
ARTICLE 1

FIRST ARTICLE

To see if the Town will authorize and approve the filing of a petition with the General Court in substantially the following form:

**AN ACT RELATIVE TO HEALTH INSURANCE COVERAGE FOR RETIRED
EMPLOYEES OF THE TOWN OF BROOKLINE**

*Be it enacted by the Senate and House of Representatives in General Court assembled,
and by the authority of the same, as follows:*

SECTION 1. Notwithstanding any general or special laws to the contrary, notwithstanding in particular, but not limited to, the provisions of Section nineteen (g) of Chapter thirty-two B of the General Laws, and notwithstanding the terms of any agreement reached pursuant to the provisions of Section nineteen (g) of Chapter thirty-two B of the General Laws; subscribers within the meaning of Section nineteen (a) of said Chapter thirty-two B who are retirees of the Town of Brookline, including but not limited to retirees of said Town's public schools, shall continue to receive health insurance coverage based on the percentage contributed by said Town to the premium or cost of such coverage which is applicable to the health insurance coverage provided through non-indemnity plans by said Town to subscribers who are employees of said Town. This section shall not prevent said Town from determining the percentage contribution for such subscribers who are retirees by an agreement pursuant to Section nineteen (g) of Chapter thirty-two B of the General Laws.

SECTION 2. The foregoing provisions of section one of this act shall be limited to retirees who are retired on or before June 30, 2013 and who, by reason of residence or domicile as of June 30, 2013 are able to obtain health insurance coverage only through the indemnity plan by which such employees are covered on such date.

SECTION 3. This act shall take effect upon its passage.

or act on anything relative thereto.

SELECTMEN'S RECOMMENDATION

On November 24, 2009 the Board of Selectman, acting as the "Appropriate Public Authority" under General Laws Ch. 32, s.19, and the Union Public Employee Committee executed an Agreement to transfer all employees and retirees to the state Group Insurance Commission for group health coverage. Section 19 is enclosed for your reference.

This Agreement came about after more than a year's worth of bargaining and hard work by the Town Administration and the union Public Employee Committee representing active and retired employees. The long-term benefits for the Town and employees/retirees are potentially quite significant. On behalf of the entire Brookline community, the Board wishes to express its sincere appreciation to everyone involved in bringing about this Agreement, especially the employees and retirees who ultimately agreed to a major change in one of the most important aspects of their lives for both themselves and their families.

Although the overall Agreement has been executed, one provision of the MOU cannot be implemented without Town Meeting approval. The Town agreed to seek home rule legislation that would "hold harmless" a small group of retirees from an increase in premium share that was negotiated for the more costly indemnity plans offered by the GIC. Labor Counsel advised that this hold harmless arrangement could only be implemented through special legislation in light of the provisions of subsection (g) of Section 19 of the governing statute. Subsection (g) requires that governmental employers contribute the same percentage premium share to all subscribers within the same coverage plan. The special legislation proposed in Article 1 creates an exception to this blanket requirement for a small subset of retirees whose numbers will decrease over time.

As provided in the MOA the Town and PEC agreed to a decrease in the employee/retiree share of premiums for non-indemnity plans (HMOs, PPOs, etc.) from the current 25% to 22% - 20% - 17% over the three years of the Agreement. However, the parties also agreed to increase the employee/retiree premium share for the more expensive indemnity plans from 25% to 35%. The Town sought this provision in order to discourage subscriber migration to the higher cost indemnity coverage. Without this shift in premium share the potential for overall savings would have been substantially less.

Currently there are about 50 out-of-area retirees^{1*} who, because of residence, might not be able to enroll in the lower cost plans and would have no choice but higher cost indemnity coverage. The typical family subscriber switching into a GIC PPO should experience about \$150 in savings in monthly premium withholdings. However, because of the differentiated premium splits between indemnity and non-indemnity plans, family subscribers choosing GIC indemnity coverage will likely see an increase of \$150 monthly premium withholdings.

