

**STATE OF MICHIGAN  
ARBITRATION UNDER ACT 312  
PUBLIC ACTS OF 1969, AS AMENDED  
PETER D. JASON, CHAIRMAN**

**In The Matter Of The Statutory  
Arbitration Between**

**CITY OF HOLLAND**

**Employer,**

**MERC No. L01 C-7015**

**and**

**INTERNATIONAL ASSOCIATION OF  
FIREFIGHTERS, LOCAL #759  
Union.**

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**COMPULSORY ARBITRATION**

**Pursuant to Act 312, Michigan Public**

**Act of 1969, as amended.**

**AWARD**

**Arbitration Panel**

**Peter D. Jason  
Arbitrator/Chairman**

**Michael A. Snapper, Esq.  
Employer Delegate**

**Randall D. Fielstra, Esq.  
Union Delegate**

OCT 23 2003

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FIREFIGHTERS, LOCAL 759  
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INTRODUCTION

These proceedings were commenced pursuant to Act 312 of the Public Acts of 1969 as amended. The Arbitration Panel was comprised of the Chairman, Peter D. Jason; City Delegate and Advocate, Michael A. Snapper; and International Association of Firefighters (IAFF) Local 759, Delegate and Advocate, Randall D. Fielstra.

The collective bargaining agreement between the parties expired on June 30, 2002 and the Union filed a petition for arbitration pursuant to Act 312. A pre conference hearing was held on December 19, 2002, and a hearing was held on March 11, 2003, at the offices of the City of Holland located at 270 S. River Street, Holland, Michigan.

The record consists of 81 pages of testimony and a total of 56 (20 Union, 36 City) exhibits. Last Best Offers of exclusively economic issues were submitted on March 17, 2003 and

briefs were submitted on June 20, 2003. The Panel met in executive session on August 12, 2003. The Panel was guided by Section 9 of Act 312. The applicable factors to be considered as set forth in Section 9 are as follows:

- (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 and medical and hospitalization benefits, the continuity 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.

The panel considered the factors delineated in the statute. Exhibits were presented concerning the City's finances, the consumer price index and comparisons with other Holland employees as well as comparisons with public employees in comparable communities.

Both parties have the benefit of knowledgeable and experienced counsel so with the possible exception of the F-50 pension proposal, both Last Best Offers can be justified under the criteria expressed in Section 9. The City pointed out that there have been budgeting restraints imposed because of the condition of the economy but did not contend that it could not afford the reasonable demands of the Union. Nor could it. The Union recognized the financial reality of the situation and offered to take lower wages than were otherwise justified in order to help pay for increased pension costs. In the end, the chairman had to pick from two reasonable Last Best Offers that were both justifiable under the Act.

## **BACKGROUND**

The City of Holland is a Municipal Corporation located in Allegan and Ottawa Counties, on the west side of Michigan's Lower Peninsula. The city is 5 miles from Lake Michigan and approximately 90 miles north of the Michigan/Indiana border. The U.S. Bureau's final adjusted 2000 census indicates a population of 35,048. The city includes an area of 17.18 square miles, 139.58 miles of major and local streets and 11.57 miles of State Highways. The IAFF Local No.

759 is comprised of 27 full time firefighters as a collective bargaining unit, operating out of three fire stations.

### COMPARABLE COMMUNITIES

Act 312 requires the panel to consider wages and benefits in comparable communities when making its decision. The parties did not agree completely on which communities were comparable. The parties did agree that the following communities are comparable: Kentwood, Muskegon, Muskegon Heights, Norton Shores, and Wyoming and the union proposed Grand Rapids and Portage in addition. With respect to the City of Grand Rapids, it is clear that there is no comparison between the City of Grand Rapids and Holland. The arbitrator would reject this comparison out-of-hand, except for the fact that in previous arbitration between the parties, the city proposed Grand Rapids as a comparable. In spite of this, however, I find that the City of Grand Rapids is not a useful comparison and I reject Grand Rapids as being a comparable community. With regard to the City of Portage, I agree with the union that Portage has some similarity with Holland but with regard to the issues in dispute in this proceeding, I did not find the Portage comparison helpful.

