

In Explaining Budgetary Increases:

We highlighted:

1. The ever-increasing cost of Health Insurance.
2. The ever-increasing cost of retirement and the mismanagement of Middlesex Retirement Board.
3. Labor and benefit costs represent the largest segment of the Budget

Unintended Consequences

An Excerpt of a letter to the Editor

April 14, 2005

“ ... There was a time, way back when, that if you worked for a government entity your pay scale was low, compared to the private sector jobs. But that was ok, because what you lacked in pay you more than made up for in the benefit package. Government benefit packages, after all, are to die for; health insurance, retirement programs, etc...all at little to no cost to the employee...”

An Excerpt of a letter to the Editor

April 14, 2005

“ ... Now that we have passed the override, the poor town workers and their unions can negotiate bigger contracts, and they will not have to worry about paying more for their health insurance, or be asked to contribute to their retirement plans. They can be confident that they are going to receive generous pay increases this year and next.

I am so glad to hear the parking lot attendants have been spared these worries.”

TBT (Tired and Broke Taxpayer)

Municipal Operations

- We are a labor-intensive service organization
- We are a tool-intensive organization
- We generally do work the private sector will not take on
- Pay and benefits are generally below the private sector and comparable Mass. Communities.

Employee Compensation

The Acton Municipal Employee
vs.
The Private Sector

**Source: US Department of Labor
Unless Otherwise Noted**

Employer Assisted Health Care Benefits

Private Sector - Firms with 100+ Employees	Unionized Private Sector	<u>Acton Offers</u>
Medical 82%	Medical 89%	Yes
Dental 64%	Dental 73%	No
Vision 42%	Vision 56%	No

Medical Insurance Employee Contribution

Private Sector - Firms with 100+ Employees	Unionized Private Sector	<u>Acton</u>
Avg. Ind. Share 18%	Avg. Ind. Share 11%	15%
Avg. Family Share 31%	Avg. Family Share 17%	15%

Employee Contribution for Medical Insurances as a Percentage of Gross Pay

U.S. Chamber of Commerce Study

- Overall Avg. 2.9%
- Indemnity Plan 3.0%
- HMO 2.6%

Avg. Acton Municipal FY '06

- Overall Avg. 4.6%
- Indemnity Plan 5.6%
- HMO 3.6%

Pension

- Municipal Employees are not eligible for Social Security benefits for Town of Acton service.
- Social Security benefits, if earned during private sector employment, are decreased by as much as 50% because of Town of Acton employment
- The Town saves approximately \$600,000 per year by not paying the employers' match of Social Security

Pension

**All Employees, hired since 1983,
actuarially fund 100% of their
Retirement Benefit with their
payroll deductions**

Source: Thomas R. Lussier of Lussier, Gregor, Vienna & Associates.

Served 26 years as a legislator and administrator in Massachusetts.

Executive Director & CEO of Mass. Teacher's Retirement, 1st Deputy Administrator of the predecessor to PERAC, Mass. House Chair of Special Committee on Public Retirement, Vice Chair on Mass. Joint Committee on Public Service.

Life Insurance

Percentage of Those Participating

	Employee Contributions Required	Flat \$ Basis	Flat \$ Amount Under \$20,000	Multiple of Wages 1X Earnings or more
Private 100+ Employees	89%	35%	18%	63%
Private Unionized	89%	48%	25%	49%
Acton	Yes 50/50 split	Yes	Flat \$15,000	No

Paid Vacation Days

	After 1 Year	After 3 years	After 5 Years	After 10 Years	After 15 Years
Private 100+ Employees	10.2	12.2	15.0	18.1	20.1
Private Unionized	8.8	11.4	13.8	17.5	20.0
Acton	10	10	15	20	20

Employer Assisted Benefits

	Profit Sharing/ Stock Options	Recognition Bonus	End of Year or Holiday Bonus	Safety /Suggestion Bonuses
Private 100+ Employees	20%	20%	20%	6%
Private Unionized	14%	4%	11%	4%
Acton	No	Yes	No	No

Employer Assisted Benefits

	Child Care	Adoption	Long-Term Care	Flex Work Hours	Subsidized Commuting
Private 100+ Employees	25%	16%	20%	5%	8%
Private Unionized	16%	12%	13%	2%	6%
Acton	No	No	No	No	No

Employer Assisted Benefits

	Holiday Parties	Milestone Awards (Yrs of Service)	Non-Cash (Tickets, Gift Certificates, Etc.)	In-house Cafeteria or subsidized meals	On-Site Fitness Center
Private	81%	70%	60%	30%	20%
Acton	No	No	No	No	Police Officers Only

Source: Society of Human Resource Management's 2004 Benefits Survey report

Employer Assisted Benefits

	Legal Assistance	Paid Sabbaticals	Company Paid Group Vacations	Concierge Services
Private	19%	4%	4%	4%
Acton	No	No	No	No

