

SRC- 1

October 6, 2014

Re: Implementation of Modified Economic Terms with PFT; Cancellation of Collective Bargaining Agreement

Background

WHEREAS, The School District of Philadelphia (“the School District”) continues to be in the midst of a years-long financial crisis and, despite having taken significant and historic cost-reduction measures – including the closure of 31 schools, the reduction of central administrative costs by 48% in 2012 and an additional 30% in 2013, over 5000 layoffs, a several-year freeze on charter-school expansion, and the negotiation of significant wage and benefit concessions with two of its employee organizations – the School District continues to suffer extreme financial distress with an operating budget that does not adequately resource schools; and

WHEREAS, for the last 21 months, the School District has engaged in a marathon of collective bargaining with its largest employee organization, Philadelphia Federation of Teachers Local 3, American Federation of Teachers, AFL-CIO”) (“PFT”), in an effort to agree on a new contract, having engaged in more than 110 bargaining sessions, exchanged hundreds of proposals, all under the guidance of mediators from the Pennsylvania State Bureau of Mediation; and

WHEREAS, notwithstanding these strenuous efforts, the parties have not reached agreement on needed economic concessions, and

WHEREAS, the School Reform Commission has determined that it is necessary without further delay to reform these benefits and other terms and conditions to effect needed economies in the operation of the School District’s schools, while continuing to provide health benefits of the highest quality; now be it

RESOLVED, that the School Reform Commission, on behalf of the School District, pursuant to section 693(a)(1) of the School Code, incorporated in section 696(i) of the School Code, in order to effectuate needed economies in the operation of the School District's schools, hereby authorizes and directs the School District, through the Superintendent or his designee, to make specific limited changes and to implement the following modified economic terms and conditions for employees in the bargaining units represented by the PFT, consistent with economic terms proposed in negotiations, while maintaining all other existing terms and conditions to the extent required by law, as follows: changes to medical benefits, including replacing the existing medical plan administered by Independence Blue Cross with a less expensive plan deemed by the School District to be comparable in coverage, requiring employee contributions towards medical premiums, imposing a surcharge for coverage of spouses who have access to medical benefits provided by their own employers, and eliminating opt-out payments; instituting a new School District-administered program providing for dental, optical, and prescription drug benefits; eliminating contributions to the PFT Health and Welfare Fund and to the PFT Legal Services Trust Fund; creating a uniform *per diem* rate for certified teachers; changing wage continuation benefits; and modifying termination pay benefits for new employees; and be it

FURTHER RESOLVED, that the School Reform Commission, pursuant to the powers conferred upon it by section 693(a)(1) of the School Code, incorporated in section 696(i) of the School Code, in order to effectuate needed economies in the operation of the School District's schools, hereby cancels the most recent Collective Bargaining Agreement between the School District and the PFT to the extent it continues to govern the parties' relations, which Agreement was initially approved by the School Reform Commission pursuant to Resolution No. SRC-34, on January 27, 2010, and then extended for an additional year from August 31, 2012 through August 31, 2013, at which point it expired.

Notice of Benefits Modifications for PFT Members

NOTE: This Notice only applies to benefits-eligible employees represented by the PFT. Other employees are not affected by the following changes.

PFT represented employees' salaries will remain the same – no wage reductions are being implemented.

The following benefits changes will be effective December 15, 2014:

- All PFT represented employees who elect School District medical coverage will begin contributing to the cost of health care benefits. PFT represented employees who earn less than \$25,000/year will contribute 5% of the medical plan premiums; those who earn between \$25,000 and \$55,000/year will contribute 10% of the premiums; and those who earn over \$55,000 will contribute 13% of the premiums.
- All PFT represented employees will be offered a modified medical plan (Modified Personal Choice 320), with an option to “buy up” to the current Personal Choice 20/30/70 plan by paying the difference in cost. The Keystone HMO 15 plan will no longer be an option.
- PFT represented employees who elect to enroll their spouse or domestic partner in a School District medical plan when the spouse or domestic partner has group medical coverage available from his/her employer/union will contribute \$70 per paycheck.
- PFT represented employees will no longer receive an “opt out” payment from the School District if they decline medical benefits.
- The benefit duration for the wage continuation program will be 26 weeks. PFT represented employees may enroll in the wage continuation program during annual open enrollment or during their first 90 days of employment.
- All PFT represented employees hired after December 15, 2014 will be eligible for modified termination pay benefits.

A special Open Enrollment will begin October 20 and end November 14, 2014. Detailed information regarding benefits changes will be provided in forthcoming open enrollment materials and during informational sessions.