### ISSUES

The parties resolved all outstanding issues except for the following:

The parties submitted six (6) issues to the Panel for resolution, but it became clear during the proceedings that the parties treated these economic issues as one package rather than six individual issues. The key issue that caused the parties to fail to resolve their disputes was the

pension F-50 issue submitted by the union. When the parties were unable to resolve this issue, other issues remained unresolved also, so that an appropriate package of wages and benefits could be determined.

## ISSUE I - Pension F-50

### Adoption of MERS F-50 Pension Benefit

*The City's final offer is as follows:*

*The current pension benefits include the F-55/25 waiver (retirement with no reduction in benefits at age 55 with 25 years of service). The F-55/25 waiver will continue unless the Union elects to change to the F-50/25 waiver, according to the following:*

- A. The Union must provide written notice to the City, on or before September 1, 2003, that the Union elects F-50/25. The benefit change will become effective within thirty (30) days or less of the City's receipt of the notice.*
- B. The cost of the benefit change will be paid by the employees by payroll deduction, based upon annual actuarial determinations of employee cost.*
- C. The currently available actuarial determination of employee cost is 4.91%. However, that determination appears to be outdated. If MERS requires an updated determination, the City and Union each will pay one-half of the actuary's fee. Employee contributions will then be determined by the updated determination of employee cost. Provided, however, that employee contributions will not exceed 5.1% for the remainder of the final year of the contract.*

*The Union's final offer is as follows:*

*The Union proposes that Article XVI, Sec. 6 of the Collective Bargaining Agreement be modified as follows:*

### Sec. 6. Pension Plan.

*The employer agrees to make available to the employees of the bargaining unit, the Michigan Employees Retirement System retirement plan, Option B-4; effective August 1,*

1996. Effective July 1, 2003 the employer will make available to employees Option F-50 available through the Michigan Employees Retirement System. Effective July 1, 2003 employees will contribute 5% of their salary toward the funding of the pension plan. The increase in the contribution from 4% to 5% is undertaken to defray a portion of the cost of adding the F-50 Option. The employer has made available and will continue to make available to the employee a booklet setting forth provisions of this retirement program.

After a thorough review of the evidence submitted by the parties, I have decided to adopt the City's Last Best Offer on this key issue. The cost of this benefit is not exactly known at this time because it is based on an actuarial determination that is no longer current. However, at the time of the last actuarial evaluation, the cost was 4.9% of payroll if paid by the employees and 4.42% of payroll if paid by the City. This is a significant cost and because of that there is a high burden on the union to justify it. An examination of the comparable communities indicates that with the exception of Muskegon Heights, none of the comparable communities has this exact benefit. However, the most important comparable is the internal comparison with the City of Holland's Police Officers. The record shows that the police officers do have this benefit and this fact makes the union's Last Best Offer plausible in this case. However, upon closer examination, the evidence shows that when police officers acquired this benefit, they did so with the proviso that their members pay the total cost. In this situation, the firefighters are requesting the same benefits but only proposing to pay a partial cost. Because of the cost of this benefit, the chairman does not believe this is appropriate. The city's Last Best Offer on this benefit provides that the firefighters may elect this benefit if they too pay the entire cost. Because of this feature, I find that the city's Last Best Offer is more reasonable.

## ISSUE II - Wages

*The City's Last Best Offer is as follows:*

7/1/2001	3.6%, based on prior 12-month increase in C.P.I.-U (U.S. Average)
7/1/2002	1.5%, rounded up from the 1.2%, which reflected the prior 12-month increase in C.P.I.-U (U.S. Average).
7/1/2003	Not less than 1% nor greater than 5% based on the C.P.I.-U (U.S. Average) for the period June, 2002 through May, 2003.