Employee Contribution for Benefits as a Percentage of Gross Pay

U.S. Chamber Study

Avg. F/T Municipal FY '06

- Overall Avg. 14.3%
- Overall Avg. 16.05%

Mean Hourly Earnings

Sept 2003

	Secretaries	Accounting Clerks	Financial Supervisors	Librarians	Dept. Managers
Private Boston-Worcester-Lawrence	\$17.44	\$16.29	\$25.61	\$30.15	\$40.64
Acton	\$18.25	\$18.25	\$21.92	\$25.64	\$29.36
As a % of Sector Mean	4.6% Above	12% Above	14% Below	15% Below	27.7% Below

Mean Hourly Earnings

Sept 2003

	Civil Engineer	IT Systems Analyst	Registered Nurses	Health Aides	Dispatchers
Private Boston-Worcester-Lawrence	\$33.91	\$42.19	\$30.34	\$11.08	\$15.08
Acton	\$33.11	\$35.84	\$21.92	\$14.64	Public Safety \$16.45
As a % of Sector Mean	2.4% Below	15% Below	28% Below	32% Above	9% Above

Mean Hourly Earnings

Sept 2003

	Truck Drivers	Janitors /Groundskeepers	Mechanics
Private Boston-Worcester-Lawrence	\$19.29	\$12.67	\$20.25
Acton	\$16.76	\$16.25	\$19.66
As a % of Sector Mean	13% Below	28.3% Above	3% Below

Mean Hourly Earnings

Sept 2003

	Firefighters	Police Officers
Public Sector Boston- Worcester- Lawrence	\$21.32	\$21.78
Acton	\$18.18	\$20.63
As a % of Sector Mean	15% Below	5% Below

Average Pay

Resident* – 1999

Full-time Municipal
Employee - 2005

\$77,371

\$45,000

* Median Male Full time Worker 2000 Census -Acton

**Household Income Necessary to Obtain a
Conventional 30 Yr. Mortgage on the Avg.
Single Family Home in Acton (value of \$550K)
(P&I = 28% of Gross)**

Required Income = \$120,335

**Mortgage Payment =
\$33,695/yr.**

Property Taxes = \$7,598/yr.

Or

**Principal, interest, and taxes
(PI&T) of \$41,293**

Top Pay Municipal Department Head

- **Gross Wage** **\$71,703**
 - **Benefit Contribution -16.05%** **<\$11,508>**
 - **Avg. Federal and State
Tax Burden – 15%** **<\$10,756>**
 - **Annual PI&T Requirement
For an Acton Single Family Home
If Purchased Today** **<\$41,293>**
-
- Take Home Pay Available
For Food, Clothing, Vehicle,
Medical, Education, Property Ins., etc.** **\$ 8,146
or ~ \$22/day**

Personnel Issues

- **Fair Compensation -- Pay and Benefit**
 - Employees Need More than Ability to Super Size it
 - Women in the Workforce – Changed in last 20 years
 - Single Parent households
 - Necessary Second Wage
 - Career vs. Part –time Job
- **A Disassociation between Citizens and Employees**
 - Global attitudes applied to local workforce
 - Employees -- Not a Part of the Community
 - Class Distinction
 - At the Extremes
 - » Citizens view Employees as second class servants
 - » Employees view Citizens as rich people who treat them poorly

Personnel Issues Continued

Trading Health Insurance for Pay Increases

Annual Pay	2.5% Salary Increase in Dollars	Avg. Cost of a 5% Inc. for Family Coverage	Delta/Net Pay Increase
\$30,000	\$750	<\$805>	<\$55> or <0.2%>
\$45,000	\$1,125	<\$805>	\$320 or 0.7%
\$60,000	\$1,500	<\$805>	\$695 or 1.2%
\$75,000	\$1,875	<\$805>	\$1,070 or 1.4%

Conclusions

- Municipal pay is generally below comparable private sector mean wage rates.
- Acton employees contribute about the same percentage towards health insurance premiums as do unionized private sector employees.
- Adjusting health insurance premium contributions is a regressive means to address employee compensation

Conclusions

- Acton employees contribute 12% more toward their benefit package than private sector employees and their benefit package is less robust than benefit packages offered by the private sector
- The Town saves ~ \$600,000 per year by not making the employer's Social Security co-payment.
- The absence of Town employees in the community negatively affects work productivity and decreases the chances for passage of future overrides.

Action Recommendations for 2005-2006

- **Fund Pay and Benefit Adjustments for Municipal Workers**
- **Embark on a PR Campaign**
 - Employees are valuable resources.
 - Who need tools to do their job
 - **Employees and Taxpayers have the same aspirations for their families.**
- **Focus on making Municipal Operations a quality of life workplace**
- **Devise a Plan of Action for Employees to live in Town**
 - Mortgage Assistance?

Implementation Benefits

- Better Chance of Passing an Override
 - Shared experiences
- Better Quality of Life
 - Taxpayers
 - Employees
- Employee Loyalty = Better Performance