

STATE OF MICHIGAN  
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES  
EMPLOYMENT RELATIONS COMMISSION  
COMPULSORY ARBITRATION PURSUANT TO  
PUBLIC ACT 312, MCL 423.231 *et seq.*

*In the Matter of the  
Compulsory Arbitration between:*

FORSYTH TOWNSHIP

-and-

MERC Act 312 Case No. L01 K-5016

POLICE OFFICERS LABOR COUNCIL

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**APPEARANCES:**

FOR FORSYTH TOWNSHIP:

Laura K. Reilly, Attorney  
Bradford Arnsperger, Chief of Police  
Joseph Minelli, Township Supervisor  
Michael Jakubowski, Township Trustee

FOR POLICE OFFICERS LABOR COUNCIL:

Jessica A. Bray, Attorney  
Thomas E. Kreis, POLC Staff Representative  
William G. Meni, Steward  
Ronald M. Kangas, Alternate Steward

**ARBITRATION PANEL'S FINDINGS, OPINIONS AND ORDERS**

**ARBITRATION PANEL**

George T. Roumell, Jr., Chairman  
Joseph Minelli, Township Delegate  
Thomas E. Kreis, POLC Delegate

**Background**

Forsyth Township is located in Marquette County, Michigan, in Michigan's Upper Peninsula. It is the largest township in Michigan, covering 1,450 square miles, including an area that constituted the former Sawyer Air Force Base. The Township has a police department consisting of the Chief of Police, one Sergeant, two Corporals and three Patrol Officers working

on a full-time basis. The Sergeant, Corporals and Patrol Officers are represented by the Police Officers Labor Council.

The Council and the Township had a Collective Bargaining Agreement which, by its terms, expired March 31, 2002. The parties negotiated for a successor agreement but could not reach agreement and, therefore, engaged in a mediation meeting on April 29, 2002.

Having not reached agreement following mediation, on May 15, 2002 the Council petitioned for Act 312 arbitration, setting forth the issues as follows:

Union Issues

Article IX - Vacations  
Article XII - Insurance  
Article XII - Retiree Insurance  
Article XIII - Pension  
Duration  
Wages

Employer Issues

Article XII - Insurance  
Article XV - Promotions and Vacancies  
Duration  
Wages

Prior and subsequent to filing the Petition for Arbitration, the parties reached certain tentative agreements including agreement as to two issues that were listed as pending issues in the Petition for Arbitration, namely, Article IX, Vacations, and Article XV, Promotions and Vacancies. By the time of the hearing before the arbitration panel on January 5, 2004, the synopsis of the updated issues between the parties were listed as follows:

Issue	Contract	Union	Employer
Art. XII Page 14 Health Insurance	PPO 2 BCBS  Employer pays all premium increases up to 5% in one year.	PPO 2 BCBS  Status quo but cap monthly premium at \$100 for employees	PPO 2 BCBS  Status quo but cap monthly premium at \$110 for employees
Active Employees	Premium increases above 5% per year shared 50/50 by employer and employee		

Retirees	None	Employer pays 100% of single subscriber premium rate until age 65 or Medicare for coverage same as active employee; retiree pays all premium increases after time of retirement	No; status quo
Art. XIII Page 14 Retirement	MERS B-4 FAC 3 E-2 F-60/10 rider Had 20 year window in 2001	MERS B-4 FAC 3 E-2 F-55/25 rider	MERS B-4 FAC 3 E-2 F-55/30 rider
Wages Page 21	4%/4%/2%	5%/5%/5%	3%/2%/2%
Duration Page 20 *Noneconomic issue*	4 years with reopener in 2001 04/01/98-03/31/02	3 years 04/01/02-03/31/05  Retroactive as to all economic benefits	3 years 04/01/02-03/31/05  Retroactive as to wages only; no retroactivity for employees whose employment ceased during retroactivity period (4/01/02 to contract execution date)

### **Act 312 Public Policy and Criteria**

Section 1 of Act 312 of Public Acts of 1969, MCL 423.23 *et seq* sets forth the public policy as to compulsory arbitration in police disputes:

It is the public policy of this state that in public police and fire departments, where the right of employees to strike is by law prohibited, it is requisite to the high morale of such employees and the efficient operation of such departments to afford an alternate, expeditious, effective and binding procedure for the resolution of disputes, and to that end the provisions of this act, providing for compulsory arbitration, shall be liberally construed.