And the

*The Union's Last Best Offer is as follows:*

July 1, 2001	-	3.6%
July 1, 2002	-	1.2%
July 1, 2003	-	Not less than 2% nor greater than 5% based on the C.P.I.-U (U.S. Average) for the period June, 2002 through May, 2003.

A review of at the Last Best Offers of the parties on this issue indicates that the City has offered to pay higher wages than those demanded by the Union. This is true because the Union scaled down its wage proposal in an attempt to help finance its Last Best Offer on the F-50 Pension issue discussed above. Since I have awarded the City's Last Best Offer on the Pension issue, the City's Last Best Offer of higher wages is appropriate.

### ISSUE III - Prescription Co-Pay

*The City's Last Best Offer is as follows:*

"6. Prescription Drug Co-Payment. (Issue formerly called "Adoption of Benflex Cafeteria Plan"). The City's final offer is to modify the last paragraph of Article XVI, Group Insurance, Section 1, to provide as follows:

*The cost of the premium of the revised Master Medical Rider Option 2, and the Prescription Drug Program (with \$5.00 co-pay for generic, \$10.00 co-pay for brand-name)*

*shall be paid in full by the employer for the duration of this agreement.*

*(Change in co-pays effective 1/1/2004)."*

*The Union's Last Best Offer is as follows:*

*"Issue 6.      Prescription Drug Co-Pay*

*The Union proposes that the current prescription drug co-pay program be continued without modification."*

The City describes this as a moderate increase in the co-payment for prescription drugs. Currently the contract provides for \$2 co-payment and the City has proposed to increase the co-payment to \$5 for generic drugs and \$10 for brand name drugs. The City makes a reasonable argument on this subject, but at the time this matter was decided by the Panel, these increased co-payments had not been adopted in any of the other union contracts in the City of Holland. Therefore, based on this comparison, the chairman finds that the City's Last Best Offer is not supported by the evidence so I choose the Union's Last Best Offer on this issue.

#### **ISSUE IV - Retiree Health Insurance**

*The City's Last Best Offer is as follows:*

*"7.      Retiree Contribution to Health Insurance Cost*

*The City's final offer is as follows. No change from current contract."*

*The Union's Last Best Offer is as follows:*

*"Issue 3.      Contributions to Retiree Health Insurance*

*The Union proposes that Article XVI, Sec 8(b) be modified as follows:*

*Effective 07/01/01 The Employer will pay for single coverage, up to \$100.00 per month or double (couple) coverage up to \$250.00 per month. Effective 07/01/02 the amounts will be increased to \$130.00 for single coverage and to \$275.00 for two-person coverage. Effective 07/01/03, the amounts will be increased to \$145.00 for single coverage and to \$300.00 for two-person coverage."*

At the current normal retirement age of 55, the City admitted that increases such as those proposed by the Union would be supported by much of the evidence in the record. The City resisted this demand because if the normal retirement age is changed to age 50, the City believes that that evidence swings to supporting the City's final offer. The City's view on this is supported by the fact that an employer's costs for the retiree benefit will be much higher if retirement is at age 50, rather than age 55.

Since the Panel has adopted the City's proposal on Pension, the normal retirement age of 55 will remain for the duration of this contract and so the Union's Last Best Offer on Retiree Health Insurance is adopted.

#### **ISSUE V - Food Allowance**

The Panel will not bother to delineate the Last Best Offers of the parties because the Union withdrew this issue before Last Best Offers were finalized.

