

DISCUSSION

Salary/Salary Schedule

The Current Provision

The parties' expired Agreement had a term of four (4) years from July 1, 2008 through June 30, 2012. The salary schedule for the 2011-2012 school year was as follows:

Steps	B	M	M+15	M+30	M+45	M+60
1	41,709	42,009	42,309	42,609	42,909	43,209
2	42,009	42,321	42,633	42,945	43,257	43,569
3	42,321	42,754	43,186	43,619	44,052	44,484
4	42,645	43,095	43,545	44,389	45,233	46,076
5	42,838	43,735	45,024	45,772	46,519	47,390
6	43,147	44,042	45,331	46,077	46,824	47,694
7	43,454	44,349	45,636	46,382	47,128	47,997
8	43,778	44,672	46,459	47,204	48,100	49,068
9	44,110	45,750	46,810	47,555	48,880	49,920
10	45,721	47,475	48,590	49,435	50,808	51,992
11	46,880	49,298	50,382	51,010	52,422	53,489
12	47,662	50,581	51,726	52,666	54,107	55,046
13	48,066	51,638	52,782	53,877	54,966	56,058
14	48,245	52,010	53,154	54,249	55,339	56,430
15	50,400	52,710	54,285	55,335	56,385	57,228
16	50,925	53,235	54,810	55,860	56,910	58,223
17	52,500	54,500	55,125	56,175	57,225	58,538
18	54,250	56,500	57,500	58,500	59,500	60,500
19	56,450	59,400	59,900	60,900	61,650	62,900
20	58,700	61,650	62,150	63,150	63,900	65,150
21	60,950	63,900	64,400	65,400	66,150	67,400
22	63,200	66,150	66,650	67,650	68,400	69,650
23	65,500	68,450	68,950	69,650	70,700	71,950
24	67,900	70,850	71,350	72,350	73,100	74,350
25	70,300	73,250	73,750	74,750	75,500	76,750

There are twenty-five (25) steps in the salary schedule above. Placement on the guide is based upon years of service and education level. For example, an employee in his/her first year of service and has earned a Bachelors Degree is placed at Step 1 of the schedule and advances one (1) step per school year until the employee reaches Step 25 – the top step. Employees advance across the guide upon obtaining a Masters degree, and each additional fifteen (15) college credits up to a maximum of Masters plus sixty (60). Base salary in the 2011-2012 school year ranged from \$41,709 (Bachelors Step 1) to \$76,750 (M60 Step 16). The top step Masters degree ("career rate") was \$73,250.

The Association's Proposal

The Association's salary/salary schedule proposals can be summarized as follows:

- For 2012-2013, an increase of 1% effective upon the 13th pay period. Step movement would not occur until the 13th pay period. (Note: there are 26 pay periods in the 2012-2013 school year)
- Effective July 1, 2013, an increase of 2.25% with no step movement and the elimination of one (1) step - Step 1.
- Effective July 1, 2014, an increase of 2.50% with step movement and the elimination of one (1) step – Step 1.

The Association presents a financial analysis of the District in support of its proposals. The Association indicates that the District's appropriable ending fund balance decreased from \$9,175,788 in 2008 to \$8,614,548 in 2009, \$7,844,136 in 2010, \$7,551,333 in 2011, and \$6,989,616 in 2012. As a percent of total expenditures, the appropriable ending balance decreased from 35.76% in 2008 to 31.09% in 2009, 27.26% in 2010, and 16.86% in 2011. It then increased to 23.99% in 2012. The Association summarizes its analysis as follows:

The South Middleton School District's actual fund balance on June 30, 2012 equaled \$7,022,862.

Local tax effort has decreased from 17.4 mills on market value in 2006-2007 to 13.2 mills in 2010-2011.

The market value of taxable property has increased at an annual rate of 9.1 percent since 2006-2007.

The District has \$500,000 of unallocated funds in a budgetary reserve account for 2012-2013.

The priority of bargaining unit salary accounts has declined over the past six years from 47.0 of total instruction expenditures in 2007-2008 to 44.0 percent in 2012-2013.

For all of the reasons above, and the entire record, the Association maintains its salary proposal is affordable.

The School District's Proposal

The School District's salary/salary schedule proposals can be summarized as follows:

- For 2012-2013, a one-time stipend of \$1,000 to each employee.
- Effective July 1, 2013, an increase of 2.0%.
- Effective July 1, 2014, an increase of 2.25%.

The District presents comparisons of financial data, salary comparisons and health care comparisons. It also presents an analysis of its financial future. It raises two (2) essential questions at the beginning of its analysis:

- How sound are the District's long term finances?
- Based on present and future fiscal conditions, how sustainable is the funding to support the proposed labor agreement with the SMEA?

