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Sub.

STATE OF MICHIGAN
ARBITRATION UNDER ACT NO. 312
PUBLIC ACTS OF 1969, AS AMENDED

In the Matter of the Statutory Arbitration between
CITY OF TROY,

Employer,

-and-

TROY POLICE OFFICERS ASSOCIATION,

Labor Organization.

Michigan Employment Relations Commission
Case No. D98 F 7-0957

OPINION AND AWARD

Arbitration Panel:

Sheldon H. Adler

Chairman

TPOA President, Mark Owczarzak replaced
by TPOA President, Thomas Gordon

Union Panelist

Peggy Clifton

City Panelist

Appearing on behalf of the Union:

Mr. John Lyons, Esq.
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675 E. Big Beaver Rd., Ste. 150
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Appearing on behalf of the City:

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INTRODUCTION - STATEMENT OF PROCEEDINGS

This case involves the resolution of a Collective Bargaining
dispute between the Troy Police Officers Association, hereinafter
referred to as "TPOA" and the City of Troy, hereinafter referred to

as "Troy," for the collective bargaining agreement to take effect July 1, 1998, and expire June 30, 2001. A petition was filed by the TPOA representing all sworn police officers in the City of Troy on January 20, 1999, and a compulsory arbitration panel was established pursuant to Section 3 of Public Act 312, Public Acts of 1969, as amended. A response to the petition was filed on January 25, 1999. The issues at the time the response was filed were as follows:

- Section 6 - Association Business;
- Section 19 - Overtime;
- Section 36 - Hospitalization and Medical Insurance;
- Section 41 - Longevity;
- Section 42 - Retirement;
- Section 43 - Wages, Shift Premium;
- Section 45 - Duration of Agreement.

A pre-hearing meeting was held in the City of Troy on Wednesday, May 12, 1999. The delegates selected for each party were as follows:

- Mark Owczarzak - For the TPOA; and
- Peggy Clifton - For the City of Troy.

Ground rules were established for the hearing which included, proposed dates for hearings, exhibits to be exchanged by the parties prior to the first hearing date, time limits waived and jurisdiction stipulated, how witnesses were to be treated, that all issues were to be considered economic, retroactivity was discussed, the parties stipulated to a three year agreement, when the last best offers would be submitted, that mediation was concluded and that the parties agreed that the matter was ripe for arbitration, however, the parties were free to bargain during the entire procedure.

The hearing dates were as follows:

August 13, 1999;
August 27, 1999;
September 9, 1999; and
September 15, 1999 (hearing scheduled on that date was not held).

All hearings were held in the Troy City Offices. Last best offers were exchanged through the Chairman on October 5, 1999, and post hearing briefs were exchanged on November 12, 1999.

The Panel now consisting of Sheldon H. Adler - Chairman, Peggy Clifton - City of Troy Panel Member, and Thomas Gordon - Panel Member for the TPOA, met for study and conference sessions on Wednesday, December 1, 1999, again on Wednesday, December 8, 1999, on Wednesday, December 15, 1999, and the final study session occurred on Friday, January 7, 2000.

Decisions with regard to each of the issues presented by the parties have been reached by the Panel. A careful review of the evidence, testimony, and exhibits presented by the parties, was used as the basis for the Panel's findings, opinions and awards, as well as the criteria required in the legal standard as set forth in Section 9 of Act 312, Public Acts of 1969. The provisions of that section provide that the Panel must consider the following:

Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

- (a) The lawful authority of the employer.
- (b) Stipulations of the parties.
- (c) The interests and welfare of the

public and the financial ability of the unit of government to meet those costs.

- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the community and stability of employment and all other benefits received.
- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

As Chairman, at this time I wish to commend the parties, their advocates and their delegates for the professional way in which this matter was presented and the way information was provided to the Chairman so that the award can be what this Chairman believes to be fair and equitable for all parties, that is, the City of Troy, the citizens of the City of Troy, and the members of the Troy

Police Officers Association.

The hearings began with arguments and testimony regarding subparagraph (d) of Section 9, referred to as comparables. Subparagraph (d) requires a comparison of the wages, hours, conditions or employment, of the employees involved in the dispute, with those same issues involving employees performing similar services in other communities, both public and private. Since 1990, these parties have, for whatever reason, agreed that the comparable cities were:

Dearborn Heights,
Farmington Hills,
Pontiac,
Royal Oak,
Southfield,
Taylor, and
Westland.

The Union in this case proposed to change that list to:

Bloomfield Township,
Dearborn,
Farmington Hills,
Livonia,
Shelby Township,
Southfield,
Sterling Heights,
Warren, and
Westland.

Three of the original seven comparables were carried over by the Union to their proposed new set of comparables. The City strenuously objected to the change and the Union, with equal strength, attempted to move the panel to change the list of comparables.

In response to the arguments regarding comparables, the Chair believes that the comparables used in the past, i.e., the list proposed by the City and used by both parties since approximately

1990, is not in total what the Chair believes was intended by Section 9, subparagraph (d). In fact, the Chair believes that to use the Cities such as Taylor, Pontiac, Shelby Township, and Sterling Heights (note, cities drawn from both lists), do not to this Chair seem to be appropriate for many reasons. The history proposed by the City as a reason to request status quo with regard to comparables is not, in the opinion of this Arbitrator, sufficient to make it fit within the Act. The selectivity with regard to some of the cities proposed by the Union is equally, in my opinion, inappropriate. That being said, I am however, cognizant of the fact that the parties have until now been able to live with the comparables as presented by the City. I have not changed the comparables. I do however, believe that by this opinion, I must express a strong recommendation and belief that the parties themselves, should renegotiate what were reasonably intended to be comparables pursuant to the Act. At this time however, I do not believe that it would be inappropriate to leave the parties as they are with regard to the comparables, however, it is strongly recommended that cities such as Pontiac and Taylor be replaced. By that same token however, I would recommend that communities such as Shelby Township and Sterling Heights are equally inappropriate as comparables.

Therefore, with regard to the question of comparables, it is the decision of this Panel that the City's list of comparables remain for purposes of this decision alone, with the recommendation by the Chair that they be changed.

LAST OFFERS OF PARTIES

The City of Troy's Last Offer Of Settlement is attached to this document as Appendix A. The Troy Police Officer's Last Offer Of Settlement is attached to this document as Appendix B.

The panel will now breakdown the issues which are all economic, discuss them, and the panel's decision will follow each issue. It is important to note, and as can be seen from the last best offers of the City and the Association, that due to the fact that both the Employer and Union exchanged last best offers simultaneously, the response by either the Union or the Employer in some cases may appear to be extraneous due to the fact that the offer or demand such as **Association business** or certain medical or dental insurance, was withdrawn by the proposing party upon its submission of the last best offer and the responding party being unaware of that fact offered a response thereby keeping the record straight.

The first issue remaining prior to the submission of last best offers was that of Article 10, Section g, Association Business. The Union in its last best offer withdrew its proposal to increase that benefit. The Employer in their last best offer proposed that the status quo, i.e., current contract language, be maintained. Due to the fact that the offer was withdrawn the status quo will remain.

COMPENSATORY TIME (Article 19, new section)

The Union's proposal, supra, was as follows:

The Union proposes an addition to Article 19 - Overtime - and the creation of a compensatory time bank. It suggests a compensatory time bank with a maximum accumulation of one hundred (100) hours. The rules regarding the usage of holiday time would apply to the

use of compensatory time.

The Employer's last best offer with regard to compensatory time is as follows:

The Employer quoted the present contract language with regard to Section 19(a), which states:

An officer will be paid one and one half (1 1/2) times his regular rate for hours worked in excess; (1) 40 hours per week and (2) his current regular shift duty time. The Employer's offer of settlement was that the status quo remain with regard to the current contract language.

The panel met and discussed this issue, keeping in mind the fact that although it is considered an economic issue, there was no direct economic cost to the Employer to permit this change in the collective bargaining agreement. After a review of the testimony on this issue and discussion between the members of the panel and keeping in mind that the issue although generally defined as an economic issue, did not have a cost attached in terms of actual money expended by the Employer, or actual monies received by the Union, it was nevertheless determined that the evidence did not support the Union's proposal and the Panel determined to deny the Union's proposal in that regard. Therefore, status quo remains.