¹ The Town insures approximately 1,300 retirees about 1,000 of whom are enrolled in Medicare with the remainder on active plans due to Medicare ineligibility.

In order to avoid imposing this unfair disparate burden on the current out-of-area retirees and the few potential retirees who might be planning on out-of-area retirement over the next three years, and who can only obtain health insurance through their current indemnity plan, the proposed special legislation would allow these retirees to pay the same premium share required for non-indemnity plans. The cost to the Town of this hold harmless provision is expected to be in the \$100,000 range for each of the three years of this agreement. (After the phase-in, effective July 1, 2013, any new out of area retirees will also be obligated to pay the same premium share for indemnity coverage that all other subscribers must pay.) This is a relatively marginal amount in the context of an estimated total first year premium savings of \$7.1 million – about \$4.7 million of which will be realized by the Town and \$2.4 by the employees/retirees in the form of lower premium withholdings. It is precisely because of the prospect of this favorable financial outcome that the Override Study Committee, Efficiency Initiative Committee, OPEBs Task Force, and Town Meeting itself have urged pursuing the transfer to the GIC.

Time is now of the essence in filing this special legislation, which is the reason the Board called for this Special Town Meeting. The changeover to the GIC takes place on July 1, 2010. If Town Meeting acts favorably on this Article there will be less than five months available for legislative enactment. This is an extremely ambitious timeline, particularly since this is the last year of the legislature's current term. However, Representative Smizik and the other members of the Brookline delegation have expressed their support for the Town's participation in the GIC through a bargained agreement. Perhaps just as important, this Agreement stands as one of the few examples of successful municipal-labor collaboration in a major reform at a time when the Commonwealth is desperately in need of such positive models. In this environment it is virtually impossible to imagine any constituency opposing the passage of this special legislation.

The Board recommends FAVORABLE ACTION, by a vote of 5-0 taken on January 5, 2010, on the following:

VOTED: That the Town authorize and approve the filing of a petition with the General Court in substantially the following form:

**AN ACT RELATIVE TO HEALTH INSURANCE COVERAGE FOR RETIRED
EMPLOYEES OF THE TOWN OF BROOKLINE**

*Be it enacted by the Senate and House of Representatives in General Court assembled,
and by the authority of the same, as follows:*

SECTION 1. Notwithstanding any general or special laws to the contrary, notwithstanding in particular, but not limited to, the provisions of Section nineteen (g) of Chapter thirty-two B of the General Laws, and notwithstanding the terms of any agreement reached pursuant to the provisions of Section nineteen (g) of Chapter thirty-two B of the General Laws; subscribers within the meaning of Section nineteen (a) of

said Chapter thirty-two B who are retirees of the Town of Brookline, including but not limited to retirees of said Town's public schools, shall continue to receive health insurance coverage based on the percentage contributed by said Town to the premium or cost of such coverage which is applicable to the health insurance coverage provided through non-indemnity plans by said Town to subscribers who are employees of said Town. This section shall not prevent said Town from determining the percentage contribution for such subscribers who are retirees by an agreement pursuant to Section nineteen (g) of Chapter thirty-two B of the General Laws.

SECTION 2. The foregoing provisions of section one of this act shall be limited to retirees who are retired on or before June 30, 2013 and who, by reason of residence or domicile as of June 30, 2013 are able to obtain health insurance coverage only through the indemnity plan by which such employees are covered on such date.

SECTION 3. This act shall take effect upon its passage.

ADVISORY COMMITTEE'S RECOMMENDATION

BACKGROUND:

This warrant articles relates to the November 2009 agreement between the Town and its employees' unions regarding employee and retiree health benefits for the next three fiscal years.

