towards eligibility for hazardous duty retirement, rather than for the ultimate benefit level, dramatically increased the cost of any possible agreement. On that basis, the state was willing to explore an agreement that only contemplated the purchasing of service towards the benefit level, and not towards eligibility." The SEBAC 2017 agreement however now states "Up to 2 of the years purchased under that agreement may count toward retirement eligibility as well as retirement credit." As the April 28, 2015 MOA explicitly stated allowing for the purchase of additional years of service dramatically increases costs and will result in an increase in the unfunded liability of the State Employees Retirement System.

- **New Contractual Cost:** On page 7 of the agreement, the state agrees to contract with a provider and pay for Commercial Drivers Licenses (CDL) Medical Examinations. This will result in an additional contractual cost for the state.

- **One Time Payment to Employees:** Attachment F which provides for a one-time payment in FY 2019 is effectively a payment of 2.5% of salary plus $1,000. For an individual making the state average for a full-time employee this will result in a one-time payment of $2,850.

- **Longevity Pay Still in Play:** Longevity payments are not ceased rather the payment is just delayed.

<u>3) The SEBAC Deal Contains Inequities for State Employees:</u>

- **Non-Union State Employees Pay More:** The 1% annual increase in health care premiums for a three year period or 16% maximum as detailed on page 1 of the agreement results in unionized employees still paying less than the 18% that non-represented employees currently pay thereby incentivizing non-represented employees to unionize.

- **Unfairness of Non-Hazardous Duty Employees Paying More than Hazardous Duty Employees:** In the "Health Care Changes Affecting Retirees" section of the agreement located on page 3, pre-65 hazardous duty employees will pay less in health care premiums than all other pre-65 non-hazardous duty employees. This is counterintuitive considering that hazardous duty employees retire significantly younger than non-hazardous duty employees and therefore will be receiving retiree health for a longer period of time until they reach Medicare eligible age of 65 years old.

- **Unfairly Benefiting Higher Paid State Employees:** The federal government requires high earners to pay higher premiums for the Medicare Part B coverage. Currently, the state pays 100% of the higher premium cost for those high earners. On page 4 the SEBAC 2017 agreement reduces its reimbursement to half of the additional charges imposed by Medicare beyond the standard premium on high earners. The first problem with this provision is that it is effective for individuals that retire after 7/1/2022. The effective date for this provision should be immediately after the passage. The state should not be waiting five years to enact such a policy. In addition, the state should only pay the standard amount. Those that earn more should pay more.

- **Assistant Attorney Generals Won't Participate:** Attachment F of the agreement states that the Assistant Attorney Generals will negotiate and arbitrate the provisions of their collective bargaining agreement that will be in place through June 30, 2021.
    - The Assistant Attorney Generals are not subject to the wage provisions of the SEBAC 2017 agreement.
    - One may be able to argue that the inclusion of this language may allow for the agreement to go into effect without legislative approval.

- **Significantly Lower Benefits for Non-Union Employees:** This agreement extends all of the increased costs onto non-represented employees while offering non-unionized state employees no job security protections. Like we saw last year with the Assistant Attorney Generals and the 18% premium contribution for state managers, this will incentivize non-represented state employees to unionize. Current unionized employees will not take promotions as managers are already making less than the union employees they supervise. Future governors and the state legislature will have absolutely no control over its workforce when such a large percentage will be unionized.

###

MEDIA CONTACT:
Nicole Rall
860.240.0092