#### **ISSUE VI - Wellness Program**

*The City's Last Best Offer is as follows:*

*"Wellness Appendix*

*This Appendix replaces all provisions regarding the Wellness Program which were contained in the prior collective bargaining agreement. This Appendix also overrides the provisions in Article XVI, Section 1, which provide that the City will pay the full cost of health insurance. That obligation is subject to the provisions of this Wellness Program.*

*Effective January 1, 2004, this Wellness Program will be fully implemented with respect to employees in the Fire Department. Starting with that date, employees will be required to contribute, by payroll deduction, towards the cost of their health insurance coverage, unless the employee meets the Wellness Participation criteria. The percentage contribution will be the same percentage determined by the City for all other employees, provided that the percentage will not exceed 20% of the cost or premium for health coverage.*

*Employees who fully meet the Wellness Participation criteria, as set forth below, will not be required to make any such health insurance premium contributions. Rather, the City will pay the full cost of such health coverage. (Other employee contributions or co-pays, on such benefits as dental insurance, prescription drugs and semi-private room charges, are not affected by this Appendix.)*

*In order to meet the Wellness Participation criteria, the employee must fulfill those criteria during the preceding calendar year. For example, with respect to premiums for calendar year 2004, the employee must satisfy the Wellness Participation criteria during calendar year 2003.*

*The Wellness Participation criteria are as follows:*

- 1. Completion of health assessments, when offered. These include both "mini" and "full" assessments. Such assessments are not necessarily offered every year. However, the employee is required to participate in such assessments in any year in which they are offered. The full cost of health assessments is paid by the City. If no health assessments are offered after the effective date of the Act 312 Arbitration award but prior to December 21, 2003, then any health assessments requirement for calendar year 2003 will be waived for Fire Department employees.*
- 2. Completion of three fitness programs. Participation in a fitness program means successful completion of at least the minimum fitness level in each program as established by the Wellness Committee. Most such programs have four or five levels. Employees are encouraged, but not required, to achieve levels above the minimum level. For illustrative purposes, a list of the fitness programs which are available in calendar year 2003 is attached to this Appendix.*
- 3. Participation in at least two Wellness Classes. A total of twelve such classes are*

*offered each calendar year. Such classes will be made available to Fire Department employees at times which enable them to attend. In addition, each employee may substitute, for one of the two required Wellness classes, a substitute activity from an approved list of special events such as blood drives, Project Lift, and others designated by the Wellness Committee. Lists of the twelve Wellness Classes offered in 2003, as well as a list of the current special events which maybe used as substitutes, both are attached to this Appendix.*

*Each City department, including the Fire Department, has an employee who is a member of the City's Wellness Committee. A list of Wellness Committee meetings in 2003 is attached to this Appendix.*

*Adjustments and accommodations will be provided for employees who are unable to participate in fitness programs due to physical limitations, if such limitations are supported by valid medical confirmation, ordinarily a physician's statement.*

*Prior to January 1, 2004, the City will provide informational meetings about the Wellness Plan, including participation by employees from other departments who have been participating in the plan. In addition, upon the Union's request, the City will meet and discuss with the Union whatever concerns and questions it may have regarding the details of the Wellness program. Also, in consideration of the fact that the 2003 Act 312 Arbitration Award will be issued several months into 2003, the City will pro-rate the Wellness criteria, in particular the required Fitness Programs and Wellness Classes, to reflect the remaining time available in 2003.*

*A newly-hired employee will be required to note the percentage contribution to the cost of their health insurance until the start of a plan year (January 1) following the employee's fulfillment of the Wellness Participation criteria. For example, an employee hired on July 1, 2004, will be required to make the percentage contribution at least until January 1, 2005. If the employee has fulfilled the criteria as of January 1, 2005, then the City will pay the full premium cost during 2005. However, if the employee has not fulfilled the criteria as of January 1, 2005, then the employee will continue to pay the premium contribution through 2005."*

*The Union's Last Best Offer is as follows:*

*Health Insurance/Wellness Issue/Employee Premium Liability*

*The Union proposes that there be no modification of the Contract with regard to this issue, and that all memoranda and appendices relating to the so-called Wellness Program be removed from the Labor Agreement."*

It is a matter of common knowledge that health care costs are escalating well beyond the cost of living. Recognizing this, the parties had a version of a Wellness Program in their previous collective bargaining agreement. The goal is to promote a healthy life style which will lower costs so that it will financially be possible for the City to continue to provide health insurance at no cost to employees. In view of the costs of health insurance premiums together with a realization that firefighters have demanding physical tasks to perform in fighting fires, I find it is reasonable for the City to adopt a Wellness Program which will benefit the City and the Firefighters if it lowers the cost and will also benefit the firefighters in the performance of their jobs. Therefore, I choose the City's Last Best Offer on this issue.