HOSPITALIZATION (Article 36)

The Union's proposal with regard to hospitalization that there were three separate sub-issues and that the panel should treat them as such. The first sub-issue being:

Add the following riders to paragraph 1 of Article 36:
SOT-PE, MMP-PC, RM, PSA, RPS.

The Union withdrew its request to eliminate co-pay and requested that the employee co-pay remain as stated at \$20.00 per month.

Language should be added to the provision that provides if a spouse's independent coverage terminates for whatever reason, and then upon notification, the spouse shall be immediately enrolled into a City of Troy hospitalization plan with no loss of benefits.

The Employer's response to this issue was as follows:

With regard to the first paragraph, the Employer proposed that the following additional riders be added to Blue Cross/Blue Shield, MVF-1, Master Medical Option 1:

IMCP, known as (Individual Case Management)
HCV-1, which is hospice care
EMBT, which is experimental bone marrow transplant
SOT-PE, which is organ transplant
PSA, which is prostate specific antigen screening, i.e.,
prostate blood test, and finally
RPS, which is routine pap smear

The only remaining riders at issue at this point were as follows: MMP-PC (which is master medical preventive care) and RM (which is routine mammogram).

Again, the record was reviewed, the panel discussed the matter, the cost of these benefits was weighed, and it was the decision of the panel that in addition to the benefits offered by the Employer, i.e., IMPC, HCV-1, EMVT, SOT-PE, PSA, and RPS, the Union's demand for MMP-PC, i.e., Master Medical Preventive Care, and RM, Routine Mammogram, would be added to the Section 36A-1.

The Union withdrew its request to eliminate co-pay \$20.00.

The Employer in response to the third sub-issue, that is, adding language which provided that if a spouse who had independent coverage found themselves in a position where that coverage was terminated for whatever reason, upon notification to the Employer, that spouse would immediately be enrolled into a City of Troy hospitalization plan with no loss of benefits. During the testimony this issue was brought up and the parties seemed to agree

that this was, in fact, the method by which this issue had been handled in the past, although there was no language contained in the agreement.

The parties have stipulated and the record bears them out, that the Blue Cross/Blue Shield Benefit Guide, Section 3, page 11, which is provided to each covered employee, addresses the issue of "special enrollment periods." That page of the benefit guide is incorporated by reference into the collective bargaining agreement by this award and the parties have agreed that the language of Section 3, page 11, of the Benefit Guide, is interpreted to mean that if a spouse's independent coverage terminates, upon notification to the Employer, the spouse shall be immediately enrolled in the City of Troy hospitalization plan with no loss of benefits, in accordance with the terms and conditions of the contract between the City of Troy and Blue Cross/Blue Shield BlueCare Network.

DENTAL INSURANCE (Article 36, Section A)

The Union's last offer in that regard was that the two separate issues within Section A are, (1) paragraph 2, Class I and Class II benefits shall be increased to \$1,000.00.

The Union withdraws its request to increase the orthodontia benefits.

The Employer's last best offer of settlement with regard to dental insurance was as follows:

The City of Troy's last offer of settlement on this issue is to maintain the status quo.

VIII Orthodontia. The City of Troy's last offer of

settlement on this issue is to maintain the status quo.

The panel discussed this matter, reviewed the exhibits and testimony, and the panel has ruled that the Class I and Class II benefits shall be increased from \$600.00 to \$1,000.00.

LONGEVITY (Article 41)

With regard to the issue of longevity, the Union's proposal was to continue the status quo regarding longevity payments (see Section 41 on page 9 of the Employer's last best offer, incorporated by reference into this document).

The Employer proposed increasing the longevity amounts for officers with fourteen (14) or more years of experience, while eliminating longevity payment for new hires. The increase of longevity payments for officers with 14 or more years of service was as follows:

Presently, officers with 14 to 18 years service receive 6%, but not more than \$1,980.00 in longevity pay. Officers with 19 years or more service receive 8%, but not more than \$2,640.00 longevity pay.

The last best offer by the City was to increase the amount for officers with 14 to 18 years service to 6%, but not more than \$2,500.00, and for officers with 19 years or more of service to 8%, but not more than \$3,500.00. As stated, the remainder of that offer by the City was that longevity was to be eliminated for new hires.

The Union's proposal with regard to longevity was that the improvement of the benefit be withdrawn and that the status quo

remain with regard to the remainder of the benefit.

The panel discussed the matter, reviewed the record, reviewed the arguments, and it was determined that the status quo with regard to longevity should be maintained.

RETIREMENT (Section 42)

The parties have stipulated to an amended last best offer by the City with regard to Section 42, Retirement. The last best offer by the City of Troy is contained as Appendix A of this document, supra. There are three issues which the Employer deems to have been unresolved. They are; the Pension Annuity Factor, the implementation of Defined Contribution Program, and finally, the status of Non-Duty Disability Retirement.

SUB-ISSUE 1 - PENSION ANNUITY FACTOR (MULTIPLIER)

With regard to the first issue, Pension Annuity Factor, the Police Officers participate in a Defined Benefit Retirement Plan which the Employer characterizes as extremely favorable. That plan in effect states:

B. Effective July 1, 1994, the member's contribution to the Retirement System Pension Program shall be 2.0% of gross payroll (0.02 x gross payroll). Effective upon the date of the execution of this Award by the Panel, the Association members shall, notwithstanding the foregoing, begin contributing 2.75% of their gross payroll (0.0275 x gross payroll) towards funding of a retirement under the Retirement System. Effective January 1, 1997, the member's contribution shall be increased to 3.0% of gross payroll (0.03 x gross payroll).

...

D. For those officers who retire after July 1, 1993, the following elements will be included in the pension benefits for Police Officers:

1. Eligibility for retirement shall be after 25 years of service regardless of age.
2. The pension annuity factor paid prior to age 62 shall be 2.5%.
3. The pension annuity factor paid after age 62 will be 2.25%.

For employees retiring after February 20, 1996, the parties agree that if the eligibility age for the old age insurance benefits under the Social Security Act, 42 USC 401, is increased beyond the age of 62, the benefit computation shall continue at 2.50% annually and not reduce to 2.25% until the retiree reaches the increased eligibility age for old age insurance benefits.

4. Final average compensation shall be based upon the best three (3) of the last ten (10) years of credited service.
5. Where applicable, a duty death benefit shall be provided to a surviving spouse which will equal no less than fifty percent (50%) of the deceased officer's FAC.

E. Upon retirement, the retiree will receive his/her final payouts for holiday pay, vacation pay, and sick pay in a check separate from wages.

The City in their argument points out that their proposed changes contain no cap on the amount of pension which can be earned. The Pension Annuity Factor or multiplier, as it is called, of 2.5% prior to eligibility age for Social Security old age benefits and 2.25% thereafter, is applied to each and every year of an officer's service with the Department. No limitation on maximum pension exists at the present time so that it is possible that an employee could retire with a pension greater than 100% of their final average compensation. An employee joining the Troy Police

Department at age 20 and retiring at 62, would receive 105% (42 years x 2.5%) of their average compensation until reaching eligibility for Social Security old age insurance benefits, after which the retired officer would receive 94.5% (42 years x 2.25%) of his/her final average compensation per year. That same officer retiring at age 65 would receive 101.25% (45 years x 2.25%) of their average compensation for life.

The Employer points out that other communities limit the maximum amount of pension by establishing a percentage cap of final average compensation, while the City of Troy does not. Referring to the City's comparable communities, only two of the seven, that is, Dearborn Heights and Westland, have no maximum limitation. All of the others have maximum pension limits of 70% or 75%. Going now to the Union's comparables, the Employer argues only two out of the nine communities (Warren and Westland), have no maximum limitation. Referring to the testimony, the City's actuary caps cause turnover upon the attainment of the cap whereas providing unlimited benefits to employees, i.e., a lack of a cap, may be beneficial to the City by promoting longevity.

Another benefit to employees of the current defined benefit plan is that the City's Pension Annuity Factor remains as high as 2.5% or 2.25% for all years of service. Other communities drastically reduce the Pension Annuity Factor, often to 1%, after a number of years have been served. Five of the seven comparable communities, argues the Employer, reduce their pension multiplier to 1% after an officer has served between 25 and 30 years. Six of

the Nine comparable communities proposed by the Union, reduce their annuity factor to 1% after a certain number of years. Troy does not currently apply this limitation to its police officers.

