

Somerset Government Efficiency Committee Recommendation # 2

Re: Part Time Elected Officials paying a percentage of their health insurance expense.

SGEC Mission Statement:

The purpose and intent of the Somerset Government Efficiency Committee is to explore some specific internal, shared service and consolidation opportunities that provide for a more efficient local government. The process will be transparent and comprehensive. Recommendations will be based on quantified data that will demonstrate a clear and direct benefit to the residents of the Town of Somerset.

BACKGROUND:

As per the Mission Statement above, the SGEC is charged with exploring opportunities that have the potential of providing direct benefits to the residents of Somerset. Accordingly, our second initiative addresses reducing the overall cost of government by requiring part time elected officials pay for a portion of their health insurance coverage, currently paid 100% by the Town of Somerset. The part time elected positions in the Town are: Town Supervisor, Four Councilpersons, Tax Collector and Justice of the Peace, for a total of seven part time elected positions.

Requiring the two retired part time elected officials with 20 or more years of service, and who are not yet eligible for Medicare, pay a percentage of their health insurance expense was also explored.

RESOURCES:

1. Supervisor: Richard Meyers and Confidential Secretary: Mindy Austin
2. The Towns of Cambria, Hartland, Lewiston, Lockport, Newfane, Pendleton, Porter, Royalton, and Wilson.
3. Town of Somerset Employee Handbook: Sections 800-5 and 800-6.
4. Town Attorney – Arthur Herdzik

FINDINGS:

1. Of the twelve towns in Niagara County, ten responded to our request for information regarding their insurance policies for part-time elected officials. Of the ten, ONLY four offer health insurance coverage for their part time elected officials, Cambria, Newfane, Lockport, and Somerset. The rest do not provide health insurance benefits to their part-time elected officials.
2. Lockport and Somerset pay 100% of the expense. Cambria requires officials elected before 2003 to pay 5%. Those elected in 2003 and later pay 10% of the expense plus 100% of any premium increase of 5% or more. Newfane requires all part time elected officials to pay a flat 5% of the expense. While the salary levels of part time elected officials in the resourced Towns were not taken into consideration, the fact remains that healthcare insurance coverage is a significant expense born by the taxpayers of Somerset.
3. Relative to retired part time elected officials, three Towns - Cambria, Lockport, and Newfane provide insurance coverage at no cost to their 20 year part time elected officials. On June 12, 1990 Somerset ceased providing coverage for retired part time elected officials. Part time elected officials who began serving prior to 06-12-90 were grandfathered in by the Town Board as eligible for full coverage at no charge, after twenty years of service. There are two former officials who qualify under that agreement.

4. For 2010 the annual cost of family plan health insurance premiums is \$9,149.88 plus the HRA payment of \$2,500.00 plus the \$600.00 for vision & dental allowance equals a total cost of \$12,249.88 for the family plan. Single coverage premiums are \$3,343.20 per year plus the HRA payment of \$1,250.00 plus \$600.00 for dental and vision for a total of \$5,193.20.
5. In an effort to attract qualified candidates for office, the policy of providing coverage for part time elected officials was initiated in the 1980's. In 1990 the Town Board took the first step to rein in this expense by cutting coverage for future retired part time elected. It is now more evident than ever that the cost of health insurance has skyrocketed to the point of no longer being a reasonable burden for the taxpayers of Somerset to bear for these positions.

RECOMMENDATIONS:

1. The SGEC recommends dropping health insurance coverage in its entirety for part time elected officials effective January 1, 2012. Supervisor Meyers, Councilman Wayner, Councilman Engert, Tax Collector Wendler and Judge Martineck are currently eligible for coverage. However, only Supervisor Meyers, Councilman Wayner, and Tax Collector Wendler are currently covered by the Town's policy. Therefore, after 01-01-12 this change, as calculated using the current state, would save \$36,749.64 per year. If all seven eligible part time elected officials were to have ever participated at the same time, in the Town's family plan the total annual savings grows to \$85,749.16 per year. These savings also do not factor in the reasonable possibility that insurance rates will continue to rise.
2. The SGEC recommends requiring the two "grandfathered" part-time elected, pre-Medicare aged officials pay 50% of their health insurance premium. Accordingly, they will continue to pay 50% of the premium after reaching Medicare age. The effective date for this recommendation is January 1, 2012 – the same day as the first active officials become ineligible for coverage. This change will save \$5,174.94 per official per year. Similarly, these actual savings also do not factor in the reasonable possibility that insurance rates will continue to rise.
3. The SGEC recommends that the two current post Medicare aged persons covered by the Town's insurance will be unaffected by this change. The expense to the Town is relatively minimal and they are the least able to easily adapt to this change.

RATIONALE:

Over the past couple of years and in various formats (most frequently during door to door visits in 2007) the taxpayers of Somerset have communicated that they are concerned about the rising cost of health insurance that they are bearing. That being said though it is also true that many Somerset residents with whom we have spoken with did not even realize that they were paying the full cost for health benefits for the part-time elected officials. It is well documented that the cost of providing health insurance to the Town's officials continues to rise. As an example, from 2009 to 2010 and despite every effort to contain these costs, the premium for a family plan rose approximately 15%. It is within reason to expect a similar or even higher rate of increase year after year after year. The bottom line is that it is no longer reasonable to expect those who are experiencing an erosion of their own benefits (the taxpayers) to be required to buy health insurance for part time public servants.

Respectfully submitted,

The Town of Somerset Government Efficiency Committee:

Chairman: Councilman – Randall Wayner, Councilman – Daniel Engert, Councilman – Gary Alt.