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FF 7/23/86

STATE OF MICHIGAN
MICHIGAN EMPLOYMENT RELATIONS COMMISSION

Before
Gerald E. Granadier
Fact Finder

City of Royal Oak
Employer

and

MERC Fact Finding
Case No. 084-E 1627

Michigan AFSCME
Council 25, Local 2396
Union

Michigan State University
LABOR AND INDUSTRIAL
RELATIONS LIBRARY

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FACT FINDERS REPORT AND RECOMMENDATIONS

The undersigned, GERALD E. GRANADIER under appointment as a Fact Finding Hearings Officer as of October 23, 1985, by the State of Michigan Department of Labor, Employment Relations Commission, to conduct Fact Finding Hearings in the above cause, pursuant to Section 25 of Act 176 of Public Acts of 1939, as amended, and the Commission's Regulations in connection therewith, and to issue a report with recommendations with respect to the matters in disagreement between the above

Royal Oak, City of

mentioned parties. In accordance therewith pre-hearing conferences were commenced on November 11, 1985 and December 10, 1985 at 1172 First National Building, Detroit, Michigan to determine scheduling and issues outstanding.

Appearing for the City of Royal Oak:

Charles Lauther, Attorney

Michael E. Leako, Personnel Director

Appearing for Local 2396:

Gaylen C. McDonald, Staff Representative

Yvonne Valko, President

It was determined at these pre-hearing conferences that the following issues were outstanding between the parties despite eleven (11) meetings with the State appointed mediator:

- A. Wages
- B. Use of Temporary Employees
- C. Health Insurance - Retiree Eligibility
- D. Recall List (Seniority and Layoff)
- E. Day after Thanksgiving as additional holiday
- F. Retroactivity

Your Fact Finder was informed that a lawsuit was pending in the Oakland County Circuit Court regarding the issue of Health Insurance. Your Fact Finder advised the parties that in light of such suit that he could not and therefor would not consider this issue until there had been a resolution and decision by the Court. The parties advised the Fact Finder that the Circuit Court had set certain time frames for its final decision. At this point the Fact Finder advised the parties to

make him aware of such decision and that we would hold the formal fact finding hearings subsequent to same. In February, 1986 the Fact Finder was informed of certain adjournments by the Circuit Court. In order to proceed with the Fact Finding it was determined that exhibits and other documents would be submitted to the Fact Finder by April 1, 1986 and formal hearings would begin on April 14, 1986. Since the Circuit Court lawsuit involved the constitutionality of certain matters your Fact Finder informed the parties again that he would not hear this issue until resolution by the Circuit Court. Your Fact Finder was later informed that the suit had been dismissed. He then informed the parties that he would take testimony and evidence on the Health Insurance issue but not as to the civil rights or constitutional questions, if any. The parties agreed to proceed on that basis and accordingly the formal fact finding hearings were commenced on April 14, 1986, and continued on May 5, 1986 at the offices of the American Arbitration Association, 10th Floor, Ford Building, Detroit, Michigan.

Appearing for the City of Royal Oak:

John F. Brady, Attorney

Paul W. Coughenour, Attorney

Charles Lauther, City Attorney

John L. DaGiau, Finance Director

Sandra Rodwin, Actuary

Michael E. Lesko, Personnel Director

Jacqueline C. Whitton, Administrative Assistant

Appearing for Local 2396:

Galen C. McDonald, Staff Representative

Yvonne Valko, President

Janet Kail, Employee Benefits Specialist

L. Rodger Webb, Attorney

The parties were given every opportunity, before, after and at all hearings to furnish all pertinent exhibits and introduce all pertinent testimony and information into evidence, in accordance therewith, exhibits in support of testimony, by each of the parties, were so submitted, along with post hearing briefs. The parties summarized their respective positions and set forth full oral and written arguments in connection therewith. Your Fact Finder, being fully advised in the premises, reports as follows:

Issues and Positions

Wages and Health Insurance - Retiree Eligibility issues are tied together by the City of Royal Oak by virtue of its position that the costs incurred to fund Health Insurance for Retirees must be balanced by wage off-sets. The following constitutes, in brief, statements of positions by the City and the Union with respect to these two issues:

City of Royal Oak

The City of Royal Oak proposed during collective bargaining to increase the service eligibility requirement for entitlement to health insurance paid by the City upon retirement from five (5) to twenty (20) years.

In conjunction with this proposal, the City offered to Local 2396 a 4.75% wage increase for 1983-1984; a 4.75% wage increase for 1984-1985; and a 5.0% wage increase for 1985-1986. These wage increases were identical to those offered to and accepted by other collective bargaining units representing City employees, each of which had also accepted an increase to twenty (20) years in the service eligibility requirement for entitlement to health insurance upon retirement.

Alternatively, the City proposed a shorter service eligibility requirement of ten (10) years with a corresponding 2.25% reduction in the first year percentage wage increase granted to Local 2396. The essence of the City's proposal, as set forth in greater detail below, was designed so that the "reduced" wage increase offer, as a percentage of level payroll, equaled the actuarially increased cost to the City of providing retirement health benefits at ten (10) years as opposed to twenty (20) years of service.

With a twenty (20) year service eligibility requirement, the City has proposed a first year wage increase of 4.75%; a second year wage increase of 4.75%; and a third year wage increase of 5%, the identical wage offers extended to the

other City bargaining units. With a ten (10) year service eligibility requirement, the City has proposed a first year wage increase of 2.5%; a second year wage increase of 4.75%; and a third year wage increase of 5%.