In promoting this public policy, the legislature of the State of Michigan, in Section 9 of

Act 312, has provided for certain criteria to be followed by an Act 312 Arbitration Panel in arriving at their findings, opinions and orders. Section 9 reads:

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 ages, 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 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.

Essentially, these criteria address the cost of living, the financial ability of the governmental unit to fund the orders, and comparables both internally and with other similarly situated public and private employers in the geographical area involved. There is also Section 9(h) which references additional criteria followed by fact finders.

Among these additional criteria is the bargaining history. The bargaining history not only means the current bargaining history between the affected parties, but also the parties' previous bargaining history. This criteria becomes most important here.

Another criteria utilized by fact finders is what has been called the "art of the possible." The "art of the possible" in concept means that if the parties were left to their own devices and the public employees involved had the right to strike, as a strike deadline loomed, faced with both internal and external pressures, the parties would attempt to compromise in order to avoid a disruption in public service. The concept is that the parties would review their respective positions and attempt to reach a resolution for the art of the possible is the essence of compromise.

Concomitant with the art of the possible is the recognition that binding arbitration under Act 312 is a substitute for a strike. The Arbitration Panel's function is to issue orders to resolve, based upon the criteria, the underlying contractual disputes. As directed by the legislature, the Panel will follow the criteria outlined above where applicable.

Furthermore, Section 8 of the Act provides, in part:

At or before the conclusion of the hearing held pursuant to section 6, the arbitration panel shall identify the economic issues in dispute, and direct each of the parties to submit, within such time limit as the panel shall prescribe, to the arbitration panel and to each other its last offer of settlement on each economic issue....

### **The Issues**

As of the date of the hearing, the issues separating the parties are as set forth in the synopsis outlined under "Background," namely, active employees' health insurance, retirees' health insurance, pension, duration and wages.

### **The Comparables**

The parties are in agreement concerning the following comparables: Iron Mountain, Ishpeming, Marquette, Munising and Negaunee. The Township would include Chocolay Township whereas the Council would include Rogers City and Tuscarora Township, both located in the Lower Peninsula. With the exception of Chocolay and Tuscarora Townships, the comparables are the city form of government. In the view of the Chairman, Chocolay Township may not be a proper comparable because that township has no collective bargaining relationship. Rogers City may not be appropriate because it is in the Lower Peninsula, as is the case with Tuscarora Township.

Nevertheless, for the purposes of analysis, the Chairman will consider all of the comparables proposed because two proposed by the Council, Rogers City and Tuscarora, and one proposed by the Township, Chocolay Township, are small departments as compared to the 42-member force in Marquette and the ten-member force in Negaunee. Ishpeming has seven officers whereas Rogers City has five; Tuscarora Township has six; Iron Mountain has four command officers, three corporals and seven police officers; and Chocolay Township has four full-time officers; Munising has five full-time officers. None of the townships or cities cover the geographical area of Forsyth Township.

The general statistics of each of the comparables are as follows:

Municipality Comparison

	<u>Entity</u>	<u>County</u>	<u>Population</u>	<u>SEV</u>	<u>Millage Rate</u>
Chocolay Twp.	Township	Marquette	7,148	150,246,394	
Forsyth Twp.	Township	Marquette	4,824	126,137,728	6.45%
Ishpeming	City	Marquette	6,686	81,245,250	13.3257%
Iron Mountain	City	Iron	8,154		
Marquette	City	Marquette	19,661	478,207,700	
Munising	City	Marquette	2,539		
Negaunee	City	Marquette	4,576	66,499,300	20.626%
Rogers City	City	Presque Isle	3,642		
Tuscarora Twp.	Township	Cheboygan	3,091	247,911,650	3.8546%*

\*special police assessment

In 2003, a comparison of the general operating budgets amongst the comparables revealed:

Comparison of General Operating Budgets and  
Police Dept. Budgets of Various Municipalities

