

## New ways to save money during union negotiations



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## Identify

The Town of Waterford, Connecticut has been an H&H client since 1990. The Town's Board of Education was looking to reduce employee benefit costs, so the business manager and superintendent created a two-tier salary increase proposal that they believed would meet the Town's needs. To prove their innovative concept, they turned to their H&H actuarial team to test their theory.

## Achieve

Working with the Town to fully understand their needs gave us the information needed to calculate and prove the results of this two-tier system. Based upon input from the Board, our highly-skilled actuaries developed a model that included:

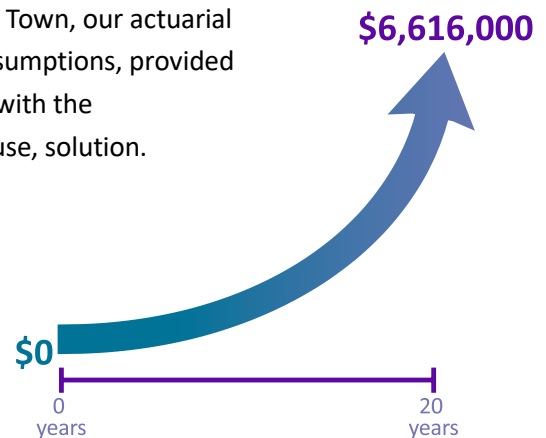
- a new entrant profile enabling the client to project salaries of new employees coming in
- actuarial assumptions to determine when current employees terminate or retire
- new hire additions which help the Town keep the number of employees at a constant level

Providing ease of use for our clients is paramount, so we transferred the model to an Excel spreadsheet. This method offered the Town an easy way to view the projected salaries separately for both the current employees and the projected new hires.

## Exceed

The Board tested several scenarios using this model and the savings were undeniable. If the current employees were provided 3% salary increases over the next 20 years while the new hires receive 2.75% increases for the first 10 years and 2.25% thereafter, the projected salary savings over 20 years would be approximately \$6,616,000.

Using many of the facets of the two-tier salary system created by the Town, our actuarial consultants crafted a model that allowed different salary increase assumptions, provided flexibility, and demonstrated savings. Overall, the Town was pleased with the projected salary savings provided through this complex, yet easy-to-use, solution.



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