The District reviews such items as its funding sources (approximately 72% is local revenues), the Act 1 Index, state subsidies, grants, expenses (including PSERS, health care, salaries), the impact of charter/cyber schools, and its fund balance.

At the end of its analysis, the District draws the following conclusions:

- The finances of the South Middleton School District will be compromised by a deficit fund balance in the next 2 to 4 years
- With total revenues increasing at a maximum rate of 2% to 3% and “cost of compensation” increasing at a rate of 4.22% to 6.33%, the District’s financial viability is not sustainable.
- Three major factors of rate of compensation (69% of the budget that affect this conclusion are as follows:
 - Salary
 - Benefits
 - Retirement
- The District has the ability to modify only salary and benefits within this labor agreement
- Any additional labor expenses, beyond our offer, will accelerate the inevitable financial demise of education in our Township.

Work Year

The Current Provision

Employees are currently required to work 190 days.

The Association’s Proposal

The Association seeks to reduce the employee work year by one (1) day effective the 2012-2013 school year.

The School District’s Proposal

The School District is amenable to reducing the employee work year by one (1) day but indicates that its ability and willingness to do so for the 2012-2013 school year is dependent upon reaching a complete agreement to all of the issues at impasse.

Dental Insurance

On this issue, the parties tentatively agreed to enhanced dental benefits that would have taken effect in the 2012-2013 school year. The parties now agree, subject to the acceptance of all other terms in this Recommendation, that the enhancements will go into effect as of July 1, 2013.

Spousal Exclusion

The Current Provision

Article X, Section A.1.I provides a spousal exclusion for insurance benefits:

The Employer shall pay the premium cost of individual, family, or dependent coverage for each employee, less the applicable monthly contributions as set forth in Paragraph C above. The employee’s spouse will only be covered upon evidence of primary coverage with his/her employer OR if coverage is not available with his/her employer OR if spouse is not employed. An employee’s spouse will not be required to obtain primary coverage from his/her employer if said coverage is not substantially similar to the plan provided by

the Board of School Directors OR if the employee's spouse is required to co-pay more than 10% of the cost of such coverage. In such a case, the spouse can be added to the School District's plan and will be provided coverage. Such coverage shall be provided under a group insurance plan selected by the Board of School Directors.

The School District's Proposal

The School District's proposes the following :

- 1) If the spouse of a bargaining unit member is employed and eligible for medical insurance at his/her own place of employment, regardless of the level of benefits provided and/or the extent of the employee contribution, the spouse of the bargaining unit member will not enroll in the SMSD plan for primary coverage, but they may elect secondary coverage. The secondary coverage for spouses is available at a cost of \$125 per month. No additional movement will be required for the respective coverage category. Secondary coverage shall be subject to coordination of benefits described in the SMSD Plan document. For the 2013-2014 school year, if the spouse is excluded completely or maintained only on secondary coverage, SMSD shall pay \$1,500 to the bargaining unit member. For the 2014-2015 school year, if the spouse is excluded completely or maintained only on secondary coverage, SMSD shall pay \$1,250 to the bargaining unit member.

OR

- 2) If the spouse does have coverage available, the bargaining unit member may obtain primary coverage for such spouse from SMSD. The bargaining unit member may choose to purchase such coverage for the spouse through the school district coverage at the cost of \$2,100 for 2013-2014. The bargaining unit member may choose to purchase such coverage for the spouse through the school district coverage at the cost of \$2,250 for 2014-2015.

(Note: the spousal exclusion provisions do not apply to employees who receive monetary stipends in lieu of health insurance.)

The District supports its proposal with a consultant report from Robert Glus, F.S.A., Conrad Siegel Actuaries. Included below is the body of the consultant report:

Current District Cost of Healthcare

South Middleton School District currently covers approximately 270 employees in their medical and prescription drug program. Including dependents, the total number of lives covered is approximately 670. The district is currently a fully-insured experience-rated group with coverage through Highmark Blue Shield. South Middleton is also currently (2012-13) in the second year of a three year agreement with Highmark, which includes a rate increase cap of 12% for the plan year 2013-14.

For any large experience-rated group, regardless of funding arrangement, the increasing cost of healthcare, both historically and in the future, is driven almost entirely by the claims incurred by the plan members. As an average trend rate assumption used in the current marketplace today, we expect the cost of healthcare claims to increase between 8-10% per year, assuming no changes to the plan of benefits. Attached you will find two exhibits illustrating the historical claims cost and premium history:

- The average premium rate increase over the past 4 years has been approximately 7.5% (Note that the final year had a change in tier structure, so the rate of increase is different by tier).