Troy Police Officers, argues the City, participate in the Social Security program in conjunction with the Defined Retirement Benefit Plan. The City contributes 6.2% of each officer's gross wages to the program so that the officer will be eligible for Social Security benefits upon retirement. Many of the communities in the comparable groups, two of the seven of the City's comparable, and apparently, three of the eight Union comparable of which there is information available, participate in Social Security while the remaining five do not.

The City further argues that Troy Police Officers are only required to contribute 3% of their gross wages to the City's Retirement System Program. Again, this compares quite favorably to the comparable used both by the City and the Union. Arguing the same facts from a different prospective, the City argues also that Troy Police Officers' average salary, excluding pension contributions, is 3.2% greater than the average adjusted salary among the City's comparable communities and looking at the Union's comparable communities, the City argues that 75% of the communities for which there was information, have higher rates of employee pension contribution than does the City of Troy.

Although this plan is extremely attractive, when compared to the comparable communities, the Union, argues the Employer, has proposed increasing the Pension Annuity Factor from 2.5% - 2.25% to

2.75% for each and every year of service. The Employer's analysis of this being their exhibit 26 and Union exhibits 5F(a)(2), argues the Employer, reveals that each comparable community which has a higher pension annuity factor than the City of Troy, has other significantly disadvantageous features which Troy does not share. Dearborn Heights has a multiplier reduced to 1% after 25 years and requires twice the percentage of employee contribution as the City of Troy. Farmington Hills also has an eventual reduction to 1% multiplier, a pension cap of 70% to 75% of final average compensation and an employee contribution requirement twice as high as the City of Troy. Pontiac, Royal Oak, Southfield and Taylor, have other disadvantages which the Employer points out as does Westland, Bloomfield Township, Dearborn, Sterling Heights, and Livonia.

The City when it compares its annuity factor to other employee groups in the City, including non-union classified and exempt employees, the Troy Police Officers annuity factor is as high as those groups. Three other bargaining units, argues the Employer, including the Command Officers, have identical annuity factors, while one has lower factors.

The City's current defined benefit retirement program is advantageous to its employees. It compares favorably to both Union and City comparables and carries with it a great number of beneficial features. The Union's requested improvement to 2.75% multiplier for each and every year of service uncapped, with unreduced multiplier and continuation of Social Security

participation, is simply out of line argues the Employer, with the plans offered in comparable communities.

Great care was taken to compare the Union's demand in this regard to that of the Livonia Pension Plan. In arguing what took place in the Livonia Police Pension Plan, the Employer turns to the testimony of Actuary Bradley Armstrong. Armstrong's testimony revealed that the Livonia Police Pension Plan requires newly hired officers to be covered by a Defined Contribution Plan, not a defined benefit plan. Establishment of a mandatory defined contribution plan in Livonia was beneficial to the municipality since it transformed the Defined Benefit Plan into a "closed plan" with no new members entering the system. Livonia, like Troy, has a pension system whose assets exceed its liabilities. With no new members entering the pension, there is a smaller risk of variables which could affect the retirement system in the future and therefore, a great certainty about what assets will be needed ultimately to pay for the benefits being promised.

Overfunding the Livonia Defined Benefit Plan, which is now closed, permits Livonia to offer the current defined plan. The City of Troy's two proposals, seeking a mandatory defined contribution plan for new hires and a substantial improvement of benefits for current employees in the defined benefit system will, if adopted, argues the Employer, create a situation which is akin to that of Livonia. Troy's pension system, like Livonia's, is overfunded. If the Defined Benefit Plan is closed, like Livonia's, the City can offer enhanced defined provisions to its current

employees.

When arguing against the Union's proposal, the Employer states that if the Union's proposal were adopted, there would not be a closed plan. The City goes on to argue that Troy's current retirement plan matches quite favorably with other municipalities. Therefore argues the City, if in fact, this panel does not implement a the Defined Contribution proposal of the City, the City's proposal with regard to maintaining the status quo would act quite favorably for police officers in the City of Troy.

The City of Troy has proposed to enhance the Pension Annuity Factor to 2.8% above what the Union is proposing, provided its Defined Contribution Plan is implemented for new hires. The proposal, argues the Employer, places an extremely reasonable cap on the Defined Benefit Plan according to both Union and Employer comparable. In addition, the City's proposal reduces the pension multiplier to 1% for years served beyond 25, increasing the employees' contribution rate to 4%. Both of these proposals are reasonable and extremely consistent with the Union and City comparables.

At the time the City's brief was written, two alternative offers were before the panel, dependant solely on whether the panel awarded the City's Defined Contribution Plan for all new hires.

If the City's Defined Contribution Plan is rejected argues the City, the current Defined Benefit Plan is one of the best plans available. There is no pension annuity cap. There is no reduction of the annuity factor after 25 years of service. It has the lowest

employer contribution and is supplemented by Social Security. Alternatively, the Union's proposal is excessive argues the Employer.

If the panel were to adopt the Defined Contribution Plan for new hires, this fact closes the current Defined Benefit Plan. Such an event permits the City to offer substantively important benefits consistent with those of both the Union and City comparable and does not increase the cost. This, argues the Employer, is a win-win opportunity for the panel.

SUB-ISSUE 2 (Defined Contribution Plan)

The City's last offer of settlement for the Defined Contribution Plan is stated previously in this document, see Appendix A attached. In arguing to the panel that this plan be adopted, the City has proposed requiring all new employees in the police department to enroll in a Defined Contribution Retirement Plan. Under such a plan, the employee would contribute 5% of gross wages to his retirement while the Employer would contribute 11% of gross wages, thereby standardizing a Defined Contribution Plan for new employees. The City argues that every other non-police bargaining unit in the City of Troy currently has a Defined Contribution Plan. The adoption of a Defined Contribution Plan has benefits to both the employees and the City. The employees gain flexibility of a Defined Contribution Plan, thereby allowing them to vest after just a few years of service. An employee is 50% vested at three years, 75% vested at four years, and 100% vested at five years. Obviously, if an officer with three years of service

were to leave and become employed elsewhere, that employee would be able to take with them at least a portion of the Employer contribution made on their behalf. After five years, that employee would be permitted to take the entire amount of the Employer contribution made on their behalf.

Portability is important and beneficial argues the Employer, in an age where employees are more likely to move between different jobs more frequently. Clearly, the benefit to the City is that a Defined Contribution Plan permits the City to know precisely what the cost of participation is, since the amount of contribution made by the Employer is defined in a specific amount each year, thereby reducing the City's risk.

The proposal to enroll only new employees into a Defined Contribution Plan recognizes the resistance to change which might develop among those who are satisfied with the current plan. No current employee will be forced under the City's proposal to change retirement plans. All current participants will continue to receive the benefits previously described. Again, the City compares this favorably to the City of Livonia.

SUB-ISSUE 3 (Non-Duty Disability Retirement)

The eligibility requirement for non-duty disability retirement for each of the cities' employee groups, with the exception of the Troy Police Officers Association and the Troy Command Officers Association, is defined by the Troy City Code Employees Retirement System, which is Chapter 10, Section 7.1A of the City Code. To be eligible under that standard, an employee must have ten or more

years of credited service with certain exceptions, be receiving or about to receive Social Security Disability Benefits and have become totally and permanently incapacitated for full time work because of personal injury or disease. A person meeting such requirements may be retired by the City upon the recommendation of a medical committee. This, of course, is for non-duty disability. If the disability arises as a result of employment, the ten years of credited service requirement is waived.

Under the City Code, Chapter 10, Section 7.1B, the police officer groups need only have five years credited service, not ten, and must become totally and permanently incapacitated for "duty in the employ of the City." All of the other eligibility requirements remain the same. This argues the Employer, is an anomaly. An employee could qualify for non-duty disability retirement and yet be capable of working for an employer other than the City of Troy. If, argues the City, an employee is capable of working elsewhere, though not with the City, there is no necessity for non-duty disability benefits.

THE UNION'S RESPONSE TO THE RETIREMENT ISSUE.

The Union argues that it has no objection to the Defined Contribution Plan implemented on an optional basis for both regular employees, as well as new hires. The Union however, does object to the last best offer and urges that there is no support in the external comparables, except that of Livonia, for this proposal. Livonia, argues the Union, was a stipulated award and the benefit levels are not the same.