	<u>Entity</u>	<u>County</u>	<u>General Operating Budget</u>	<u>Police Dept. Budget</u>	<u>Police Dept. as % of Total GO Budget</u>
Chocolay Twp.	Township	Marquette	1,435,141	235,684	16.42%
Forsyth Twp.	Township	Marquette	1,540,918	467,000	30.30%
Ishpeming	City	Marquette	3,511,010	633,010	18.03%
Iron Mountain	City	Iron	*	*	*
Marquette	City	Marquette	15,545,112	3,090,465	19.88%
Munising	City	Marquette	1,794,578	430,679	24.00%
Negaunee	City	Marquette	3,913,271	678,331	17.33%
Rogers City	City	Presque Isle	*	*	*
Tuscarora Twp.	Township	Cheboygan	*	*	*

\*Not available

The purpose of comparables, as set forth in the Section 9 criteria, is to obtain some gauge of the economics of the marketplace. In other words, comparables set forth the value of police service in the relevant geographic area.

### The Bargaining History

Several exhibits were presented as to wage comparisons which, besides comparing the wages in the comparable communities to Forsyth, also give some bargaining history prior to the March 31, 2002 expiration of the parties' contract. The percentage increase history is revealed in Union Exhibit 5:

<u>Patrolman</u>	<u>Percentage Increase History</u>					
Unit	1999	2000	2001	2002	2003	2004
Iron Mountain	3.01%	2.99%	5.61%	3.52%	exp. 6/30/03	
Ishpeming	2.64%	1.54%	3.61%	3.00%	1.48%	exp. 12/31/03
Marquette	2.96%	2.99%	4.02%	3.00%	3.02%	exp. 6/30/04
Munising	4.50%	5.10%	3.40%	3.50%	exp. 9/30/02	
Negaunee	3.02%	2.99%	3.03%	3.00%	3.03%	exp. 12/31/03
Rogers City	3.00%	3.00%	3.50%	3.00%	exp. 6/30/03	
Tuscarora Twp.	3.00%	3.00%	3.50%	3.50%	3.50%	exp. 6/30/04
AVERAGE	3.16%	3.09%	3.81%	3.22%	2.76%	
Forsyth Twp (U/P)	4.00%	4.00%	2.00%	5.00%	5.00%	5.00%
Forsyth Twp (E/P)	4.00%	4.00%	2.00%	1.00%	1.00%	exp. 3/31/04

This exhibit was prepared based upon the Council's position at arbitration of a 5% increase for 2002, 2003 and 2004 and, apparently the Township position at one time of a 1% increase. The Chairman recognizes that there were changes in at least the Township's position at the arbitration hearing.

The Township presented its Exhibit 11, shown below, which reflected a 3%, 2% and 2% increase for 2002, 2003 and 2004 respectively, as well as making reference to the Consumer Price Index which is one of the criteria set forth in Section 9:



Wage to Consumer Price Index (CPI) Comparison

Patrolman-Wage-By Percentage (%)

	1999	2000	2001	2002	2003	2004	Average (cumulative)
Forsyth Twp Union Proposal	4.00%	4.00%	2.00%	5.00%	5.00%	5.00%	4.00%
Forsyth Twp Employer Proposal	4.00%	4.00%	2.00%	3.00%	2.00%	2.00%	3.00%

Sergeant-Wage-By Percentage (%)

	1999	2000	2001	2002	2003	2004	Average (cumulative)
Forsyth Twp Union Proposal	4.00%	4.00%	2.00%	5.00%	5.00%	5.00%	4.00%
Forsyth Twp Employer Proposal	4.00%	4.00%	2.00%	3.00%	2.00%	2.00%	3.00%

Consumer Price Index (CPI)-By Percentage (%)

	1999	2000	2001	2002	2003	2004	Average (cumulative)
March to March	1.7%	4.0%	2.8%	1.2%	3.2%	N/A	2.58%
June to June	1.9%	3.9%	3.2%	0.7%	2.1%	N/A	2.36%

In terms of dollars and wages, the Township presented its Exhibit 1 based upon the 3%, 2% and 2% wage increase, as follows:

Patrolman-Wage Comparison  
(as of July 01 each year)

