

SUMMARY STATEMENT

ITEM NO.: DRPA-16-077

**SUBJECT: Premium-based Employee
Health Care Contribution Proposal
Modeled after New Jersey
Chapter 78, P.L. 2011**

COMMITTEE:

New Business

COMMITTEE MEETING DATE:

N/A

BOARD ACTION DATE:

June 22, 2016

PROPOSAL: To implement a premium-based employee health care contribution schedule modeled after the State of New Jersey's Chapter 78, P.L. 2011.

PURPOSE: The Authority is committed to providing its employees with a comprehensive health benefits package, which is a key component of our strategic staffing plan. Consistent with Chapter 78, it is the policy of this Board that all employees pay a fair share of the cost incurred by the Authority to provide health care benefits to employees and their eligible dependents.

BACKGROUND: Since 2003, non-represented employees have contributed a percentage of their annual salary toward the cost of their health care benefits. At this time, all non-represented employees contribute 1.5% of their annual salary to the cost of their benefits, regardless of tier. Under this proposal, employees would transition from contributing a percent of their annual salaries for their annual health care benefits to a contribution based on a percent of the annual premium for their respective coverage tier.

Staff seeks approval of the cost share changes outlined in the attached schedules for Single, Employee/Child/Children, Employee/Spouse and Family tiers. This schedule is modeled after New Jersey Chapter 78, P. L. 2011.

In support of the Authority's strategic staffing plan, the primary purpose of which is to attract, recruit and retain a qualified workforce, staff recommends that in addition to evaluating annually the competitiveness of the Authority's salary structure, that the Board annually conduct a thorough review of the health care benefits, costs, and employee contribution levels and direct any changes it deems appropriate.

DRPA-16-077

Committee: New Business

Board Date: June 22, 2016

**Premium-based Employee Health Care Contribution
Proposal Modeled after New Jersey Chapter 78, P.L. 2011**

RESOLUTION

RESOLVED: That the Board hereby approves the implementation of a premium-based contribution schedule for health care benefits that is modeled after the State of New Jersey's Chapter 78. The schedules for the four (4) tiers are attached hereto; and be it further

RESOLVED: That the premium-based contribution schedule will take effect on January 1, 2017; and be it further

RESOLVED: That the premium based contribution schedule will apply to DRPA and PATCO non-represented employees and all employee groups (like the IBEW-represented employees) who participate in the Authority-sponsored health care plans; and be it further

RESOLVED: That the Board, in support of the Authority's strategic staffing plan, the primary purpose of which is to attract, recruit and retain a qualified workforce, will evaluate annually the competitiveness of the Authority's salary structure and implement each successive step on the Chapter 78 grid taking into consideration the quality of the health care benefits, annual costs, and employee contribution levels and direct any changes as it deems appropriate.

RESOLVED: Nothing herein shall be effective unless and until Resolutions DRPA 15-130A, 15-130B and PATCO 16-013 are in full force, effect and implemented.

SUMMARY: Amount: To be determined
Source of Funding: DRPA & PATCO Revenue and General Funds
Operating Budget:
Master Plan Status:
Other Fund Sources:
Duration of Contract:
Other Parties Involved:

Proposed Health Benefits Contribution for **Family** Coverage

Modeled after NJ Chapter 78, P.L. 2011

(Employee Contributions Based on Percentage of Annual Premium)

1. The annual premium for **Family** coverage is approximately **\$33,553**.
2. Currently, all non-represented employees contribute 1.5% of their annual salary to the premium for their health care. Assuming an employee makes \$50,000 annually, the employee contributes **\$750** per year or **\$14.43** weekly benefits.
3. Under the proposed premium-based schedule, which is based on NJ's Chapter 78, the employee would pay a percentage of the annual premium for their coverage tier as opposed to contributing a percentage of their annual salary.
4. Using Chapter 78 as a guide, in 2017 an employee making \$50,000 will contribute **3%** of the annual premium; that equals **\$1,006.59** or **\$19.36** per week. In 2022, assuming the premium remains the same, this employee will pay **12%** of the annual premium, which equals **\$4,026.36** or **\$77.43** per week.

Salary Range	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2025
less than \$25,000	0.75%	1.50%	1.75%	2.25%	3.00%
25,000-29,999.99	1.00%	2.00%	2.75%	3.25%	4.00%
30,000-34,999.99	1.25%	2.50%	3.75%	4.25%	5.00%
35,000-39,999.99	1.50%	3.00%	4.75%	5.25%	6.00%
40,000-44,999.99	1.75%	3.50%	5.75%	6.25%	7.00%
45,000-49,999.99	2.25%	4.00%	5.50%	7.00%	9.00%
50,000-54,999.99	3.00%	5.50%	7.50%	9.00%	12.00%
55,000-59,999.99	3.50%	6.00%	8.50%	10.00%	14.00%
60,000-64,999.99	4.25%	7.00%	9.50%	12.00%	17.00%
65,000-69,999.99	4.75%	7.50%	10.00%	13.50%	19.00%
70,000-99,999.99	5.00%	8.00%	11.50%	15.50%	22.00%
100,000-149,999.99	8.00%	11.00%	14.00%	18.00%	30.00%
150,000 and over	8.50%	11.50%	15.00%	19.00%	30.00%