Rationale: For the past several years, the Town's fiscal management, with the support of the Board of Selectmen, Town Meeting, the Advisory Committee and others, has urged through various means that Brookline's unionized employees agree to obtain their health insurance through the Commonwealth's Group's Insurance Commission² (commonly referred to as the "GIC"). Because of economies of scale, greater purchasing power, and a more geographically-diverse subscriber base, the GIC can provide insurance coverage at rates lower than those the Town, purchasing insurance on its own, can obtain. By scuttling the Town's existing plans and instead using the GIC's plans, both the Town and the subscribers (active employees and retirees) will save millions of dollars annually.

For the Town, moving to the GIC saves several million dollars annually and helps somewhat in reducing the so-called OPEB gap. For our employees and retirees, the GIC offers a broad array of plans all of which generally cost less than the plans Brookline offered on its own.

² The GIC is a statutory body created to offer a broad array of health insurance to state employees under Mass. General Laws ch. 32A and to employees of cities and towns, counties other than Worcester County, and certain districts under Mass. General Laws ch. 32B.

Concerns: However, the unions' reticence to opt into the GIC had been linked to concerns about the loss of control of plan design and negotiations as to how much of the Town's savings would be shared with employees.

The November 2009 Agreement(s): Following fits and starts in the negotiations, the Town and its unions agreed that, for three years starting on July 1, 2010 (Fiscal Years 2011 through 2013, inclusive), the GIC, rather than Town-specific plans, will provide health insurance to the Town's employees.³ The Memorandum of Agreement set forth various negotiated ratios of Town-Employee premium payment cost allocations.⁴

Proposed Warrant Article – Retiree Indemnity Proposal: This warrant article relates to a side agreement signed as part of the overall settlement between the Town and its unions/retirees. Specifically, the Town agreed to submit for Town Meeting's approval proposed special legislation allowing the Town to pay 65% of the premium costs of non-Medicare indemnity plan coverage for retirees. The GIC statute itself mandates contribution rates that are uniform across the particular collective bargaining agreement⁵ – hence the need for the special legislation to make an exception for a few retirees for a three-year period.

Like most insurance programs, the Town's current plans and those offered by the GIC provide lesser coverage for services offered outside the so-called coverage area. Under the existing Town plans, services offered outside of Massachusetts are deemed outside of the coverage area while the GIC's plans generally include parts of Southern New Hampshire and will soon include parts of Rhode Island as part of the coverage area. This

³ The three-year term of the agreement means that the Town's participation in the GIC could end effective for Fiscal Year 2014.

⁴ The Town and its employees will pay the following percentages of the premium costs (other than Medicare Part B premium costs) over the next three fiscal years:

	Town's %age of premium costs	Employees' %age of premium costs
FY 2011	78%	22%
FY 2012	80%	20%
FY 2013	83%	17%

The November 2009 agreement also provides that the Town will pay 65% of the cost of Medicare Part B premiums. In addition, the agreement states that employees who are currently covered by one of the Town's plans who opt not to obtain coverage under the GIC's plans (presumably because s/he would receive coverage under a spouse's or a partner's plan) would receive annual "opt-out payments" of either \$1,000 or \$2,500 as an incentive to shift the insurance costs to that other plan.

⁵ Massachusetts General Laws ch. 32B, §19(g) states: "[A]ny agreement reached between the governmental unit and the public employee committee shall provide that within the same health coverage plan the percentage contributed by the governmental unit to the premium or cost of health coverage shall be the same for all subscribers covered under this section...; provided, however, that the percentage contributed by the governmental unit may vary among the different health coverage plans offered under the agreement reached between the governmental unit and the public employee committee."

proposal reflects the practical reality that while out-of-state retirees could theoretically take one of the standard plans offered through the GIC, the so-called indemnity plan is offered as a way to treat these retirees equitably since they cannot effectively use cheaper “managed care” plans; however, the lower reimbursement rate (65%) is a way to balance the costs to the Town.

Warrant Article 1 proposes special legislation the Town’s management agreed to file with the Massachusetts legislature to authorize the coverage. In a letter agreement signed contemporaneously with the main agreement, the Town committed to seek Town Meeting’s approval of the special legislation.