- From a claims cost perspective, the most recent 12-month cost increase (on a per contract per month basis) is over 14%. Looking back over the last 3-year period, the claim trend is approximately 10.75%, and over the last 4-year period it is approximately 8.2%. For a group the size of South Middleton, this will obviously fluctuate over time rather significantly, but the underlying cost increase over the longer period of time is still comparable to marketplace trends, and is expected to continue for the foreseeable future.
- As we project the expected premium increase for 2013-14, we are expecting the renewal to reach the rate cap of 12% for 2013-14. We also are expecting to begin to feel the impact of three additional fees/taxes associated with healthcare reform:
 - Patient-Centered Outcomes Research Fee,
 - Health Insurance Tax
 - Transitional Reinsurance Program.

Combined, we expect the long-term impact of these additional fees to be 3-4% of overall premium, ½ of which will impact the 2013-14 renewal. In total, we are expecting premiums to increase up to 14% for 2013-14.

- Including a projected 14% increase for 2013-14, the average premium increase for the past 5-years is approximately 8.8% (Again, very much in-line with overall marketplace trends).
- Total estimated premium costs for 2012-13 are approximately \$3,560,000 (with approximately \$2,250,000, or 63%, attributed to the bargaining unit).
- Total estimated premium costs for 2013-14 are approximately \$4,050,000 (with approximately \$2,560,000 attributed to the bargaining unit).

For 2013-14, at the projected 14% increase, the expected healthcare costs will increase approximately \$490,000, and assuming normal healthcare trends moving forward, will increase \$350,000-\$400,000 per year over the next few years.

Controlling the Cost of Healthcare

Healthcare is one of the few large budget items that can be directly (and materially) impacted by negotiations and changes in plan design. While there are several plan design alternatives to consider for cost-savings in healthcare, there are really only three basic areas that can be targeted for true savings:

- 1) Premium-Sharing
 - Currently the participants in the bargaining unit pay \$24/single per pay and \$61/family per pay, assuming 26 pay periods (approximately 9%-10% of the total premium cost).
 - From the most recent Kaiser Family Foundation report (2012), the average premium-share currently paid by participants is approximately 18% for a single and 28% for a family. Surprisingly, on a percentage basis, this figure has not changed drastically over the last 10 years. On a dollar basis, the average premium-share is \$36.50/single per pay and \$166/family per pay (converting the respective costs on a monthly basis to 26 pay periods per year).
- 2) Benefit Levels
 - For large, experience-rated groups such as South Middleton School District, premium costs are driven by the claims incurred by its participants, and the main driver of claims cost is plan design.
 - Currently the district has the following high level PPO benefit structure:

- i. \$0 in-network deductible (0% coinsurance)
- ii. \$15 office visit/specialist copay
- iii. \$50 ER copay
- iv. Rx copays of \$15/\$20 retail, \$30/\$30 mail order (generic/brand)
- Possible changes include all elements of plan design, including: deductibles, coinsurance levels, office visit copays, ER copays, and prescription copays. This would also include plan limitations, for example limiting chiropractic visits or physical therapy visits each year.
- Plan design savings are achieved not only from shifting a portion of the cost onto the plan participants, but plan design alternatives should be designed to promote efficient utilization of healthcare services (i.e. having the right service, at the right location, with the highest quality, for the lowest cost). In truth, this can only be done through a plan design with properly designed incentives, which inevitably will include more out-of-pocket exposure for the participant. This is the theory behind the growth of consumer-driven healthcare plans.
- Benefits similar to the current design will almost certainly be impacted by the Excise Tax (or "Cadillac Tax") in or around 2018. Based on an initial projection from 2013-14, at 10% annual cost trend and no assumed benefit changes, the district is expected to hit the Cadillac Tax threshold in 2018-19, and the penalty will increase significantly after that point.

3) Limiting Eligibility

- As a third option to reduce the cost of healthcare to the district, instead of reducing the employer premium cost through benefit design changes, we instead focus on reducing the number of people covered in the plan.
- Whereas premium-sharing and benefit changes can be viewed as "cost-shifting", reducing the number of covered members in the plan is a way to maintain a high level of benefit by "cost-shedding".
- This is accomplished mainly by implementing eligibility limitations that either force or encourage spouses with access to other healthcare coverage to take that coverage, thereby reducing the burden on the school district to cover the claims expenses of that individual. Regardless of whether a large group is insured or self-funded, the CLAIMS incurred by the participants are what drives the overall healthcare cost increases.

Spousal Eligibility Rule

Because the plan designs for school districts are generally much richer than most other private businesses, and the cost to access those benefits is very low, school district healthcare plans have become the plan of choice for employees and their families. Across the marketplace, the average number of employees that also cover their spouse is about 45-50%. For school district plans, the average is closer to 65%-70% of employees also cover their spouse. For South Middleton specifically, 67% of employees also cover the spouse. This is obviously not a surprising number given the current benefit level and premium-sharing as discussed above.

