



# THE PUBLIC EMPLOYEE 2018 LEGISLATIVE COMMUNICATOR

## DHRM Director Recommends More Personal Choice for State Employees

State officials face a challenge if they want to offer higher salaries to hire and retain great employees while also maintaining attractive benefit packages for all state workers, Paul Garver, executive director of the Utah Department of Human Resource Management (DHRM), told the Legislature's Government Operations Interim Committee.

"In today's tight market, many state agencies are facing difficulties in attracting and retaining talent. One way to change this is higher pay," he said at the Committee's Oct. 17 meeting. "In order to do this, the value would be taken out of the benefit package. [However,] the benefit package helps retain employees once they are here."

Garver's comments came as he presented DHRM's "Options for Rebalancing Benefit and Pay Values" report.

DHRM spent two months meeting with key stakeholders, including representatives from the Public Employees Health Plan (PEHP), Utah Retirement System (URS), and the Utah Public Employees' Association (UPEA). The report reflects input from all three groups.

The department also surveyed employees with five years or less of service who are in the Tier II retirement system. It asked these employees why they came to work for the state and why they continue to work for the state. More than 90 percent of the respondents (the survey had a 40 percent response rate) said primary motivators include job stability and strong benefit offerings (retirement and health care). The study found that employees remain with the state because of health insurance, improved work/life balance, and retirement benefits.

"We don't necessarily want to upset the key motivators, but we also don't want to detract individuals from working for the state because of low pay," Garver said. While these motivators remain strong for many employees, some desire higher wages even if there is less value in their benefits. "Personal choice is key," he said.



# UPEA 2019 Legislative Package

## Compensation

The Department of Human Resource Management (DHRM) hired an independent group to study compensation for state employees. The study found state employees' pay, on average, is -10.90% below market. UPEA will continue to educate legislators and policy makers regarding state employee pay and benefits.

### Cost of Living Adjustment (COLA)

As a result of the lack of significant pay increases over the past several years, UPEA's highest priority for the 2019 legislative session is compensation. UPEA will lobby the Legislature for a cost-of-living increase for all state employees.

UPEA commissioned its own independent economic study of state employee compensation. The study measured the impact on the purchasing power changes (inflation), with the changes in wages in the Utah labor market, and the changes in employer costs. Changes in these measures were compared with the changes in state employee compensation. The basic finding of the study was that the increases in State employee compensation were well below the increases found in the economic measures used for comparison.

## Health Care

UPEA will advocate for the Legislature to fully fund any health insurance premium increase. In addition, UPEA will lobby to keep the current structure of health insurance co-pays, co-insurance, deductibles, and other plan benefits funded at the same rate.

Premium increases or benefit changes should be applied equitably between the Star and Traditional plans.

UPEA also supports equal marketing of both the Traditional and Star plans by the Public Employees Health Plan (PEHP).

### Maintain Current Health Plan

State employees currently share a 92/8 health insurance premium split (92 percent employer paid/8 percent employee paid). UPEA will work to maintain the current health insurance premium split.

### Health Insurance Premium Split

Out-of-pocket maximums, on both plans, should be maintained at the current levels.

## Retirement

### Tier I & II Contribution Rate Increase

The Utah Retirement System (URS) is not proposing a retirement contribution rate increase for either the Tier I or Tier II retirement systems. However, the URS Board did vote to change the assumed rate of return on investments from 7.2% to 6.9%.

## Merit System Preservation

Due to recent legislation employees believe the protections of the merit system, and the merit status of employees, are threatened. UPEA will advocate maintaining the current merit system for employees.

## Payroll Deduction

UPEA will lobby against efforts to eliminate the ability of public employees to have UPEA dues deducted from their pay.

## Leave/PTO

UPEA will protect, or support enhancements to, the current leave structure.

## Privatization

UPEA has an interest in preserving efficient, effective, and responsible governmental functions. The work performed on behalf of the citizens of Utah is conducted by a dedicated and professional workforce of public employees. The contributions of public employees have made Utah one of the best-managed states in the nation. The core principles of UPEA is protecting Utah's greatest assets – its public employees. UPEA will evaluate all moves to privatize any functions currently being conducted by public employees.

## Post Retirement Employment

### Retire/Rehire

During the 2018 legislative session multiple bills were sponsored to modify the post-retirement re-employment benefits of public employees. This issue was sent to interim study. UPEA supports enhancing post-retirement legislation.

DHRM's current pay adjustment initiatives include:

- Cost-of-living increases
- Targeted funding initiatives
- Administrative salary increases
- Reinvest agency operational improvement savings into employee compensation

The key parameters of the current proposal are to:

- Allow employee choice to appeal to individual motivators
- Have little, if any, budget impact
- Be perceived as fair, transparent, and favorable by employees

These initiatives should continue and run parallel to benefit/pay rebalancing recommendations.