	1998	1999	2000	2001	2002	2003	2004
Chocoday Twp Patrol I (senior)	31,487	32,432	33,567	34,742	35,958	37,217	37,217
Ishpeming	31,491	32,323	32,822	34,008	35,027	35,527	exp. 12/31/03
Munising	28,101	29,370	30,864	31,928	33,051	exp. 9/30/02	
Negaunee	31,720	32,677	33,654	34,674	35,714	36,795	exp. 12/31/03
Tuscarora Twp.	30,659	31,579	32,526	33,661	34,839	36,058	exp. 6/30/04
AVERAGE	31,091	32,076	33,087	34,203	35,318	36,905	37,217
Forsyth Twp. Union Proposal	28,642	29,786	30,971	31,950	33,170	34,828	36,569
Employer Proposal	28,642	29,786	30,971	31,590	32,538	33,189	33,853

**Patrolman-Wage Comparison-by Percentage (%)**

	1999	2000	2001	2002	2003	2004	Average (cumulative)
Chocolay Twp							
Patrol I (senior)	3.00%	3.50%	3.50%	3.50%	3.50%	0.00%	2.83%
Ishpeming	2.64%	1.54%	3.61%	3.00%	1.48%	exp. 12/31/03	2.45%
Munising	4.50%	5.10%	3.40%	3.50%	exp. 9/30/02		4.13%
Negaunee	3.02%	2.99%	3.03%	3.00%	3.03%	exp. 12/31/03	3.01%
Tuscarora Twp.	3.00%	3.00%	3.50%	3.50%	3.50%	exp. 6/30/04	3.30%
AVERAGE	3.23%	3.23%	3.41%	3.30%	2.88%	0.00%	2.68%
Forsyth Twp.							
Union Proposal	4.00%	4.00%	2.00%	5.00%	5.00%	5.00%	4.17%
Employer Proposal	4.00%	4.00%	2.00%	3.00%	2.00%	2.00%	2.83%

In terms of wages, also presented was a comparable of the sergeants' compensation as shown in Township Exhibit 4:

**Sergeant-Wage Comparison-by Percentage (%)**

	1999	2000	2001	2002	2003	2004	Average (cumulative)
Chocolay Twp	3.00%	3.50%	3.50%	3.50%	3.50%	0.00%	2.83%
Ishpeming	2.43%	1.54%	3.62%	2.98%	1.48%	exp. 12/31/03	2.33%
Munising	4.50%	3.10%	3.50%	3.50%	exp. 9/30/02		3.65%
Negaunee	3.01%	3.03%	3.00%	3.02%	2.99%	exp. 12/31/03	3.01%
Tuscarora Twp.	3.00%	3.00%	3.50%	3.50%	3.50%	exp. 6/30/04	3.30%
AVERAGE	3.19%	2.83%	3.42%	3.30%	2.87%	0.00%	2.60%
Forsyth Twp.							
Union Proposal	4.00%	4.00%	2.00%	5.00%	5.00%	5.00%	4.17%
Employer Proposal	4.00%	4.00%	2.00%	3.00%	2.00%	2.00%	2.83%

Union Exhibit 7 is a Sergeant wage comparison by dollar amount:

**Base Wage Comparison - Sergeant**

Sergeant Unit	Base Wage History (7/1 of each year)						
	1998	1999	2000	2001	2002	2003	2004
Iron Mountain		32,873	33,550	34,549	36,462	37,731	exp. 6/30/03
Ishpeming	34,278	35,110	35,651	36,941	38,043	38,605	exp. 12/31/03
Marquette	39,562	40,747	41,974	43,659	44,970	46,322	exp. 6/30/04
Munising	28,995	30,306	31,262	32,344	33,467	exp. 9/30/02	
Negaunee	35,256	36,317	37,419	38,542	39,707	40,893	exp. 12/31/03
Rogers City	No comparable rank			34,682	35,730	exp. 6/30/03	

Tuscarora Twp.	33,725	34,737	35,779	37,031	38,327	39,669	exp. 6/30/04
AVERAGE	34,115	35,128	36,106	37,094	38,282	41,372	
Forsyth Twp. U/P	29,952	31,158	32,406	33,054	34,707	36,442	38,264
Below Average U/P	4,163	3,970	3,700	4,040	3,575	4,930	
Forsyth Twp. E/P	29,952	31,158	32,406	33,054	33,385	33,718	exp. 3/31/04
Below Average E/P	4,163	3,970	3,700	4,040	4,897	7,654	

This sergeant wage history is based upon the same percentage increases given to patrol officers as have been given by the Township in past years. The history also is based upon a 1% and 1% for 2002 and 2003, which was not the Township's position at the 312 arbitration hearing.