There is virtually no testimony concerning the Defined Contribution Plan and therefore, the Union objects to its even being considered. There was no explanation or evidence that can be used by the panel to determine what this thing really is. There is no explanation and recommendation by an actuary. The Union argues that there is no substantial evidence on the record to permit a Defined Contribution Plan.

The Union suggested in their brief, an increased annuity factor to 2.75% with no reduction upon the receipt of Social Security. The current plan has no cap.

The Union requests two changes. Increase the multiplier and elimination of the reduction in Social Security. Pointing to comparables provided by the City, such as Dearborn Heights and Farmington Hills, the Union argues that the police officers of those communities receive Social Security with no reduction in the benefit upon receipt. The Union is willing to accept a Defined Contribution Plan which would be purely optional with the members, present and future.

Now going to the issue of non-duty disability, the Union objects to any modification of non-duty disability benefits received by its members. They argue that there is no reason submitted to modify the current benefit.

ANALYSIS OF THE PENSION ISSUES

A review of the briefs and arguments made during the testimony, as well as a careful analysis of the stipulated amended last best offer with regard to this issue by the panel, and

discussions held during the executive sessions, has resulted the panel in adopting the City's view with regard to sub-issues and A and B, i.e., the Pension Annuity Factor and the implementation of the Defined Contribution Program. With regard to the third issue, non-duty disability retirement, the status quo remains. A careful review of the City's exhibits and the comparables presented, both City and Union, leads this panel to believe that the wiser course is to adopt the City's proposal with regard to sub-issues 1 and 2. The reasoning provided by the City's actuaries, and the necessity and desire to keep the plan viable and strong in the future, and the impossibility of looking into the future as to the City's ability to maintain a pension system under the old plan has convinced this panel that the City's reasoning more than the reasoning argued by the Union, ensures the health of the plan and its continued existence. When reviewing the arguments and reviewing the comparables, that is, the combined comparables, the Chairman did not find that the arguing from the comparables sustained either argument. The Chairman was more convinced by the actuary's testimony and the exhibits and rationale provided by the City.

The panel is convinced that the Employer has since the testimony, made significant effort to explain to the Union what this plan means. Therefore, with regard to sub-issues 1 and 2, the panel adopts the following language:

NEW CONTRACT LANGUAGE: 42. RETIREMENT

A. All officers shall participate in the Retirement System Pension Program, as explained in Chapter 10 of the Troy City Code.

There shall be no unilateral changes in the pension benefits for members of this bargaining unit as set forth in Chapter 10 of the Troy City Code dated July 1, 1992 without written notice to the President of the Union. Upon notice, the Union may demand bargaining, in which case the City will bargain if it continues to desire to make the change.

Bargaining unit members hired after [date of issuance of ACT 312 Award] are not eligible to participate in the Defined Benefit pension program and shall participate in a IRS Sec. 401(a) Defined Contribution pension program.

B. Effective July 1, 1994, the member's contribution to the Retirement System Pension Program shall be 2.0% of gross payroll (0.02 x gross payroll). Effective upon the date of the execution of this Award by the Panel, the Association members shall, notwithstanding the foregoing, begin contributing 2.75% of their gross payroll (0.275 x gross payroll) towards funding of a retirement under the Retirement System. Effective January 1, 1997, the member's contribution shall be increased to 3.0% of gross payroll (0.03 x gross payroll). Effective [date of issuance of the Panel's Award], the member's contribution shall be increased to 4.0% of gross payroll (0.04 x gross payroll).

C. Any employee who retires after July 1, 1990 and spouse will receive medical insurance after retirement, as provided in Article 36.A.1., excluding the PPO aspect of the hospitalization coverage and optical insurance, and including the DR1275/550, \$5.00 drug co-pay, and FAE-RC riders. For employees retiring after July 1, 1993, the retiree's contribution for said medical insurance shall not exceed two hundred dollars (\$200.00) per month. Said medical insurance shall be provided to the spouse of a deceased employee only while said spouse continues to receive pension checks.

For employees retiring after February 20, 1996, the City will pay for medical and hospitalization coverage at the rate of 4% per complete year of retirement service as a Police Officer to the City of Troy for two (2) person coverage for retiree, current spouse, or dependent child, provided that the retired employee or spouse is drawing benefits of a pension pursuant to the City of Troy Retirement Ordinance. A retiree may pay, at his/her own option and expense, the difference between a two-person and family rate.

D. Defined Contribution Plan: Employee hired on or after [date of issuance of Act 312 Award] shall participate in a IRS Sec. 401 (a) Defined Contribution (DC) Pension Program. The DC plan is not available for employees hired before [date of issuance of Act 312 Award].

1. Contribution rates: Employee - 5%

Employer - 11%

2. Vesting Schedule for Employer Contributions: Employees hired after [date of issuance of Act 312 Award] shall be 50% vested at three years, 75% vested at four years and 100% vested at five years.
3. Participants in the defined contribution plan shall also participate in a disability plan equivalent to the defined benefit disability plan as set forth in the retirement ordinance. The City's liability for the disability benefit shall be offset (1) by an amount which may be payable pursuant to the Workers' Compensation Act, if applicable, and (2) by the lifetime annuity value of the employee's 401 (a) defined contribution retirement account, determined as of the effective date of the employee's disability-related separation from service. Defined contributions shall include all contributions and income accumulated in the plan account whether derived by the contributions made by the employee or employer, including any amounts transferred into the plan. While the employee is receiving disability benefits or is receiving workers' compensation the City of Troy shall contribute the employer rate as contained in subsection 1 of this Agreement of the disables employee's taxable wage for deposit in the defined contribution plan for the employee's benefits. The computed plan benefit shall not be less under the DC program than what it would have been under the defined benefit program.
4. Participants in the defined contribution plan shall also be covered in the event of death including non-duty death with a benefit equivalent to the defined benefit plan as set forth in the retirement ordinance. The City's liability for a death benefit shall be offset (1) by an amount which may be payable pursuant to the workers' compensation act, if applicable, and (2) by the lifetime annuity value of the employee's 401 (a) defined contribution retirement account, determined as of the effective date of the employee's death. The computed plan benefit shall not be less under the DC plan than what it would have been under the defined benefit program.

E. For those officers who retire after [date of issuance of the Panel's Award], the following elements will be included in the pension benefits for Police Officers:

1. Eligibility for retirement shall be after 25 years of service regardless of age.
2. The pension annuity factor paid shall be 2.8% for each year of service up to a maximum of 25 years. For each year of service over 25 years, the pension annuity factor shall be 1.0%. Under no circumstances, however, shall the total pension annuity factor for all years of service rendered on behalf of the City of Troy exceed 75.0% of Final Average Compensation.
3. Final Average Compensation shall be based upon the best three (3) of the last ten (10) years of credited service.
4. Where applicable, a duty death benefit shall be provided to a surviving spouse which will equal no less than fifty percent (50%) of the deceased officer's FAC.
5. No current employee with more than twenty five (25) years of service to the City and whose current pension annuity factor exceeds 75.0% shall have his total pension annuity factor reduced as a result of the [insert date] Arbitration Award. Future service shall, however, accrue at the rate of 1.0% for each year of service for said employee.

F. Upon retirement, the retiree will receive his/her final payouts for holiday pay, vacation pay, and sick pay in a check separate from wages.

For officers retiring with the annuity factor that reduces to 1% after 25 years as referenced above, the parties have stipulated that there will be no further reductions in the Pension Annuity Factor by reason of a retiree reaching the age at which old age insurance becomes available under the Social Security Act.

SUB-ISSUE 3 - NON-DUTY DISABILITY RETIREMENT

It is the intent of this award as it pertains to the issue of Non-Duty Disability Retirement that the status quo apply and that Chapter 10, Section 7.1B of the Troy City Code, Employee Retirement System apply to the relationship between this Union and the City of Troy.

Although the Employer makes the argument that the present

eligibility for Troy Police Officers for Non-Duty Disability Retirement is in fact, an anomaly when compared to other organized groups within the City, there is, in the opinion of this panel, no compelling reason to change the eligibility requirement for Non-Duty Disability Retirement. Although the testimony proffered by the City during the hearing made specific comparisons between the requirement for Non-Duty Disability Retirement for police officers as opposed to other organized groups within the City and in comparable cities, the argument was not compelling and there appears to be no specific logical or reasonable reason to make that change.