#### SUMMARY

The Chairman's decisions on the issues are as follows:

##### PENSION F-50:

The F-55/25 waiver will continue unless the Union elects to change to the F-50/25 wavier, according to the City's final offer.

CITY	<input checked="" type="checkbox"/> AGREE	<input type="checkbox"/> DISAGREE
UNION	<input type="checkbox"/> AGREE	<input checked="" type="checkbox"/> DISAGREE

##### WAGES:

7/1/2001	3.6%, based on prior 12-month increase in C.P.I.-U (U.S. Average)
7/1/2002	1.5%, rounded up from the 1.2%, which reflected the prior 12-

7/1/2003

month increase in C.P.I.-U (U.S. Average)  
Not less than 1% nor greater than 5% based on the C.P.I.-U  
(U.S. Average) for the period June, 2002 through May 2003.

CITY	<input checked="" type="checkbox"/> AGREE	<input type="checkbox"/> DISAGREE
UNION	<input checked="" type="checkbox"/> AGREE	<input type="checkbox"/> DISAGREE

**PRESCRIPTION DRUG CO-PAY:**

The current prescription drug co-pay program will be continued without modification.

CITY	<input type="checkbox"/> AGREE	<input checked="" type="checkbox"/> DISAGREE
UNION	<input checked="" type="checkbox"/> AGREE	<input checked="" type="checkbox"/> DISAGREE

**RETIREE HEALTH INSURANCE:**

Article XVI, Sec 8(b) will be modified as follows:

Effective 7/1/01,                      The employer will pay for single coverage, up to \$100 per month or double (couple) coverage up to \$250 per month.

Effective 7/1/02                      The amounts will be increased to \$130 for single coverage and to \$275 for two-person coverage.

Effective 7/1/03                      The amounts will be increased to \$145 for single coverage and to \$300 for two-person coverage.

CITY	<input type="checkbox"/> AGREE	<input checked="" type="checkbox"/> DISAGREE
UNION	<input checked="" type="checkbox"/> AGREE	<input type="checkbox"/> DISAGREE

**FOOD ALLOWANCE:**

Issue Withdrawn

**WELLNESS PROGRAM:**

In view of the costs of health insurance premiums together with a realization that firefighters have demanding physical tasks to perform in fighting fires, the City will adopt a Wellness Program which will benefit the City if it lowers the cost and will benefit the firefighters in the performance of their job.

CITY

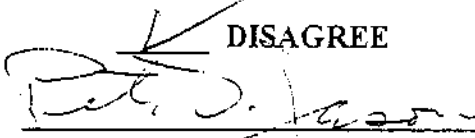
☒ AGREE

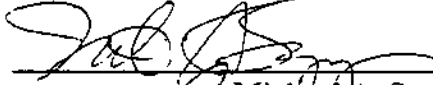
☐ DISAGREE

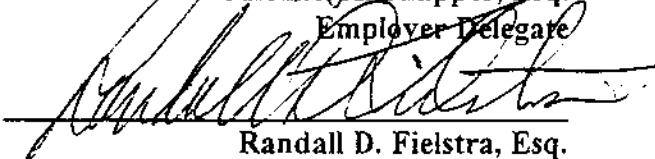
UNION

☐ AGREE

☒ DISAGREE

  
Peter D. Jason  
Arbitrator Chairman

  
Michael A. Snapper, Esq.  
Employer Delegate

  
Randall D. Fielstra, Esq.  
Union Delegate

DATED:

10/24/03