



BMWED 2012 NATIONAL AGREEMENT

CHRONOLOGY OF
NEGOTIATIONS FROM PEB 243 TO
TENTATIVE AGREEMENT

RLBC BARGAINING WITH RAILROADS

- ▶ In early June 2011 – UTU announces a tentative agreement with the major Railroads
- ▶ UTU deal has following wage increases:
 - ▶ July 1, 2010 – 2%
 - ▶ July 1, 2011 – 2.5%
 - ▶ July 1, 2012 – 3%
 - ▶ July 1, 2013 - 3%
 - ▶ July 1, 2014 – 3%
 - ▶ January 1, 2015 – 3% (optional)
- ▶ Employee payment of deductibles and out of pocket charges on in-network managed care
- ▶ No work rules changes – all sent to local peaceful handling

RLBC BARGAINING WITH RAILROADS

- ▶ After UTU deal struck, Railroads refuse to bargain about any issues not included in UTU deal
 - ▶ Railroads' position directly impacts BMWED efforts to bargain about away from home expenses.
- ▶ Both RLBC and TCU-led coalition petition the National Mediation Board (NMB) for a release from mediation
- ▶ NMB releases both coalitions in October, and President Obama immediately appoints an Emergency Board (PEB 243) to investigate the dispute

PEB 243 REPORT -- WAGES

- ▶ Adopts the NCCC/UTU agreement as a pattern and model for its recommendations:
 - ❖ July 1, 2012 increase is 1.3% over UTU deal to “monetize” the value of the UTU’s certification pay premium
 - ❖ July 1, 2014 increase is 0.3% over UTU deal to reflect value of elimination of one year in entry rates for UTU conductors
 - ❖ 1% lump sum payment for straight time between November 1, 2010 and October 31, 2011 considered equal to lump sum payments to others affected by UTU entry rate deal
 - ❖ PEB phases in deductibles and out of pocket payments, whereas UTU deal is at 100% on Day One.
 - ❖ PEB asserts that freezing cost-sharing at \$200 per month is benefit to employees

PEB 243 REPORT -- BMWED

- ▶ Railroads argue BMWED members shouldn't get away from home expense reimbursement improvements:
 - ❖ Not part of the UTU "pattern"
 - ❖ Railroads did not seek "quid pro quo" changes to offset the increased cost of benefits
 - ❖ No compelling need changes to away from home expense reimbursement
- ▶ PEB defers action on BMWED demands and sends to post-ratification local handling under peaceful procedures, *i.e.*, no strikes
 - ❖ Local handling may lead to quid pro quo exchange on each railroad
 - ❖ If no agreement reached, the bargaining will help develop the record for next round of bargaining beginning in 2015

RLBC BARGAINING POST - PEB

- ▶ Railroads refuse to budge on any item addressed by PEB 243
- ▶ Railroad will reduce wage package to fund away from home expense reimbursement
- ▶ RLBC and Railroads do agree to establish a Flex Account for covered medical expenses beginning in 2013
- ▶ By Thanksgiving week, all RLBC unions except BMWED and BLET had reached tentative agreements
- ▶ All unions in TCU-coalition, except ATDA, also reach agreements

BMWED STANDS ALONE

- ▶ After cooling off period is extended, the Railroads offer to bargain in good faith regarding away from home expense reimbursements on a “value for value” or “quid pro quo” basis
- ▶ BMWED committees begin bargaining with BNSF, CSX, UP, NS, KCS and CP-Soo regarding away from home expenses
- ▶ Agreements reached with all 6 Class I railroads – each agreement reflects railroad-specific changes in rules and increases in expense reimbursements within context of “National” agreement

NATIONAL AGREEMENT -- WAGES

- ▶ General wage increases in the following percentage amounts:
 - ▶ July 1, 2010 2.0%
 - ▶ July 1, 2011 2.5%
 - ▶ July 1, 2012 4.3%
 - ▶ July 1, 2013 3.0%
 - ▶ July 1, 2014 3.8%
 - ▶ January 1, 2015 3.0%
- ▶ Wage increases for the period July 1, 2010 until effective date of the agreement will be paid retroactively within 60 days of ratification.
- ▶ Lump sum payment consisting of 1.0% of straight time earnings between November 1, 2010 and October 31, 2011 after rates have been adjusted to include the wage increases of July 1, 2010 and July 1, 2011. Payment made within 90 days of ratification.