WAGES - ARTICLE 43, SECTION A

The Union's last offer of settlement with regard to the wage issue is as follows:

Each year of the collective bargaining agreement, is presented as a separate issue which would modify Section A, Annual Salaries for Police Officers. The suggested percentage increases would apply across the board at each step. Increased percentages should be applied in each of the following years:

July 1, 1998	4.5%
July 1, 1999	4.0%
July 1, 2000	4.0%

The Union's argument in that regard is as follows:

Employer Exhibit 21, which presents a City comparable snapshot as of July 1, 1998, shows the City of Troy significantly behind Farmington Hills, Southfield, and Westland. In addition, the Union argues that the City of Troy should be substantially ahead of

cities such as Pontiac, Taylor, and Dearborn Heights, also comparables. Dearborn Heights, argues the Union, is in wages ahead of the City of Troy.

Going to Union Exhibit 5G3, the Union argues that this supports the request for increased wages considering Union's comparables and that the City of Troy should be in the highest position based, if on nothing else, the City's economic well being, its continued budget surplus, whereas referring to City Exhibit 15, the City shows that they are barely above average.

The Union's request for 4.5%, 4.0%, and 4.0%, for the three years, argues the Union, is well within the City's ability to pay.

CITY OF TROY'S OFFER OF SETTLEMENT WITH REGARD TO WAGES

The City of Troy's last offer of settlement on the issue of wages is to increase the salary scale in the expired collective bargaining agreement as follows:

- First year wage increase 3% effective July 1, 1998;
- Second year wage increase 3% effective July 1, 1999;
- Third year wage increase:
 - a. If wage increases awarded by the panel for the first two years do not exceed 6.5%, the City offers 3.5% for the last year;
 - b. If the wage increase ordered by the panel for the first two years exceeds 6.5%, the City's last offer for the third year is 3.0%.

These increases are to be retroactive where applicable and payable to all employees on the payroll as of the

date of the arbitration award. They shall be effective on the pay period beginning the date closest or prior to the date specified in this agreement.

The reasoning of the Employer with regard to wages is as follows:

Troy police officers are well paid thus far. Officers with four years service as of July 1, 1997, received \$46,364.00 annually and in addition their wages, there are direct compensation items such as longevity, shift differential, holiday pay, and other means of direct compensation which raises the top level Troy Police Officer to in excess of \$50,500.00 annually, as of July 1, 1997. The cost to the City of placing a Troy Police Officer in service is approximately \$72,300.00, as of June 30, 1998. The City in that regard refers to its Exhibit 20.

The City next argues that the potential earning capacity of members of the Department as demonstrated by their Exhibits 17 through 19, is as much or can be as much as \$52,926.36 per year, and this figure is understated because that only reflects W-2 earnings and does not reflect non-taxable earnings such as, deferred compensation. 65% of police officers of the City of Troy are participating in the City's deferred compensation program which, according to the City's exhibits and argument, increases their yearly pay by approximately \$204.78 per pay period or \$5,324.28 in additional yearly pay for each participating officer (it is important to note that 65% of the officers do participate in this benefit).

Going to base salary alone, the City argues that it compares favorably to comparable communities. In 1997 it was more than \$2,000.00 higher than the average base salary of the comparables presented in City Exhibit 13. The average wage increase of the seven city comparables for July 1, 1998, is 2.7% and the City's offer of 3.0% effective on that date would further widen the gap between Troy's base salary and the comparables. Going again to City Exhibit 14, the City points out that it depicts only three contract settlements in the comparable communities for the years 1999 and 2000, and that these settlements are in the area of 2% for 1999 and 3% for the year 2000.

If the panel, argues the City, were to use the combined comparables, i.e., the City's and the Union's, it is the City's argument that Troy Police Officers still enjoy a base salary which is approximately \$600.00 or 1.3% higher than the average salary in the combined comparable communities, \$46,364.00 compared to \$45,777.00. The average wage increase for the 12 communities, again, using the combined comparables, effective July 1, 1998, was 2.9%. Troy's offer is one-tenth of a percent higher.

The Union's proposal of 4.5% for the first year, 4% the second, and 4% the third, does not, argues the City, even compare to the Union's own comparables as they did not enjoy such large increases over the three years. Of the Union's comparables, only three had contracts covering the period July 1998 through July 2000; Farmington Hills which provided an increase of 9% over this period, three for each year; Sterling Heights providing 10% over

the three years, three, three, and four percent; and Westland also providing 10%, four, three and three. The average percentage wage increase for the combined comparable communities is 8.7% over three years. The City refers to City Exhibit 15.1. The City's offer of 9.5% over three years is, as they argue, much more in line with the negotiated salary increases of comparable communities, than is the Union's offer.

Arguing from a different point of view, the City claims through City Exhibit 15, that the average base salary in the combined comparable communities, having contracts between July 1, 1998, and July 1, 2000, would require the City of Troy to have a wage offer increase of only 1.2% for 1998, 3.6% for 1999, and 1.8% for 2000, or 6.6% over three years. The City's proposal of 9.5% over three years significantly exceeds that amount. Again referring to City Exhibit 15, the City argues that to continue their relative position in 1997, 1.3% above the average, from the years 1998 through 2000, the City need only grant a salary increase of 7.9% over the three years, i.e., 2.5% the first year, 3.6% the second year, and 1.8% the third year. Clearly, the City's proposal of 9.5% over three years exceeds that amount.

The next argument made by the City is that the total cost to the City, i.e., the financial outlay from the City for police officers, as seen by City Exhibit 21, reflects that Troy Police Officers as of July 1, 1998, receive \$1,000.00 or 1.5% more than the direct compensation paid by the City's comparables and in addition, the City's total cost to place an officer in service of

\$72,309.00 as of July 1, 1998, is above the average total cost, which is approximately \$150.00 more than that paid by comparable communities. The City then argues with regard to the Consumer Price Index. That the panel must consider MCL 423.239(E), which demonstrates that assuming a 2.5% increase for 1998, Troy Police Officers' base salary would have risen 43.8% since 1988, as compared to the Consumer Price Index, which was 36.7%.

Finally, argues the City, it is their contention that their offer with regard to wage increase of no more than 9.5% is fair and equitable and permits Troy Police Officers to continue to be compensated at a level higher than their colleagues in comparable communities.

AWARD OF THE PANEL WITH REGARD TO WAGES

It is the panel's award that the wage increase be as follows:

Effective July 1, 1998, 3%;

Effective July 1, 1999, 3%;

Effective July 1, 2000, 4%.

	<u>July 1, 1998</u>	<u>July 1, 1999</u>	<u>July 1, 2000</u>
Step 1 (Start)	\$29,219	\$30,095	\$31,299
Step 2 (6 Months)	32,326	33,296	34,628
Step 3 (1 Year)	39,501	40,686	42,314
Step 4 (End of Probation)	41,086	42,319	44,012
Step 5 (2 Years)	42,894	44,181	45,948
Step 6 (3 Years)	45,495	46,859	48,734
Step 7 (4 Years)	47,754	49,187	51,155

The panel arrived at these figures after reviewing carefully City Exhibit 15 and 15.1, as well as the Union's Exhibit 5G2 and the total cost analysis of police officers presented at City Exhibit 21. It must be kept in mind that the panel in determining

the wage increase as well as any other economic issues, used as its touchstone Section 9 of the Act, carefully considering each and every factor but most particularly, adhering to factors such as the Employer's financial ability to meet the cost, the comparisons which have been mentioned repeatedly, and the Consumer Price Index.

City Exhibit 15 is a reflection of police officer base salaries, July 1, 1997, to July 1, 2000. Unfortunately, for the years beginning July 1, 1999, and July 1, 2000, the majority of the municipalities are not projected because contracts for those years do not exist.

The panel, through the submission of this document, is recommending the elimination of four municipalities from the original seven used since 1990. Those are: Pontiac, Shelby Township, Sterling Heights, and Taylor, however, at the time of writing this decision, that recommendation has not taken affect. Notwithstanding, a review of City Exhibit 15 taken as it exists, indicates that even had the panel adopted the City's increase of 3% per year or 9% total over the three years, or 3% for the first two years and 3.5% for the third year, the base salary for Troy Police Officers would exceed the average of the combined comparables as we know them presently.