There is an exhibit applying to patrolmen which addresses economic compensation as to all areas of compensation between the comparables and Forsyth Township, namely, Union

Exhibit 6:

#### Economic Compensation Comparison - Patrolman

Unit	Base Wage	Educ Incen.	Longevity	Shift Premium	Uniform/Cleaning	Gun Allow	Total
Iron Mountain	36,088	0	2,887 <sup>1</sup>	400	provided	315	39,690
Ishpeming	35,027	0	425	416	120	0	35,988
Marquette	39,957	300	460	659	520	0	41,896
Munising	33,051	0	0	661	provided	0	33,712
Negaunee	35,714	0	450	416	provided	0	36,580
Rogers City	34,029	0	0	0	300	0	34,329
Tuscarora Twp	34,839	0	0	243	300	0	35,382
AVERAGE							36,797
Forsyth Twp U/P	33,170	0	600	554	150	0	34,474
Below Average (U/P)							2,323
Forsyth Twp E/P	31,906	0	600	554	150	0	33,210
Below Average (E/P)							3,587

When one analyzes these comparables in terms of total economic compensation (exclusive of retirement and health insurance and paid leave), it would seem that Forsyth Township, having a \$600 longevity payment and a shift premium as well as a uniform allowance, fares favorably. The longevity payment does not equal that of Iron Mountain, but is the second

highest among the comparables. The Township's shift premium is not the lowest but, rather, is among the top three. As to the uniform allowance, it seems that with the exception of Ishpeming, there is no community lower than Forsyth. Iron Mountain is the only comparable having a gun allowance.

The point is that, in terms of monetary benefits other than wages, the Township is comparable and, for this reason, the Chairman concentrates on base wages for the patrolmen, which also reflect on the sergeant figures.

There is another phenomena. As the parties begin the comparables in 1999, all of the comparables including Chocolay Township paid patrolmen, with the exception of Munising and Forsyth, approximately at least \$31,000 annually. Rogers City was at \$30,971. Despite percentages ranging from 3% top 3.5%, Chocolay Township seemed to be competitive with the average wage package based upon the settled contracts through 2003, paying \$38,676 versus the average at \$37,391, which included Forsyth.

What the figures show is that in 1999, there were two communities among the comparables below \$31,000, namely, Munising at \$29,370 and Forsyth at \$29,786, respectively. Note what occurred in Munising. From the period 1999-2001, Munising increases totaled 13% so that by the time 2001 rolled around, Munising was paying \$31,928 versus Forsyth's \$31,590. It is true that the total compensation in Munising was \$33,712 versus Forsyth Township's total compensation of \$34,474. The difference seemed to be that Munising did not have longevity pay, as did Forsyth. There was also a difference in the uniform allowance in that Munising provided uniform cleaning whereas Forsyth paid a \$150 uniform allowance. The point the Chairman makes is that Munising, with its 13% increase versus Forsyth's 10%, though starting

out lower than Forsyth in 1999, had exceeded the Forsyth base wage by 2001.

Then there are the monetary averages, recognizing that among the comparables there are cities and townships that were paying in the \$33,000-34,000 range by 2002, causing an average of \$34,422 which meant that Forsyth was approximately \$2,832 below the average for patrol officers in 2002.

The sergeant's wages showed a similar comparison. By 2001, a sergeant in Forsyth was making approximately \$4,040 less than the average. However, a sergeant in Forsyth, as contrasted to a patrol officer, was making about \$700 more than the Munising sergeant. The reason the Chairman has focused on Munising is because of where Munising and Forsyth were in 1999 – both were substantially below the average for that year in base wages.