DISCUSSION:

The Advisory Committee lauded the efforts of the unions’ representatives, the unions’ members, the retired town employees, and the Town’s fiscal and Human Resources management to reach an amicable settlement to the GIC opt-in. As reported in prior Town Meetings and in study reports on the crises facing the Town’s finances, benefit costs are a key driver to the so-called “structural deficit” which threatens shortfalls in the Town’s budget for many years to come.

While the move to the GIC provides the Town with fiscal benefits, it does not represent a panacea to all future problems. Various Town constituencies – the Board of Selectmen, Town Meeting, and the Advisory Committee will be called on to continue to make unpleasant decisions to address difficult times. The Town, even after the recent set of tax increases, will have to make due with fewer resources even as state aid will continue to dwindle, interest income stays at negligible amounts, and local receipts stay challenged. However, adoption of the GIC is one of several very critical steps toward maintaining the Town’s financial sustainability.

This Warrant Article is being offered as part of good faith promises made to the union negotiating committee (of which approximately 1,300 retirees have a 10% voting power voice) that the Town will address the coverage needs of those who reside out of the coverage area. Although the exact number of how many retirees reside out of the coverage area cannot be known until the Town’s annual updating of its HR records⁶, the best current estimate is that forty to fifty people may be affected and provided cost estimates for the Town’s providing such coverage assistance. The estimated cost to the Town will equal approximately \$150,000 annually.

In response to a question posed by the Advisory Committee, Mr. Kelliher opined that the proposed legislation, if enacted, would not provide any meaningful incentive for current employees to retire early because of the June 2013 end date for grandfathering of benefits.

⁶ Where someone is legally domiciled is not always easy clear, especially if the individual has a second home outside of Massachusetts.

In the event Town Meeting fails to approve the filing, the November 2009 deal with the unions will remain in place.

To summarize:

1. The Town has upped its payment contribution to 83% -- a rate that is highly favorable to Town employees.
2. The unions, not surprisingly, want a piece of the savings and hedge themselves a bit against co-pay changes.
3. In order for this to work well and provide savings that can make a difference, we need to have all of our employees participate in the GIC program – not opt into a far more expensive indemnity product.
4. However, there are some out-of-area retirees who will not be eligible to participate in the non-indemnity plans offered by the GIC and must enroll in an indemnity program. Recognizing that some employees would get caught in the lurch as we transitioned to the GIC, the Town and unions worked out the 65%-35% split for the 3-year term of the new agreement.
5. In order to accomplish what both parties view to be reasonable, the Town must be granted home rule legislation. Brookline is simply asking the Commonwealth to allow us a way to enter into this negotiated arrangement.

RECOMMENDATION:

By a vote of 19 in favor, none opposed and one abstention, the Advisory Committee unanimously recommends FAVORABLE ACTON on the vote offered by the Selectmen.

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ARTICLE 2

SECOND ARTICLE

To see if the Town will raise and appropriate, or appropriate from available funds, a sum or sums of money to fund the cost items in collective bargaining agreements between the Town and various employee unions; fund wage and salary increases for employees not included in the collective bargaining agreements; and amend the Classification and Pay Plans of the Town.

or act on anything relative thereto.

SELECTMEN'S RECOMMENDATION

There are no Collective Bargaining agreements at this time. Therefore, the Board recommends NO ACTION, by a vote of 5-0 taken on January 5, 2010, on this Article.

ADVISORY COMMITTEE'S RECOMMENDATION

BACKGROUND:

This warrant articles was included on the Warrant for the Special Town Meeting in the event there were any new arrangements reached with the Town's unions following the settlement with regard to the Group Insurance Commission ("GIC") benefits.

DISCUSSION:

There were no new agreements or arrangements reached with the Town's employees since the November 2009 settlement regarding the GIC plan.

RECOMMENDATION:

By a vote of 19 in favor, none opposed and one abstention, the Advisory Committee unanimously recommends NO ACTON on Article 2.

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