For the first year, that is, beginning July 1, 1998, with an increase of 3%, the base salary for a Troy Police Officer is \$47,754.00. This pay scale is higher than six of the 12 municipalities whose pay is reflected on the exhibit. The average of those municipalities being \$44,558.00. Troy Police Officers

will receive \$3,196.00 more than the average of those six municipalities. With regard to the remaining six municipalities, that average is \$49,247.00, or \$1,493.00 more than is paid to Troy Police Officers in the year beginning July 1, 1998, ending July 1, 1999.

Going now to the year July 1, 1999, ending June 30, 2000, there are four municipalities out of the six reporting whose wage scale exceeds that of the City of Troy, the average being \$1,516.00. The two remaining who are less than the City of Troy, the average of that difference is \$4,835.00. If however, beginning July 1, 1999, we eliminate the municipalities suggested; Pontiac, Shelby Township, Sterling Heights, and Taylor; the average wage for the year is \$49,520.00. The difference between that and the \$49,187.00 paid to Troy Police Officers is \$333.00.

As I have indicated, Exhibit 15 is only one of the criteria used at arriving at the wage scale increase. A review of cost of living clearly indicates that the wage increase awarded to Troy Police Officers exceeds the increase in cost of living and has historically.

This panel believes that the wage award, supra, is consistent with the terms of Act 312 in each significant factor, meeting each of its criteria and, as a matter of fact, is equitable to all parties concerned.

SHIFT PREMIUM - ARTICLE 43, SECTION E

With regard to the issue of shift premium (shift bonus), the Union in their last offer of settlement requested a modification to

provide the following bonuses:

Second Shift (Afternoons)	\$0.45
Third Shift (Midnights)	\$0.55
Add a shift premium for the Fourth Shift	\$0.25

Further, the Union indicated their willingness to withdraw the request to expand the premium to all officers. Therefore, shift premiums would apply to patrol division only.

The Employer's last offer of settlement with regard to this issue was that Section 43.E., should read as follows:

Employees regularly scheduled by the City to work on the second or third shift (commonly referred to as the afternoon and midnight shifts, respectively) shall receive a shift bonus as provided below for a ten (10) hour work period for each such regularly scheduled day. The shift bonus shall be as follows:

Second Shift (Afternoons)	\$0.25
Third Shift (Midnights)	\$0.35

The shift premium shall be paid to officers who qualify for it in a lump sum every two months. **This provision shall be effective upon issuance of the Act 312 Panel's arbitration award.**

ANALYSIS OF SHIFT PREMIUM ISSUE

The City's last offer is an expansion of this benefit to apply to all employees regularly scheduled by the City to work the Second or Third Shifts, whether they are in the patrol division or not. The City characterizes the Union's last offer as an intent that the shift premium should apply only to patrol division further, seeking to increase the benefit by almost doubling the Afternoon Shift premium and by increasing the Midnight Shift premium. The impact

of the Union's proposal, according to the City, would be more than to double the annual cost of the benefit. In addition, the Union's proposal adds a new shift premium for officers in the patrol division who work a Fourth Shift. That is a shift beginning at noon and going through 10:00 p.m. The City refers to the comparables in their argument indicating that the City of Troy shift premium rates were equal to or higher than five of the seven comparables used by the City. In addition, no comparable, according to the City, has a premium for the Fourth Shift as defined by the Union. It is the City's contention that the Fourth Shift as defined, noon to 10:00 p.m., is a more desirable shift than the midnight shift, due to the fact that many of the daylight hours are worked.

The Union in their brief has modified their last offer of settlement in this regard. Simply stated, it is an argument of pure economics, i.e., that the increase is not a prohibitive or significant amount and is justified based on the sum total of the Union's last offer of settlement.

The Panel having reviewed the matter and discussed each aspect, and taking notice of the City's adjustment for their last offer, and after reviewing this issue with regard to comparable cities, have determined that the City's last offer of settlement is both reasonable and justified and therefore, the City's last offer of settlement with regard to this issue is adopted.

SUMMARY OF FINDINGS OF THE PANEL

ISSUE 1 - COMPENSATORY TIME - ARTICLE 19, NEW SECTION

The City's position is adopted and status quo shall be maintained.

Union's Panel Member: Concurs _____
 Dissents 76

It is the finding of the Panel that the Union's position is adopted and that the MMP-PC, i.e., Master Medical Preventive Care and RM (Routine Mammogram) riders be added to the Blue Cross/Blue Shield coverage, and further, that Section 3, page 11, of the Blue Cross/Blue Shield Benefit Guide be incorporated by reference into the collective bargaining agreement.

Union's Panel Member: Concurs *T*
 Dissents _____

The Union's position is adopted with regard to orthodontia coverage and therefore, Class I, Class II benefits shall be increased from \$600.00 to \$1,000.00 per year.

Union's Panel Member: Concurs *JL*
 Dissents _____

The Union's position is adopted. Status quo shall be

maintained.

City's Panel Member: Concurs
 Dissents PC

Union's Panel Member: Concurs TL
 Dissents _____

ISSUE 5 - RETIREMENT

With regard to Sub-issue 1, Pension Annuity Factor, the City's last offer of settlement is adopted.

City's Panel Member: Concurs PC
 Dissents _____

Union's Panel Member: Concurs
 Dissents TL

With regard to Sub-issue 2, Defined Contribution Plan, the City's last offer of settlement is adopted.

City's Panel Member: Concurs PC
 Dissents _____

Union's Panel Member: Concurs
 Dissents TL

With regard to Sub-issue 3, Non-Duty Disability, the Union's position is adopted, the status quo is maintained.

City's Panel Member: Concurs
 Dissents PC

Union's Panel Member: Concurs TL
 Dissents _____

WAGES

July 1, 1998, the City's position is adopted.

City's Panel Member: Concurs PC
 Dissents _____

Union's Panel Member: Concurs
 Dissents TL

July 1, 1999, the City's position is adopted.

Concurs
Dissents


Concurs _____
Dissents TH

Concurs _____
Dissents Red

Concurs Th
Dissents

Concurs REC
Dissents _____

Concurs _____
Dissents 76

 Date: 2/15/2000
Sheldon H. Adler
Panel Chairman

Peggy E. Clifton
Peggy Clifton
City Panelist

STATE OF MICHIGAN
COMPULSORY ARBITRATION

CITY OF TROY

Employer,

- and -

TROY POLICE OFFICERS ASSOCIATION,

Union.

**Arising pursuant to
Act 312, Public
Acts of 1969, as
amended**

Case No. D98 F-0957

ADLER PANEL

CITY OF TROY'S LAST OFFERS OF SETTLEMENT

The City of Troy submits the following Last Offers of Settlement on each economic item before the Act 312 Arbitration Panel, pursuant to Section 8 of Public Acts of 1969, as amended; MCLA 423.238:

I. WAGES

CURRENT CONTRACT PROVISION:

Section 43A. Annual salaries for Police Officers are outlined in the following schedule:

	<u>July 1, 1995</u>	<u>July 1, 1996</u>	<u>July 1, 1997</u>
Step 1 (Start)	\$26,482	\$27,409	\$28,368
Step 2 (6Months)	29,298	30,323	31,385
Step 3 (1 Year)	35,801	37,054	38,351
Step 4 (2 Years)	37,238	38,541	39,890
Step 5 (2 Years)	38,876	40,237	41,645
Step 6 (3 Years)	41,233	42,676	44,170
Step 7 (4 Years)	43,281	44,796	46,364

LAST OFFER OF SETTLEMENT:

The City Troy's Last Offer of Settlement on the issue of wages in (sic) to increase the salary scale set forth above in the expired Collective Bargaining Agreement as follows:

First Year Wage Increase: 3.0% effective July 1, 1998

Second Year Wage Increase: 3.0% effective July 1, 1999

Third Year Wage Increase:

- a. If wage increases awarded by the Panel for the first two years do not exceed 6.5%, the City's last offer is 3/5%
- b. If wage increases awarded by the Panel for the first two years exceed 6.5% the City's last offer is 3.0%

With regard to Retirement Defined Contribution Plan, the City and the Union stipulated to amend the City's last best offer and the following is the Retirement: Defined Contribution Plan stipulated amended last best offer by the City.

