

## Benefits Subcommittee

### Executive Summary

The Benefits Subcommittee of the Override Study Committee is charged with reviewing the cost of employee benefits to determine areas of potential savings. Employee benefits, consisting primarily of employee health insurance, contributory pensions, and retiree health care and other non-pension benefits (OPEB), currently amount to almost 25% of the Town's operating budget and continue to grow faster than the general rate of inflation. All of these areas are governed by state regulation and/or subject to collective bargaining both of which limit the Town's flexibility to curtail costs in the short term. Significant savings in health insurance premiums for both the Town and its employees have already been achieved through participation in the GIC, as recommended by the Efficiency Initiative Committee in 2009. Though implementation of the options below will not impact a 2015 override, they should be pursued as aggressively as possible to ensure the financial stability of the Town in future years. All benefits savings to the Town, including OPEBS, are passed through to the School Department as part of the revenue sharing formula of the Town School Partnership.

- explore the potential for reducing the Town's premium share for health insurance across the board and/or by plan type; each 1% reduction in total contribution results in a \$270,000 savings to the Town.
- continue to educate Town and School employees about the relative cost/benefit of the various plans to promote savings; each 1% shift in participants from PPOs to HMOs saves the Town approximately \$30,000.
- urge the Retirement Board to pro-rate the years of service for part-time employees to become benefits eligible, reducing future OPEB liabilities.
- continue to work with the Mass Municipal Association (MMA) and the State legislature to achieve reform of retiree health benefits
- continue to work with the MMA and the State legislature to eliminate the constraints of section 19 which apply only to the handful of municipalities which were early participants in the GIC
- continue to work with the MMA, the GIC, and the Public Employees Retirement Administration Commission (PERAC) to eliminate GIC regulation that requires active employees to be a member of a retirement system in order to be eligible for health insurance. If this regulation were eliminated, then the Retirement Board could increase the number of weekly hours worked required to become a member of the retirement system, an action that would reduce OPEB liability.
- continue to explore outsourcing services, as doing so reduces both immediate (e.g., worker's comp, health insurance, Medicare tax) and long-term (e.g., OPEB, pensions) benefit costs.