NATIONAL AGREEMENT – WAGES (2)

- ▶ Estimated Gross Backpay (ST only)
 - ▶ Trackman: \$2,371.00
 - ▶ Machine Operator: \$2,594.00
 - ▶ Foreman: \$2,750.00
- ▶ Estimated Gross Backpay (Average STE hours (6 hours OT/week))
 - ▶ Trackman: \$2,900.00
 - ▶ Machine Operator: \$3,174.00
 - ▶ Foreman: \$3,364.00
- ▶ 1% lump sum: \$500-\$700 based on rates of pay.

NATIONAL AGREEMENT – HEALTH & WELFARE

▶ Cost Sharing Payments:

- ▶ Monthly employee cost-sharing payments frozen at the lesser of 15% of Carriers' payment rate or \$200.00 until July 1, 2016. After July 1, 2016, cost-sharing payments are the lesser of 15% of the Carriers' payment rate or \$230.00
- ▶ Freeze means employees will be paying less than 15% of Plan costs by 2016. Without the freeze, likely that employees would pay \$280 to \$355 per month by 2016 based on increases in healthcare costs.

▶ Changes to MMCP (effective July 1, 2012):

- ▶ Emergency Room co-payment for in-network services -- \$75.00
- ▶ Urgent Care Center co-payment -- \$20.00
- ▶ “Convenient Care Clinic” co-payment -- \$10.00
- ▶ No other changes to co-payment amounts for primary care or specialists

NATIONAL AGREEMENT – HEALTH & WELFARE (2)

- ▶ Establishment of first dollar deductible payment (amount you must pay before eligible for MMCP copayment schedule) as follows:
 - ▶ July 1, 2012 through December 31, 2012 - \$100 (single)/ \$200 (family)
 - ▶ January 1, 2013 through December 31, 2013 - \$150/\$300
 - ▶ January 1, 2014 until changed - \$200/\$400
- ▶ Establishment of 95/5 co-insurance (insurance pays 95% of charges subject to the following “out of pocket payment” limits each year) as follows:
 - ▶ July 1, 2012 – December 31, 2012 - \$500 (single)/ \$1000 (family)
 - ▶ January 1, 2013 through December 31, 2013 - \$750 (single)/ \$1500 (family)
 - ▶ January 1, 2014 until changed by later agreement - \$1000 (single)/ \$2000 (family)
- ▶ The co-insurance payment is 5% of the doctor’s charges paid by the insurance company for which the fixed dollar co-payment under MMCP does not apply.

NATIONAL AGREEMENT – HEALTH & WELFARE (3)

- ▶ How do the deductible and out of pocket payments work in practice?
 - ▶ For a single employee seeking “in-network” services under MMCP where a fixed copayment does not apply, *i.e.*, \$20/35 per office visit, he/she will be responsible for the first \$100, for calendar year 2012, of any charges before the Plan initiates payment.
 - ▶ For example, an individual receives an MRI at a cost of \$1,000. Applying the discounted rates negotiated between the doctor and the insurance company, the final charge for the MRI may be \$500. Using this example, the individual would be responsible for the first \$100, in calendar year 2012. After meeting the individual deductible, the Plan will begin to pay benefits at 95%, so the employee would pay \$100 and 5% of \$400 for a total of \$120.
 - ▶ For a family of two or more, each individual seeking “in-network” services under MMCP where a fixed copayment does not apply, *i.e.*, \$20/35 per office visit, may be responsible for a portion of the family deductible until the annual deductible is met.

NATIONAL AGREEMENT – HEALTH & WELFARE (4)

- ▶ Out of pocket payments:
- ▶ Copayments and deductible payments do not apply to the out-of-pocket maximums- they must be paid before any calculation of out-of-pocket payments starts. Only the 5% coinsurance charges apply towards the annual out-of-pocket amounts.
- ▶ How do the annual out-of-pocket amounts work?
 - ▶ For a single employee, once he/she reaches his/her annual deductible for “in-network” services, charges where a fixed copayment does not apply, i.e., \$20/35 per office visit, will be subject to 5% coinsurance until the coinsurance amount reaches the out-of-pocket maximum. Once the maximum out-of-pocket amount is reached, the Plan will pay 100% of the contracted amount for “in-network” services that normally require coinsurance. Therefore, after the phase in period, a single employee will be financially responsible for an annual total out-of-pocket amount of \$1,200 before the Plan pays benefits at 100%. However, even when the maximum is reached, employees will still pay customary copayments (\$20/\$35).