City of Troy
Stipulated Amended Last Best offer
TPOA Act 312 Arbitration - Adler Panel
(Pension)
(Note: Italics represent Amendments to LBO)

II. RETIREMENT: DEFINED CONTRIBUTION PLAN

CURRENT CONTRACT PROVISION:

The current contract does not address a defined contribution plan.

The City of Troy's Last Offer of Settlement on this issue is to implement a defined contribution plan for new employees only, with contribution rates of:

Employer - 11%
Employee - 5%

A new section shall be added to the collective bargaining contract which shall provide as follows:

Defined Contribution Plan: Employees hire on or after [date of issuance of Act 312 Award] shall participate in a IRS Sec. 401 (a) Defined Contribution (DC) Pension

Program. The DC plan is not available for employees hired before [date of issuance of Act 312 Award].

1. Contribution rates: Employee - 5%
 Employer - 11%
2. Vesting Schedule for Employer Contributions: Employees hired after [date of issuance of Act 312 Award] shall be 50% vested at three years, 75% vested at four years and 100% vested at five years.
3. Participants in the defined contribution plan shall also participate in a disability plan equivalent to the defined benefit disability plan as set forth in the retirement ordinance. The City's liability for the disability benefit shall be offset (1) by an amount which may be payable pursuant to the Workers' Compensation Act, if applicable, and (2) by the lifetime annuity value of the employee's 401 (a) defined contribution retirement account, determined as of the effective date of the employee's disability-related separation from service. Defined contributions shall include all contributions and income accumulated in the plan account whether derived by the contributions made by the employee or employer, including any amounts transferred into the plan. While the employee is receiving disability benefits or is receiving workers' compensation the City of Troy shall contribute the employer rate as contained in subsection 1 of this Agreement of the disabled employee's taxable wage for deposit in the defined contribution plan for the employee's benefits. *The computed plan benefit shall not be less under the DC program than what it would have been under the defined benefit program.*
4. Participants in the defined contribution plan shall also be covered in the event of death including non-duty death with a benefit equivalent to the defined benefit plan as set forth in the retirement ordinance. The City's liability for a death benefit shall be offset (1) by an amount which may be payable pursuant to the workers' compensation act, if applicable, and (2) by the lifetime annuity value of the employee's 401 (a) defined contribution retirement account, determined as of the effective date of the employee's death. *The computed plan benefit shall not be less under the DC plan than what it would have been under the defined benefit program.*

LAST OFFER OF SETTLEMENT:

If the Arbitration Panel adopts the City of Troy's defined contribution plan set forth in Paragraph II above, then the City's Last Offer of Settlement on the Pension Annuity Factor for current members of the bargaining unit is as follows:

DEFINED BENEFIT PLAN

Amended Section 42.A by adding a new paragraph as follows:

Section 42 A. Bargaining unit members hired after [date of issuance of ACT 312 Award] are not eligible to participate in the Defined Benefit pension program and shall participate in a IRS Sec. 401(a) Defined Contribution pension program.

Amend Section 42.B and add a new section 42.E as follows:

Section 42.B. Effective July 1, 1994, the member's contribution to the Retirement System Pension Program shall be 2.0% of the gross payroll (0.02 x gross payroll). Effective upon the date of the execution of this Award by the Panel, the Association members shall, notwithstanding the foregoing, begin contributing 2.75% of their gross payroll (0.0275 x gross payroll) towards funding of a retirement under the Retirement System. Effective January 1, 1997, the member's contribution shall be increased to 3.0% of gross payroll (0.03 x gross payroll). Effective [date of issuance of the Panel's Award], the member's contribution shall be increased to 4.0% of gross payroll (0.04 x gross payroll).

E. Section 42.D. For those officers who retire after [date of issuance of the Panel's Award], the following elements will be included in the pension benefits for Police Officers:

1. Eligibility for retirement shall be after 25 years of service regardless of age.
2. The pension annuity factor paid shall be 2.8% for each year of service up to a maximum of 25 years. For each year of service over 25 years, the pension annuity factor shall be 1.0%. Under no circumstances, however, shall the total pension annuity factor for all years of service rendered on behalf of the City of Troy exceed 75.0% of Final Average Compensation.
3. Final Average Compensation shall be based upon the best three (3) of the last ten (10) years of credited service.
4. Where applicable, a duty death benefit shall be provided to a surviving spouse which will equal no less than fifty percent (50%) of the deceased officer's FAC.

5. No current employee with more than twenty five (25) years of service to the City and whose current pension annuity factor exceeds 75.0% shall have his total pension annuity factor reduced as a result of the [Insert date] Arbitration Award. Future service shall, however, accrue at the rate of 1.0% for each year of service for said employee.

If, however, the Act 312 Arbitration Panel does not award the City's Last Best Offer concerning a defined contribution plan for all new-hire employees, then the City of Troy's last offer of settlement on the issue of Retirement: Annuity Factor is to maintain the current contract language found in Section 42 of the expired Collective Bargaining Agreement.

If, however, the Act 312 Arbitration Panel does not award the City's Last Best Offer concerning a defined contribution plan for all new-hire employees, then the City of Troy's last offer of settlement on the issue of Retirement: Annuity Factor is to maintain the current contract language found in Section 42 of the expired Collective Bargaining Agreement.

IV. RETIREMENT: COST OF LIVING

CURRENT CONTRACT PROVISION:

The current contract does not provide a cost of living allowance (except as provided by Social Security).

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to maintain the status quo, and add no provision to the Collective Bargaining Agreement.

V. NON-DUTY DISABILITY RETIREMENT

CURRENT CONTRACT PROVISION:

The current contract does not address conditions for non-duty disability. This issue is addressed in Chapter 10 of the Troy City Code, Employees Retirement System.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to amend Section 42 of current contract, (effective upon the date of the Award), by adding the following language:

F. An officer may qualify for a non-duty disability retirement if he or she meets the requirements of Chapter 10, Section 7.1A of the Troy City Code, which is incorporated by reference.

VI. BLUE CROSS/BLUE SHIELD

CURRENT CONTRACT PROVISION:

36. HOSPITALIZATION AND MEDICAL INSURANCE

A. The Employer shall provide hospitalization and medical insurance for employee and family equal to the following:

1. Blue Cross/Blue Shield, MVF-1, Master Medical Option 1, with the following riders: TRUST-15 (PPO), PLUS-15 (PPO), \$5 deductible prescription, D45NM, F, SA, G65, optical, ML, VST, and FAE.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to amend Section 36A 1 of the current contract as follows:

36. HOSPITALIZATION AND MEDICAL INSURANCE

A. Effective [date of Arbitration Award], the Employer shall provide hospitalization and medical insurance for employee and family equal to the following:

1. Blue Cross/Blue Shield, MVF-1, Master Medical Option 1, with the following riders: TRUST-15 (PPO), PLUS-15 (PPO), \$5 deductible prescription, D45NM, F, SA, G65, optical, ML, VST, FAE, IMCP, IICV-1, EBMT, SOT-PE, PSA and RPS.

VII. DENTAL INSURANCE

CURRENT CONTRACT PROVISION:

36. HOSPITALIZATION AND MEDICAL INSURANCE

A. The Employer shall provide hospitalization and medical insurance for employee and family equal to the following:

2. Prudential Dental Insurance, including Class I and Class II benefits with a 10% employee co-payment of claims and a maximum benefit of \$600 per person per year, beginning each July 1st.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to maintain the status quo.

VIII. ORTHODONTIA

CURRENT CONTRACT PROVISION:

36. HOSPITALIZATION AND MEDICAL INSURANCE

A. The Employer shall provide hospitalization and medical insurance for employee and family equal to the following:

3. Prudential Orthodontic coverage with a 50% employee co-payment of claims and a \$1,200 maximum lifetime benefit per person to age 19. After July 1, 1986, the City shall have the option of self-funding and self-administering a dental benefit program providing that the benefits shall be identical or better than those provided in paragraph 2 and 3 above.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to maintain status quo.