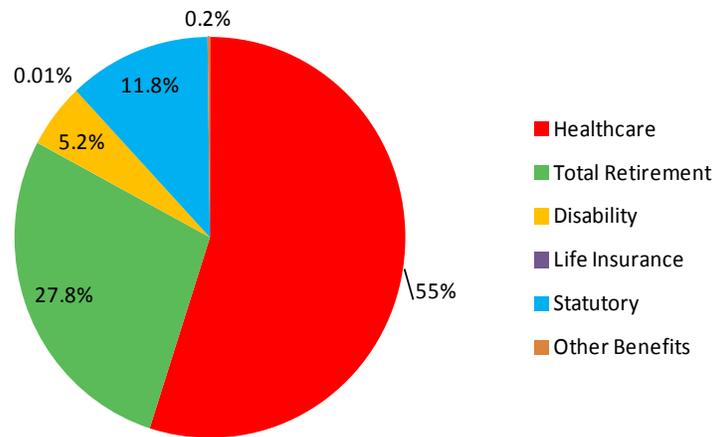
**Medical Insurance Rebalancing Option**

Under the proposal, employees have the option of converting their health care spending accounts (HSAs) to cash they can use for any reason. Currently, state employees have three options (offered annually) to choose from for medical care. They elect their insurance options during the annual open enrollment period, selecting an HSA if it appeals to them. PEHP will administer the program and provide the cash conversion payments, allowing for complete transparency to the employee. This option will have no impact on income or retirement calculations. However, the employee will lose the tax-shelter benefit of the cash-converted amount, which will be subject to payroll (both employee and employer) taxes. Also, should an adverse health event occur, the employee would potentially be open to a larger personal financial burden.

Sen. Dan Hemmert, R-Orem, chairman of the Retirement and Independent Entities Committee, said he, "is impressed that Mr. Garver returned to the committee with actionable items that require no legislation to implement."

Sen. Wayne Harper, R-Taylorsville, indicated there will be no bill on this issue.

Todd Losser, UPEA executive director, testified before the committee. He thanked PEHP, URS, and the Governor's Office for their time and work on this issue. Losser also said he, "is looking forward to a continuing dialogue and working with stakeholders in a fair and transparent way."



**Lawmaker Acknowledges State Employees 'Never Really Recovered from the Recession'**

Public employee salaries have increased only 41 percent over the past 32 years compared with 80 percent for nonstate employees, a new economic report shows.

The disparity creates a challenge in hiring public employees, and, "the effects are universal across all agencies," Rep. Eric Hutchings, R-Kearns, told the Legislature's Executive Offices and Criminal Justice Appropriations Subcommittee on Oct. 16. "This is a very important issue to the committee," he said. "State employees have never really recovered from the recession in terms of pay."

Hutchings asked the Utah Public Employees' Association (UPEA) for help in putting together numbers to highlight this issue. UPEA enlisted the help of John Matthews, an economic consultant who worked with the Department of Workforce Services for more than 40 years.

Matthews studied data starting in 1980 and compared state employee pay and cost-of-living adjustments (COLAs) with the consumer price index (CPI). UPEA compiled the data and the Department of Human Resource Management (DHRM) verified it. The data represented the average pay for all state employees. Matthews emphasized that the report is based on wage and salary and does not include benefits.

"These findings aren't simply a little bit significant... in fact, 'significant' isn't even a strong enough word," said Sen. Daniel Thatcher, R-West Valley City. "My main question is, how did we get here?"

UPEA fought hard during last year's legislative session to ensure public employees received a 2.5 percent COLA. While this was a significant achievement, it was the first major pay raise for public employees in 10 years.

"This report proves that public employees need a significant pay increase," UPEA Executive Director Todd Losser told the subcommittee.

Subcommittee members expressed interest in having UPEA and Matthews return at a later date for further discussion.

**Interim Committee Considers Funding and Organizational Changes for the Free Market Protection and Privatization Board**

The Free Market Protection and Privatization Policy Board has a goal to determine whether a service performed by state agency could be privatized to save the state and taxpayers money.

At the Oct. 17 Government Operations Interim Committee meeting, Rep. Kay Christofferson, R-Lehi, requested that a bill file be opened to secure \$70,000 in ongoing funding for the board. If the funding is not granted, the board may be disassembled due to recent inactivity.

The \$70,000 that would be requested is half what has previously been granted. "We believe that ongoing funding at this level will ensure stability in the effectiveness of the board, and will significantly reduce the historical expense of the board," the board said in a statement to the committee.

Christofferson, the committee's chairman, also mentioned that the board is considering changing its size and composition to improve member participation. It also has discussed removing exemptions for state entities, such as higher education, that now are exempt from board oversight. Currently, the board consists of 17 members of the public and private sectors. The Utah Public Employees' Association (UPEA) occupies two seats on the board to ensure fair treatment of public employees when decisions are made. Nine members must be present and vote for the board to approve a change. Because members are not granted travel expenses, it is rare to have all necessary members present.

The committee unanimously approved the motion to open a bill file, and the bill's language will be presented at its next meeting. UPEA will only support changes to the privatization policy board as long as it continues to hold two seats.

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<b>UPEA Membership Agreement/Payroll Deduction Authorization</b>					
You may fax to: (801) 264 - 8879 or Mail to: 1000 W Bellwood Ln, Murray, UT 84123					
Last Name		First Name		Preferred E-Mail Address	
Agency Name			Home Mailing Address		
Agency Address			Home City	Home Zip	Home Phone
Agency City	Agency Zip	Employee Work Phone	Recruiter Name	<i>UPEA Office Use Only</i>	
I hereby voluntarily authorize and direct my employer to deduct \$15.00 per month from my paycheck and pay the same to the Utah Public Employees' Association (UPEA) as dues for membership in that organization and agree that said payroll deductions shall continue until I revoke this authorization by giving written notice to UPEA. Authorization for withholding UPEA dues will remain in effect even after retirement unless a member gives written notice to UPEA. Upon retirement this form authorizes the Utah Retirement Systems to deduct \$5.00 per month from my retirement allowance. This payroll deduction authorization shall serve as my application for membership in UPEA and shall designate UPEA as my employee representative for all purposes provided by law.					
X Signature For Office Use Only			Date	Voting District	Senate District
			House District		
District Number		County	Jurisdiction Number	Agency/Low Org. #	Confirmed Date