NATIONAL AGREEMENT – HEALTH & WELFARE (5)

- ▶ Prescription Drugs:

- ▶ Co-payments as follows:

	Retail (21 day supply)	Mail Order (90 day supply)
▶ Generic	\$5.00	\$5.00
▶ Brand Name (formulary)	\$25.00	\$50.00
▶ Brand Name (non-formulary)	\$45.00	\$90.00

- ▶ Prior authorization, “step therapy” and “quantity/duration limits” by pharmacy benefit manager for specialized drugs
- ▶ 70% of all prescriptions filled under Plan are generic
- ▶ About 0.9% of all covered individuals (917 people) may be subject to prior authorization rule

NATIONAL AGREEMENT – HEALTH & WELFARE (6)

▶ Flexible Spending Account (FSA)

- ▶ Effective January 1, 2013, employees will be eligible to participate in an FSA with each Railroad
- ▶ Employees can put aside up to \$2500 before taxes for the payment of medical expenses incurred by the employee, the employee's spouse and dependents
- ▶ Examples of eligible expenses:
 - ▶ Co-payments for doctors or prescription drugs
 - ▶ Dental charges not otherwise covered by insurance
 - ▶ Eyeglasses or hearing aids not otherwise covered by insurance
 - ▶ Deductibles and out of pocket payments
- ▶ FSA is a “use it or lose it” proposition in that any money left over in FSA account at the end of the year is forfeited. “Use it or lose it” is a governmental regulation, not a collectively bargained term.

NATIONAL AGREEMENT – SUPPLEMENTAL SICKNESS & MORATORIUM

- ▶ Benefits are adjusted to restore the same ratio of benefits to rates of pay that existed on December 31, 2009
- ▶ On July 1, 2012 and each July 1st thereafter until changed by agreement, the benefits will be adjusted to keep the same ratio as existed on December 31, 2009. This provision keeps the value of the benefits current with all general wage increases.
- ▶ Agreement can be changed beginning on January 1, 2015

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES

▶ Bargaining Situation

- ▶ December 1, 2011 Agreement with Railroads provided for additional bargaining until February 8, 2012.
- ▶ Railroads stuck to “value for value exchange” in negotiations – the same position adopted by PEB 243
- ▶ Extension permitted further bargaining after PEB, but before cooling off period ended – meant bargaining was being watched by White House and Congress which pressed both sides to reach agreement
- ▶ UP stated that if no agreement reached, it would begin to tax *per diem* payments because rules permitted rest day payments and payments to people working at home
 - ▶ Taxation meant employee Tier I (7.65%) and Tier II (3.9%) taxes would be taken from daily allowance
 - ▶ Taxation also meant applicable Federal and State withholding
 - ▶ Taxation would reduce \$57 daily *per diem* to about \$36 net payment – those truly away from home who kept receipts could claim business expense deduction **at the end of the year** to recover most of taxes withheld. Tier I and Tier II gone for good.

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES (2)

- ▶ Bargaining Committee consisted of General Chairmen Morrow, Albers, Foster, Granier and Riley; assisted by Vice Presidents Sanchez and Tanner with Director of Strategic Coordination & Research Griffin
- ▶ BMWED Committee sought improvements in *per diem* amounts and improvements to travel allowance – including extension of TRT’s “fly home” provision to other traveling gangs
- ▶ UP said additional improvements to *per diem* and travel allowance over that agreed to would require BMWED to give back scope covered work (i.e., pre-plated ties) and give back some of wage increases to fund the changes
- ▶ UP refused to discuss any changes to travel allowance or other travel arrangements
- ▶ BMWED Committee said additional improvements not worth the cost UP put on them

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES (3)

- ▶ Key elements of the change in *per diem* payments
 - ▶ Increased on ratification by \$4.00 times the weighted average of days worked/paid for on straight time basis
 - ▶ Additional increase of \$2.00 on January 1, 2015
 - ▶ Payable on any day an employee works (tax related)
 - ▶ Payable to employees who can demonstrate they are away from home (tax related)
 - ▶ Ensure that, on average, traveling employees who work all available straight time days in a month will receive the same total *per diem* payments regardless of work schedule
 - ▶ Ensure that, on average, travelling employees will receive an increase in *per diem* payments over the *status quo*
- ▶ How were these elements implemented?