The City's first year wage offer with the ten (10) year service requirement is 2.25% less than the first year wage offer with twenty (20) year service requirement. This 2.25% figure is the figure arrived at by Actuary Sandra Rodwan of Gabriel, Roeder, Smith & Company. This 2.25% figure represents the difference in the cost of the benefit between a twenty (20) year service requirement and a ten (10) year service requirement and was arrived at by calculations based on reasonable actuarial assumptions identical to those utilized in the Annual Valuations for the City of Royal Oak Retirement System.

Michigan AFSOME

Council 25, Local 2396

The Union primarily, and with great vigor, attacked the actuarial conclusion reached by the City's expert in her determination of funds required pay for the existing Retiree Health Insurance. The Union's expert, Janet Kail, gave convincing testimony contrary to the City's expert. The Union pointed out the unique character and makeup of Local 2396 membership, i.e. overwhelmingly female; and the attendant problems related thereto. Briefly, the Union's position is that it is not necessary to cut the first years wage offer to pay for

the Retiree Health Insurance and that the time of vesting should not be changed from five (5) to twenty (20) years.

It would be redundant to relate all the arguments set forth by the Union with respect to this issue, accordingly, I refer you to the Union's post-hearing brief for each. Suffice it to say that the Union's position has been well and fully stated, pleaded and articulated.

Temporary Employees

City of Royal Oak

The City proposed in collective bargaining to utilize three (3) temporary employees in the Public Library at all times. The City also proposed for administrative convenience to calculate the temporary employees' hours (twelve hundred (1200) hours maximum in any given twelve (12) month period (calendar year or otherwise).

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The Union proposes the use of two temporary employees and that the 1200 hours worked by a temporary employee be calculated on the anniversary date of the first day worked rather than on a calendar year.

Recall List (Seniority and Layoff)

City of Royal Oak

The City proposes to terminate seniority of laid off bargaining unit members after a maximum of five (5) years on layoff or stated more succinctly to limit recal rights equal to an employees seniority at time of lay-off, not to exceed five (5) years.

Michigan AFSOME

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The Union accepted the City's proposal conditioned upon the City accepting the Union's position on Temporary Employees (see above).

Day After Thanksgiving As Additional Holiday

City of Royal Oak

The City opposed this Union demand and stated that no other bargaining unit in the City has the Friday after Thanksgiving as a holiday. That the City is open for business and converting that day to a holiday would require over-time wages and/or inconvenience to the public.

Michigan AFSOME

Council 25, Local 2396

The Union did not pursue this issue stating that it would abandon its demand if the balance of the outstanding issues were satisfactorily resolved.

Retroactivity

While both parties agreed that whether the benefits derived from the settlement of the outstanding issues should be subject to a recommendation by the Fact Finder as to retroactivity neither party, and in particular the City, addressed this matter fully. The City indicating that it had some reservations based upon its lack of direction from the City Council. Accordingly, your Fact Finder will in his recommendation's address this issue with the understanding that the City did not agree to same but that the Union does propose retroactivity.

Recommendations

Wages and Health Insurance - Retiree Eligibility

Your Fact Finder recommends as follows:

A. Wages:

1. 1983-1984 - 4.75% wage increase
2. 1984-1985 - 4.75% wage increase
3. 1985-1986 - 5% wage increase

B. Health Insurance - Retiree Eligibility

1. Coordination of benefits with benefits obtained by Retiree or spouse or other family member.

2. Twenty (20) year seniority for new hirees for full vesting of Health Insurance upon retirement.

3. All current employees who retire at age 70 with continuous service of five (5) years have full vesting of Health Insurance.

4. All current employees who retire at age 65 but with ten (10) years of continuous service have full vesting of Health Insurance.

5. All current employees who retire prior to age 65 but with fifteen (15) years of continuous service have full vesting of Health Insurance.

6. All current employees not covered in the above categories shall, upon retirement, contribute to the cost of the purchase of such Health Insurance an amount equal to two (2%) percent of their retirement pension.

Temporary Employees:

Your Fact Finder recommends that the City of Royal Oak be permitted to use three (3) temporary employees in the Public Library at all times and that the 1200 hour maximum annually be computed on a calendar year basis.

Recall List (Seniority and Layoff):

Your Fact Finder recommends that the City of Royal Oak be permitted to limit the recall rights of laid-off employees to such employees with seniority at time of lay-off not to exceed five (5) years.

Day After Thanksgiving As Additional Holiday:

Your Fact Finder recommends that the day after Thanksgiving not be declared an additional paid holiday.

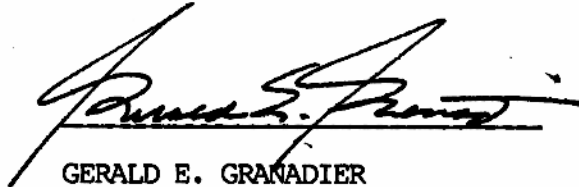
Retroactivity:

Your Fact Finder recommends that all matters contained herein and such other matters which the parties have tentatively agreed to ("TA'd") shall be retroactively awarded to all members of the bargaining unit who were employed during the period of the contract at issue, i.e. 1983-1986.

CONCLUSION

The Fact Finding Hearings Officer again points out that the issues discussed in this report were, I believe, all the major issues submitted by the parties. It is my sincere hope that upon adoption of the recommendations herein set forth, that the parties can conclude their collective bargaining negotiations. In the event additional services of your Fact Finder is required, I stand ready to be of continued service.

Respectfully submitted,



GERALD E. GRANADIER

Fact Finding Hearings Officer

1123 First National Building

Detroit, Michigan 48226

313-964-3754

Dated: July 23 , 1986