IX. SHIFT PREMIUM

CURRENT CONTRACT PROVISION:

Section 43.E. Employees who work in the Patrol Division and who are regularly scheduled to work on the second or third shift (commonly referred to as the Afternoon and Midnight shifts, respectively) shall receive a shift bonus as provided below for a ten (10) hour work period for each such regularly scheduled day. The shift bonus shall be as follows:

Second Shift (Afternoons)	-	\$.25
Third Shift (Midnights)	-	\$.35

The shift premium shall be paid to officers who qualify for it in a lump sum every two months.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to amend Section 43.E. as follows:

Section 43.E. Employees ~~who work in the Patrol Division and who are~~ regularly scheduled by the City to work on the second or third shift (commonly referred to as the Afternoon and Midnight shifts, respectively) shall receive a shift bonus as provided below for a ten (10) hour work period for each such regularly scheduled day. The shift bonus shall be as follows:

Second Shift (Afternoons)	-	\$.25
Third Shift (Midnights)	-	\$.35

The shift premium shall be paid to officers who qualify for it in a lump sum every two months. This provision shall be effective upon issuance of the Act 312 Panel's arbitration award.

X. LONGEVITY

CURRENT CONTRACT PROVISION:

Section 41. All officers shall receive longevity pay on or before December 20 of each payment year in accordance with the following schedule:

<u>Years of Continuous City Service as of November 30 of Payment Year *</u>	<u>Percent of Base Pay Earned From December 1 through November 30</u>
4 - 8 Years	2% - but not more than \$660
9 - 13 Years	4% - but not more than \$1,320
14 - 18 Years	6% - but not more than \$1,980
19 years or over	8% - but not more than \$2,640

*If worked nine (9) or more months of previous twelve (12) months, will receive maximum dollar figure shown; otherwise, the percentage shown.

The above listed maximum dollar amounts are intended by the parties to this Agreement to constitute the maximum amount of longevity payments which can be received by any one employee for the period (December 1st through November 30th). The maximum amounts of longevity as set forth herein shall be reduced by the amount of overtime paid which is attributable to longevity being included in the computation of overtime rates of pay for the period of December 1st through November 30th each year. (Example: If an employee is eligible for \$1,100.00 in longevity payments and has received, during the period, a total of \$20.00 in overtime premium payments which was attributable to longevity, that employee will be paid \$1,080.00 in lump-sum longevity payment for that period.)

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to amend Section 41 of the current contract as follows:

Section 41. All officers hired prior to [insert date of execution of Act 312 award by the Panel] shall receive longevity pay on or before December 20 of each payment year in accordance with the following schedule:

Act 312
ADLER PANEL

<u>Years of Continuous City Service as of November 30 of Payment Year *</u>	<u>Percent of Base Pay Earned From December 1 through November 30</u>
4 - 8 Years	2% - but not more than \$660
9 - 13 Years	4% - but not more than \$1,320
14 - 18 Years	6% - but not more than \$2,500
19 years or over	8% - but not more than \$3,500

*If worked nine (9) or more months of previous twelve (12) months, will receive maximum dollar figure shown; otherwise, the percentage shown.

The above listed maximum dollar amounts are intended by the parties to this Agreement to constitute the maximum amount of longevity payments which can be received by any one employee for the period (December 1st through November 30th). The maximum amounts of longevity, as set forth herein shall be reduced by the amount of overtime paid which is attributable to longevity being included in the computation of overtime rates of pay for the period of December 1st through November 30th each year. (Example: If an employee is eligible for \$1,100.00 in longevity payments and has received, during the period, a total of \$20.00 in overtime premium payments which was attributable to longevity, that employee will be paid \$1,080.00 in lump-sum longevity payment for that period.)

Improvements set forth in the City's Longevity Last Best Offer shall be effective commencing in the final year of the Collective Bargaining Agreement at issue. There shall be no longevity pay for employees hired after the effective date of this Award.

XI. OVERTIME

CURRENT CONTRACT PROVISION:

Section 19. A. An officer will be paid one and one-half (1 ½) times his regular rate for all hours worked in excess of: (1) 40 hours per week, and (2) his current regular shift duty time.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to maintain the status quo (current contract language).

XII. ASSOCIATION BUSINESS

CURRENT CONTRACT PROVISION:

Section 10.G. The President of the Association or his designated representative shall be given time off to attend Act 78 meetings which pertain to Police Department related issues and additional time off not to exceed 100 hours each year between October 1st and September 30th to attend Association conferences and/or conventions or other matters which are otherwise approved by the Police Chief. Requests for such time off shall be submitted to the Chief of Police or his designated representative at least 48 hours in advance (unless the purpose for absence is an emergency) of the time requested and shall be approved provided that no additional personnel expense is incurred by the City.

LAST OFFER OF SETTLEMENT:

The City of Troy's Last Offer of Settlement on this issue is to maintain the status quo (current contract language).

Respectfully Submitted
Lange & Cholack, P.C.

Craig W. Lange

Tro99last.offer

STATE OF MICHIGAN
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
EMPLOYMENT RELATIONS COMMISSION

In the Matter of:

CITY OF TROY,

Employer,

-and-

MERC Act 312
Case No: D98 F-0957

TROY POLICE OFFICERS
ASSOCIATION,

Union.

-----/
SHELDON ADLER, Chairperson
PEGGY CLIFTON, Employer Delegate
MARK OWCZARZAK, Union Delegate
-----/

**TROY POLICE OFFICERS ASSOCIATION'S
LAST OFFER OF SETTLEMENT**

The Troy Police Officers Association submits its last offer of settlement on each economic issue as follows:

1. **ASSOCIATION BUSINESS** (Article 10, Section G).

The Union withdraws its proposal to increase this benefit.

2. **COMPENSATORY TIME** (Article 19, New Section).

The Union proposes an addition to Article 19 - Overtime - and the creation of a compensatory time bank. It suggests a compensatory time bank with a maximum accumulation of one hundred (100) hours. The rules regarding usage of holiday time would apply to the use of compensatory time.

3. **HOSPITALIZATION (Article 36).**

There are three separate subissues, and each should be treated as such.

- Add the following riders to paragraph 1: SOT-PE, MMP-PC, RM, PSA, RPS.
- The Union withdraws its request to eliminate co-pay. Employee co-pay shall remain as stated, \$20.00 per month.
- Language should be added to the provision that provides if a spouse's independent coverage terminates for whatever reason, and then upon notification, the spouse shall be immediately enrolled into a City of Troy hospitalization plan with no loss of benefits.

4. **DENTAL INSURANCE (Article 36, Section A).**

There are two separate issues within Section A. They are:

- As to paragraph 2, Class I and Class II benefits shall be increased to \$1,000.00.
- The Union withdraws its request to increase orthodontia benefits.

5. **LONGEVITY (Article 41).**

The Union withdraws its request to improve this benefit and therefore requests the status quo remain.

The Union objects to the elimination of longevity for new hires, or the creation of a two-tiered system. We request the status quo be maintained.

6. RETIREMENT (Article 42, Section D).

There are several separate issues within this general category:

- The pension annuity factor referenced in paragraphs D(2) and (3) shall be increased to 2.75% with no reduction upon the receipt of Social Security.
- The Union withdraws its request for cost of living. The Union requests that the remaining benefits of Section D be status quo.
- With regard to the City issue of implementing a defined contribution option, the Union's position is that it would not object to a purely optional defined contribution plan. That is, the plan would be optional for both current and new employee members.
- Non-duty disability: The Union objects to any modification of the current non-duty disability benefits received by its members. It therefore requests the status quo.

7. WAGES (Article 43, Section A).

Each year of the collective bargaining agreement is presented as a separate issue which would modify Section A, annual salaries for police officers. The suggested percentage increases would apply across-the-board at each step. Increased percentages should be applied in each of the following years:

- July 1, 1998 - 4.5%
- July 1, 1999 - 4%
- July 1, 2000 - 4%

8. **SHIFT BONUS** (Article 43, Section E.

The Union requests this section be modified to provide the following shift bonus:

- Second shift (afternoons) - 45¢
- Third shift (midnights) - 55¢
- Add a shift premium for the fourth shift - 25¢

The Union would withdraw its request to expand the premium to all officers.

Shift premium applies only to the Patrol Division.

All benefit level increases would be effective upon the signing of the Award; while the wage increases have retroactive effect with the suggested dates.

Respectfully submitted,



John A. Lyons (P16901)
Attorney for Union
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Troy, MI 48083
(248) 524-0890

Dated: October 4, 1999