Current local and national survey data suggests that approximately 24% of employers currently include restrictions on their spousal eligibility, and a recent Towers Watson survey suggested an additional 13% plan to implement a restriction in 2013.

There are several "levels" of a spouse eligibility rule, all with varying degrees of incentives to move spouses onto their own employer coverage:

- 1) All spouses with access to their own employer coverage are not eligible for the SMSD plan. This is obviously the most stringent rule, but the one that would generate the most savings.

- 2) All spouses with access to their own employer coverage must take that coverage and are not eligible for the SMSD plan, unless the spouse is required to pay more than X% of the premium cost. This accounts for the fact that some employees may have access to the benefit at their employer, but it may be very costly.
- 3) All spouses with access to their own employer coverage MUST take that coverage as the primary payor, and they can elect onto the SMSD coverage ONLY as the secondary insurer. This accounts for the fact that some employees may have access to the benefit at their employer, but it may be a very poor benefit (e.g. a \$3,000 deductible plan).
- 4) All spouses with access to their own employer coverage must pay a surcharge to remain on the SMSD plan (e.g. extra \$125 per month). This accounts for the fact that some employees may have access to the benefit at their employer, but it may be a very poor benefit level.
- 5) If the concept of encouraging dependents off the plan is appealing, but the strict spousal rule is not, simply increasing the premium-share for dependent tiers can accomplish similar results. The unintended impact of this technique is that spouses without access to other coverage are also impacted by the cost increase.

South Middleton Current Spousal Eligibility Language

South Middleton School District currently includes language in the bargaining contract that addresses spousal access to other coverage:

“The employee’s spouse will only be covered upon evidence of primary coverage with his/her employer OR if coverage is not available with his/her employer OR if the spouse is not employed. An employee’s spouse will not be required to obtain primary coverage from his/her employer if said coverage is not substantially similar to the plan provided by the Board of School Directors OR if the employee’s spouse is required to co-pay more than 10% of the cost of such coverage.”

There are a few issues with this current language that make it open to interpretation, largely unenforceable and of little or no value. First, the concept of “substantially similar” is extremely subjective and open to challenge, and to enforce any sort of provision like that would require a detailed analysis of each situation against a benchmark that has no definition. Second, the benefit level of the SMSD plan is so rich that very few plans would be able to meet this requirement of being “substantially similar”, and therefore the impact of the current language is negligible. Lastly, even if the other provisions were met, the threshold of 10% for a premium-sharing percentage is also very low, likely excluding the limited few that might make it past the “substantially similar” requirement.

South Middleton Spousal Rule Proposal

Obviously the savings to South Middleton is maximized by implementing a strict spousal rule that excludes all spouses with access to their own employer-provided coverage (#1 above). However, through negotiations, the district has significantly softened their proposal to provide less stringent eligibility rules for spouses, which also has lessened the potential cost-savings of the proposal. Below is the latest proposal:

- 1) If the spouse of a bargaining unit member is employed and eligible for medical insurance at his/her own place of employment, regardless of the level of benefits provided and/or the extent of the employee contribution, the spouse of the bargaining unit member will not enroll in the SMSD plan for primary coverage, but they may elect secondary coverage. The secondary coverage for spouses is

available at a cost of \$125 per month. No additional movement will be required for the respective coverage category. Secondary coverage shall be subject to coordination of benefits described in the SMSD Plan document. For the 2013-2014 school year, if the spouse is excluded completely or maintained only on secondary coverage, SMSD shall pay \$1,500 to the bargaining unit member. For the 2014-2015 school year, if the spouse is excluded completely or maintained only on secondary coverage, SMSD shall pay \$1,250 to the bargaining unit member.

OR

- 2) If the spouse does have coverage available, the bargaining unit member may obtain primary coverage for such spouse from SMSD. The bargaining unit member may choose to purchase such coverage for the spouse through the school district coverage at the cost of \$2,100 for 2013-2014. The bargaining unit member may choose to purchase such coverage for the spouse through the school district coverage at the cost of \$2,250 for 2014-2015.

(Note: the spousal exclusion provisions do not apply to employees who receive monetary stipends in lieu of health insurance.)

Primary vs. Secondary Coverage - Primary coverage refers to the employer coverage that pays first based on its plan of benefits. If there is significant out-of-pocket costs for the spouse from his/her primary coverage, the balance can then be submitted to the secondary insurance coverage. The secondary insurance coverage will then pay for any out-of-pocket expenses that otherwise would have been paid for if they had been primary. In other words, overall, the member receives at least the same benefit as the secondary insurance coverage (and possibly a better overall benefit in situations where the primary coverage was better).