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES (4)

- ▶ Methodology for determining *per diem*
- ▶ First, determine a “baseline” payment under current rules
 - ▶ Created “average” employee who received *per diem* payments of \$57 on 360 days in a year.
 - ▶ This “average” employee received \$1710.00 each month
- ▶ Second, determine number of traveling employees and their breakdown by work schedule
 - ▶ 5500 traveling employees system wide
 - ▶ 4300 work compressed schedules (10 or more hours per day)
 - ▶ 600 work 4-10's
 - ▶ 600 work 5-8's

NATIONAL AGREEMENT UP AWAY FROM HOME EXPENSES (5)

- ▶ Third, determine average number of days worked or paid for each month
 - ▶ Compressed (10 or more hours): 16 days/month
 - ▶ 4-10's : 17.3 days/month
 - ▶ 5-8's: 21.6 days/month
- ▶ Fourth, determine weighted average of days worked or paid for each month
--- 16.76
- ▶ Fifth, multiply \$4.00 increase by weighted average -- $\$4.00 \times 16.76 = \67.05
- ▶ Sixth, adjust new “average” monthly *per diem* payments to \$1777.05 (\$1710 + 67.05)
 - ▶ This is a 4% increase on straight time days

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES (6)

- ▶ Seventh, take the \$1777.05 average monthly figure and convert it into a workday *per diem* that provides the same dollar amount per month to employees regardless of work schedule
 - ▶ Currently *per diem* payments are paid on rest days, holidays and personal leave days
 - ▶ Simply dividing the average monthly days worked or paid for shorts the employees because part of that average consists of holidays or personal days and under the new rules, *per diem* payments will not be paid on a holiday (unless actually worked) or on a personal day
 - ▶ Solution: subtract one day from each schedule to account for the eleven paid holidays and, on average, one personal leave day taken by employees.
 - ▶ Compressed is now 15 days
 - ▶ 4-10's is now 16.3 days
 - ▶ 5-8's is now 20.6 days

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES (7)

- ▶ Dividing adjusted work days into \$1777.05 gives the new *per diem* amounts:
 - ▶ Compressed 10 or more hours: \$118.47
 - ▶ 4-10's: \$108.82
 - ▶ 8 hour work days: \$86.01
- ▶ *Per Diem* will be paid on all days worked, and those days employees are present for work but not permitted to work by direction of the Railroad (*i.e.*, inclement weather days; forced CDL rest days)
- ▶ Changes from current practice:
 - ▶ Additional *per diem* paid on rest days that are worked
 - ▶ No loss of rest day *per diem* if displaced, sick or otherwise unavailable on first or last day of work cycle
 - ▶ If in mobile service, assembly point must be more than 50 miles from residence to be eligible for *per diem* payment on any particular day

NATIONAL AGREEMENT – UP AWAY FROM HOME EXPENSES (8)

- ▶ For employees who are assigned to a fixed headquarters point and are held away overnight:
 - ▶ If current rules provide for payment of actual and necessary expenses incurred, no change to those rules
 - ▶ For those who receive reimbursement up to the amounts of the Award of Arbitration Board No. 298 – employee will receive meal and lodging *per diem* applicable to work schedule
 - ▶ 5 – 8's receive \$86.01
 - ▶ 4 – 10: receive \$108.82

NATIONAL AGREEMENT – UP RULES CHANGES

- ▶ The “value for value” exchange in the UP addendum resulted in the following rules changes system-wide
- ▶ UP now is permitted to advertise gangs on a compressed schedule
 - ▶ Eliminates the vote of the gang
 - ▶ UP must provide a schedule for the gang at the start of the year
 - ▶ If the schedule changes from that posted at the start of the year, any employee on the gang has the right to “walk-off” with displacement rights.
 - ▶ Only restriction on “walk-off” is that an employee cannot displace into another gang that is working the schedule that triggered the employee’s walk-off rights
 - ▶ Example: Gang changes from T-1 to T-2 outside of posted schedule. The employee may walk-off anywhere other than another gang working a T-2 schedule

NATIONAL AGREEMENT – UP RULES CHANGES

- ▶ Creation of Trainee position
 - ▶ Agreement permits UP to accelerate the hiring process and have new hires working Trainee positions alongside regularly assigned employees
 - ▶ Trainees will be used in entry level positions exclusively
 - ▶ Trainees will establish seniority only by bidding in an advertised position
 - ▶ No employee will be furloughed while Trainees are working
- ▶ Bid and hold provision applicable to unqualified employees who are successful applicants for welder and 30 ton+ crane positions
 - ▶ Employee on “bid and hold” may make application for equal or higher rated positions