Estimate Cost-Savings

Inherently, the potential savings associated with a spousal eligibility provision is only an estimate. The true long-term value is not simply in removing the spouse from the insurance so that premium is not paid for that individual, but rather in the amount of claims that are eliminated from the plan experience and shifted to another employer plan. If an employer simply removes 10 people from its insurance coverage, and those are the healthiest 10 people in the plan that never incur any healthcare claims, the long-term cost to the employer will be largely unchanged.

In order to value the estimated savings potential, we must begin with an estimate of the average value of health coverage for a spouse in the plan. Because of the nuances with health coverage tiers and the number of family members covered in each contract, this is not as simple as looking at the difference in premium cost of a husband/wife contract vs. a single contract. Our estimate, based on the 2012-13 costs of coverage, was approximately \$6,100 per spouse. Adjusting for the assumed 14% increase for 2013-14, this value increases to approximately \$6,950. Obviously, some spouses will use less healthcare services and some will use more, but on average this is estimated to be the value of the coverage. This estimated potential cost savings is also offset by a loss of premium-sharing which would have been collected from the employee to cover the spouse.

If SMSD would implement the strict spousal rule (i.e. those spouses with access to their own employer-provided coverage are not eligible), the estimated savings from the bargaining unit group for the 2013-14 plan year would be:

- 165 Total employees currently covered (111 with spouse, 67%)
- Assume 30%-40% of spouses remain (between 50-65 spouses remain covered)
- Saving estimated between \$270,000-\$370,000 for removing between 45-60 spouses

Under the “softer” SMSD approach, the savings estimate for 2013-14 becomes more complex:

- If a spouse is completely removed from coverage, the savings is estimated at \$4,624 per spouse:
 - \$6,950 (estimated average total value of spousal coverage)
 - Less \$826 (average lost premium-sharing from the employee; difference between H&W/family and single premium-sharing)
 - **Less \$1,500** (district contribution for spouse electing their own coverage)
 - \$4,624 (Net estimated savings)
- If the spouse elects to not enroll in their own plan and remain primary with SMSD, the savings for the district is \$2,100 per spouse to reflect the additional required cost for coverage.
- If the spouse elects to enroll in their employer’s plan, AND elect SMSD coverage as secondary coverage, the answer is more difficult to estimate. The savings in this situation is dependent on the level of benefit coverage through the spousal plan. The richer the benefit level of the spouse, the more claims will be paid by the other employer plan, which will result in more savings for the district. For 2013-14, the spouse would be required to pay \$125/month (\$1,500 per year) to remain on the coverage. However, they would receive a corresponding district payment of \$1,500 in return for taking primary coverage with their employer. While the details are complex, as a reference point we will assume about 50% of the claims incurred by members will be paid through the spouse’s primary coverage. So an estimate of overall plan savings for spouses in this situation would be approximately \$2,674 per spouse:
 - \$3,500 in claim savings
 - **Less \$826** (average lost premium-sharing from the employee)
 - \$2,674 (Net estimated savings)
- Overall, for 2013-14:
 - If all spouses opt-out, savings is estimated at \$170,000-\$220,000.
 - If all spouses elect primary, savings is only \$95,000-\$125,000.
 - The true savings will ultimately depend on the number of spouses with access to other coverage and their elections with regard to SMSD coverage. If we assume 45-60 spouses fall have access to other coverage, and 50% opt-out of SMSD coverage, while the other 50% elect either primary or secondary SMSD coverage, the estimated savings is \$160,000-\$210,000 (this is a savings of 6.25%-8.2% of projected 2013-14 costs for the bargaining unit).

Conclusion

All school districts are trying to save money, and healthcare is obviously a major area of focus. A spousal eligibility provision is a way to save money on healthcare costs without significant reductions in benefit levels or passing additional premium-sharing onto the employees. Given the high level of benefits provided by school districts, as well as the relatively low premium-sharing requirements, the school plans have become the obvious plan of choice for spouses as they compare their employer benefits to that offered by the school. Achieving comparable savings to that illustrated above with the spousal rule provision would require significant plan design changes, including higher deductibles, copays and premium-sharing requirements.

The Association's Proposal

The Association seeks to maintain the status quo on this provision:

- The parties agreed to the language in the contract and decided that the spousal exclusion would begin on July 1, 2006. In the past 6 years, the District appears to have made no attempt to implement this language. At no time have they discussed with the Association any concerns regarding the implementation of this language. Consequently, it seems illogical for the District to be demanding a more restrictive spousal exclusion after making no attempt to work with the language that is currently in place.
- The Association's membership made it abundantly clear by way of their strong rejection of the tentative agreement that whether they would currently be impacted by this provision or could be impacted in the future that they are not willing to accept such broadly worded spousal exclusion language.
- Upon a review of the chart entitled "Spousal Exclusion Provisions within Cumberland County", it is evident that this is not a commonly found contract provision in this area. Camp Hill is the only other district that has spousal exclusion language. The specific contract language that has been negotiated in Camp Hill can be found following the provided chart.
- The impact of this provision would obviously influence each person differently but for purposes of proving illustrative examples, the SMEA team has spoken with various staff members regarding the bearing this provision would have on them. Below are a number of different examples. Due to a concern regarding possible negative ramifications, the specific name of the employer has not been provided:
 - *Manufacturer in Carlisle, PA*
 - *Spouses bi weekly payroll contribution - $\$48 \times 26 = \$1,248$ per year*
 - *Deductible: Employee pays first \$1,200; Company pays second \$1,200*
 - *Employee covers 80% of any cost past \$2,400 deductible*
 - *Well Drilling Company*
 - *Spouses bi weekly payroll contribution - $\$45 \times 26 = \$1,170$ per year*
 - *Deductible: \$250 single / \$500 for family*
 - *Federal Government*
 - *Spouses bi weekly payroll contribution - $\$85.58 \times 26 = \$2,225.08$ per year*
 - *Deductible: \$350 /person*
 - *Prescriptions - 20% of cost generic - 30% for brand name*
 - *Outpatient surgery - 15% of bill paid by patient*
 - *Food Production Company*
 - *Spouses bi weekly payroll contribution - $\$87.10 \times 26 = \$2,264.60$ per year*
 - *Office Visit Co-pay - 20% of bill paid by patient*
 - *Deductible - \$2,000 single*
 - *Prescriptions - 20% of bill paid by patient*

Employee Contribution Toward Health Insurance

The Current Provision

Article X.A.1.h provides in pertinent part:

Each employee shall contribute, by payroll deduction, toward the total premium as follows:

Premium Contribution Amount Per Pay for PPO (26 Pays)

	Single	Two-Party	Family
7/1/08-6/30/09	\$21	\$55	\$58
7/1/09-6/30/10	\$22	\$56	\$59
7/1/10-6/30/11	\$23	\$57	\$60
7/1/11-6/30/12	\$24	\$58	\$61

The Association's Proposal

The Association agrees to change the 3-tiered structure to a 5-tiered structure: single, parent/child, husband/wife, parent/children, and family. The Association proposes to increase the per pay period employee contribution (26 pay periods) to the following:

	Single	P/Child	H/W	P/Children	Family
7/1/13-6/30/14	\$26	\$42	\$63	\$42	\$66
7/1/14-6/30/15	\$28	\$42	\$68	\$42	\$71

The School District's Proposal

The School District is amenable to the Association's proposal but indicates that its ability and willingness to do so is dependent upon reaching a complete agreement to all of the issues at impasse, including the spousal waiver provision.

RECOMMENDATION

I have carefully analyzed all of the evidence the parties presented at the hearing. This Recommendation is amply supported by the record evidence and represents a compromise to each party's position.

Salary/Salary Schedule

In reaching my recommendation I considered the District's financial condition into consideration along with such factors as comparability. I recommend the following:

1. For 2012-2013: no increase, no step movement;
2. Effective July 1, 2013, an increase to total base payroll of 2.25%, employees shall advance one (1) step, and the first step from 2012-2013 shall be eliminated; and,
3. Effective July 1, 2014, an increase to total base payroll of 2.50%, employees shall advance one (1) step, and the first step from 2013-2014 shall be eliminated.

I have attached the recommended salary schedules and a step advancement chart.

Work Year

I recommend that the employee work year consist of 189 days effective the 2012-2013 school year. The District shall determine the work day (or two half-days) to be eliminated for the 2012-2013 school year.

Dental Insurance

I recommend that the enhanced benefits go into effect as of July 1, 2013.

Spousal Exclusion

The District presents an innovative alternative to reducing its cost burden of providing health insurance to its employees. The consultant report provides an estimate of the District's cost savings over the life of the contract. That said, I am persuaded that, at a minimum, further analysis is needed on the monetary impact the modification would have on the employees whose spouses would be required to pay for their insurance through their employer rather than the District, and whether the incentive the District intends to provide for opting out is reasonably related to the added cost to the employee and his/her family. Based upon the above I do not recommend the District's proposal at this time.

Employee Contribution Toward Health Insurance

I recommend that effective July 1, 2013 that the 3-tiered structure be modified to a 5-tiered structure: single, parent/child, husband/wife, parent/children, and family. I also recommend the per pay period employee contribution (26 pay periods) be increased to the following:

	Single	P/Child	H/W	P/Children	Family
7/1/13-6/30/14	\$26	\$42	\$63	\$42	\$66
7/1/14-6/30/15	\$31	\$45	\$71	\$45	\$74

SUMMARY

I believe the recommendations above represent a reasonable, acceptable compromise to the outstanding issues. I direct the parties' attention to my cover letter which outlines their responsibilities to notify the PLRB of their acceptance or rejection of this Recommendation.

Dated: February 25, 2013
State College, Pennsylvania

Robert C. Gifford

Salary Guide

South Middleton School District 2011-2012 (Base Year) Salary Schedule

To Top	Steps	B	M	M+15	M+30	M+45	M+60
24	1	41,709	42,009	42,309	42,609	42,909	43,209
23	2	42,009	42,321	42,633	42,945	43,257	43,569
22	3	42,321	42,754	43,186	43,619	44,052	44,484
21	4	42,645	43,095	43,545	44,389	45,233	46,076
20	5	42,838	43,735	45,024	45,772	46,519	47,390
19	6	43,147	44,042	45,331	46,077	46,824	47,694
18	7	43,454	44,349	45,636	46,382	47,128	47,997
17	8	43,778	44,672	46,459	47,204	48,100	49,068
16	9	44,110	45,750	46,810	47,555	48,880	49,920
15	10	45,721	47,475	48,590	49,435	50,808	51,992
14	11	46,880	49,298	50,382	51,010	52,422	53,489
13	12	47,662	50,581	51,726	52,666	54,107	55,046
12	13	48,066	51,638	52,782	53,877	54,966	56,058
11	14	48,245	52,010	53,154	54,249	55,339	56,430
10	15	50,400	52,710	54,285	55,335	56,385	57,228
9	16	50,925	53,235	54,810	55,860	56,910	58,223
8	17	52,500	54,500	55,125	56,175	57,225	58,538
7	18	54,250	56,500	57,500	58,500	59,500	60,500
6	19	56,450	59,400	59,900	60,900	61,650	62,900
5	20	58,700	61,650	62,150	63,150	63,900	65,150
4	21	60,950	63,900	64,400	65,400	66,150	67,400
3	22	63,200	66,150	66,650	67,650	68,400	69,650
2	23	65,500	68,450	68,950	69,650	70,700	71,950
1	24	67,900	70,850	71,350	72,350	73,100	74,350
Top	25	70,300	73,250	73,750	74,750	75,500	76,750

South Middleton School District

2012-2013

Salary Schedule

To Top	Steps	B	M	M+15	M+30	M+45	M+60
24	1	41,709	42,009	42,309	42,609	42,909	43,209
23	2	42,009	42,321	42,633	42,945	43,257	43,569
22	3	42,321	42,754	43,186	43,619	44,052	44,484
21	4	42,645	43,095	43,545	44,389	45,233	46,076
20	5	42,838	43,735	45,024	45,772	46,519	47,390
19	6	43,147	44,042	45,331	46,077	46,824	47,694
18	7	43,454	44,349	45,636	46,382	47,128	47,997
17	8	43,778	44,672	46,459	47,204	48,100	49,068
16	9	44,110	45,750	46,810	47,555	48,880	49,920
15	10	45,721	47,475	48,590	49,435	50,808	51,992
14	11	46,880	49,298	50,382	51,010	52,422	53,489
13	12	47,662	50,581	51,726	52,666	54,107	55,046
12	13	48,066	51,638	52,782	53,877	54,966	56,058
11	14	48,245	52,010	53,154	54,249	55,339	56,430
10	15	50,400	52,710	54,285	55,335	56,385	57,228
9	16	50,925	53,235	54,810	55,860	56,910	58,223
8	17	52,500	54,500	55,125	56,175	57,225	58,538
7	18	54,250	56,500	57,500	58,500	59,500	60,500
6	19	56,450	59,400	59,900	60,900	61,650	62,900
5	20	58,700	61,650	62,150	63,150	63,900	65,150
4	21	60,950	63,900	64,400	65,400	66,150	67,400
3	22	63,200	66,150	66,650	67,650	68,400	69,650
2	23	65,500	68,450	68,950	69,650	70,700	71,950
1	24	67,900	70,850	71,350	72,350	73,100	74,350
Top	25	70,300	73,250	73,750	74,750	75,500	76,750

South Middleton School District

2013-2014

Salary Schedule

To Top	Steps	B	M	M+15	M+30	M+45	M+60
23	1	42,339	42,651	42,963	43,275	43,587	43,899
22	2	42,651	43,084	43,516	43,949	44,382	44,814
21	3	42,975	43,425	43,875	44,719	45,563	46,406
20	4	43,168	44,065	45,354	46,102	46,849	47,720
19	5	43,477	44,372	45,661	46,407	47,154	48,024
18	6	43,784	44,679	45,966	46,712	47,458	48,327
17	7	44,108	45,002	46,789	47,534	48,430	49,398
16	8	44,440	46,080	47,140	47,885	49,210	50,250
15	9	46,051	47,805	48,920	49,765	51,138	52,322
14	10	47,210	49,628	50,712	51,340	52,752	53,819
13	11	47,992	50,911	52,056	52,996	54,437	55,376
12	12	48,396	51,968	53,112	54,207	55,296	56,388
11	13	48,575	52,340	53,484	54,579	55,669	56,760
10	14	50,730	53,040	54,615	55,665	56,715	57,558
9	15	51,255	53,565	55,140	56,190	57,240	58,553
8	16	52,830	54,830	55,455	56,505	57,555	58,868
7	17	54,580	56,830	57,830	58,830	59,830	60,830
6	18	56,780	59,730	60,230	61,230	61,980	63,230
5	19	59,030	61,980	62,480	63,480	64,230	65,480
4	20	61,280	64,230	64,730	65,730	66,480	67,730
3	21	63,530	66,480	66,980	67,980	68,730	69,980
2	22	65,830	68,780	69,280	69,980	71,030	72,280
1	23	68,230	71,180	71,680	72,680	73,430	74,680
Top	24	70,630	73,580	74,080	75,080	75,830	77,080

South Middleton School District

2014-2015

Salary Schedule

To Top	Steps	B	M	M+15	M+30	M+45	M+60
22	1	43,071	43,504	43,936	44,369	44,802	45,234
21	2	43,395	43,845	44,295	45,139	45,983	46,826
20	3	43,588	44,485	45,774	46,522	47,269	48,140
19	4	43,897	44,792	46,081	46,827	47,574	48,444
18	5	44,204	45,099	46,386	47,132	47,878	48,747
17	6	44,528	45,422	47,209	47,954	48,850	49,818
16	7	44,860	46,500	47,560	48,305	49,630	50,670
15	8	46,471	48,225	49,340	50,185	51,558	52,742
14	9	47,630	50,048	51,132	51,760	53,172	54,239
13	10	48,412	51,331	52,476	53,416	54,857	55,796
12	11	48,816	52,388	53,532	54,627	55,716	56,808
11	12	48,995	52,760	53,904	54,999	56,089	57,180
10	13	51,150	53,460	55,035	56,085	57,135	57,978
9	14	51,675	53,985	55,560	56,610	57,660	58,973
8	15	53,250	55,250	55,875	56,925	57,975	59,288
7	16	55,000	57,250	58,250	59,250	60,250	61,250
6	17	57,200	60,150	60,650	61,650	62,400	63,650
5	18	59,450	62,400	62,900	63,900	64,650	65,900
4	19	61,700	64,650	65,150	66,150	66,900	68,150
3	20	63,950	66,900	67,400	68,400	69,150	70,400
2	21	66,250	69,200	69,700	70,400	71,450	72,700
1	22	68,650	71,600	72,100	73,100	73,850	75,100
Top	23	71,050	74,000	74,500	75,500	76,250	77,500

Step Advancement Guide

STEP 2011-2012	YEARS TO TOP 2011-2012	STEP 2012-2013	STEP ADVANCEMENT YEARS TO TOP 2012-2013	STEP 2013-2014	YEARS TO TOP 2013-2014	STEP 2014-2015	YEARS TO TOP 2014-2015
1	24	1	24	1	23	1	22
2	23	2	23	2	22	2	21
3	22	3	22	3	21	3	20
4	21	4	21	4	20	4	19
5	20	5	20	5	19	5	18
6	19	6	19	6	18	6	17
7	18	7	18	7	17	7	16
8	17	8	17	8	16	8	15
9	16	9	16	9	15	9	14
10	15	10	15	10	14	10	13
11	14	11	14	11	13	11	12
12	13	12	13	12	12	12	11
13	12	13	12	13	11	13	10
14	11	14	11	14	10	14	9
15	10	15	10	15	9	15	8
16	9	16	9	16	8	16	7
17	8	17	8	17	7	17	6
18	7	18	7	18	6	18	5
19	6	19	6	19	5	19	4
20	5	20	5	20	4	20	3
21	4	21	4	21	3	21	2
22	3	22	3	22	2	22	1
23	2	23	2	23	1	23	Top
24	1	24	1	24	Top	23	Top
25	Top	25	Top	24	Top	23	Top