The Chairman recognizes that on a March-to-March basis, the Consumer Price Index rose 8.5% between 1999 and 2002, suggesting that both Munising and Forsyth actually gave wage increases in excess of the cost of living. This is also true of some comparables of other communities when one recognizes that during that period, such as Rogers City, which paid 9.5%, and Tuscarora Township likewise paying 9.5%. Iron Mountain paid 11.61%. On the other hand, some communities such as Ishpeming paid an increase of only 1.54% in 2000, whereas, as noted, Munising paid 5.10% in 2000. But the point is that, among the comparables, Forsyth at 10% and Munising at 13% between 1999 and 2001 were among the higher percentage-wise paying communities.

This analysis suggests that, with some of the comparable communities pushing a \$34,000-36,000 salary range in 2000, with Marquette being at \$39,957, the lower paid communities such as Munising and Forsyth needed some catch-up in wages to be competitive

with the relevant marketplace for police officers wage-wise. Even the Township recognized this in the 1999 Agreement because it paid a percentage increase slightly above the average, namely 10%, versus an average of 9.87%. The other lower paid community, Munising, paid 13%.

The Union's last best offers as to wages, based on a three year contract, is as follows:

Year #1 - effective April 1, 2002 - 3.5% across the board wage increase  
 Year #2 - effective April 1, 2003 - 3.5% across the board wage increase  
 Year #3 - effective April 1, 2004 - 5% across the board wage increase

Retroactivity. The Union proposes that the wage increase be fully retroactive.

The Township's last best offer is as follows:

The following wages shall be in effect during the term of this Agreement for all employees hired prior to July 1, 2002:

<u>Effective</u>	<u>04/01/02*</u>	<u>04/01/03†</u>	<u>04/01/04**</u>
Patrolman	15.57	15.96	16.76
Corporal	15.91	16.31	17.13
Sergeant	16.29	16.70	17.54
Fill in for police chief	16.66	17.08	17.93

\* A 2.5% increase

† A 2.5% increase

\*\* A 5% increase

For employees hired after July 1, 2002, the following wage table shall apply:

<u>Effective</u>	<u>04/01/02*</u>	<u>04/01/03†</u>	<u>04/01/04**</u>
Start	12.44	12.75	13.39
After 6 months	12.92	13.24	13.90
After 1 year	13.54	13.88	14.57
After 2 years	14.70	15.07	15.82
After 3 years	15.57	15.96	16.76

\* A 2.5% increase

† A 2.5% increase

\*\* A 5% increase

The employer may hire individuals and place said individuals at a pay rate other than the start rate, but less than the 'after 3 years' rate based upon experience and qualifications. No new hire shall be placed at the

'after 3 years' rate prior to attaining three (3) years of employment with the Forsyth Township Police Department.

In addition to the stated hourly rates above, the following shift premiums shall apply to those personnel assigned to shift duty.

Afternoon shift - additional \$.25 per hour  
Night shift - additional \$.30 per hour

Employees whose work requires them to work on Sunday shall receive a Sunday premium of \$2.00 per hour which will be added to the hourly rate of pay.

The Chairman of the Panel considers the offers made are both conditioned on a three year agreement, commencing April 1, 2002. The Chairman concludes that, for the purposes of last best offer, the offers made on an annual basis are three separate offers based upon each of three separate years. This is the usual practice among Act 312 arbitration panels.

It is noted that, percentage-wise, the parties are in agreement that during the third year of the contract the increase should be 5% across the board in each category, namely, patrolman, corporal, sergeant and fill-in for chief of police, and that the same would apply for employees hired after July 1, 2002.

In reviewing the last best offers in conjunction with the comparables, the view of the Chairman is that the comparables support the last best offer of the Police Officers Labor Council in each of the three years, 2002, 2003 and 2004, namely, a 3.5% across the board increase beginning April 1, 2002, a 3.5% across the board increase beginning April 1, 2003, and a 5% across the board increase beginning April 1, 2004. This means that the patrolman, corporal and sergeant as well as the fill-in for police chief personnel should be increased at the above percentages, which would also apply to those employees hired after July 1, 2002.

The prior Agreement referred to a new employee hire date was after July 1, 1998. It

would seem appropriate that the new employee hire date be changed as set forth in the last best offer of the Township, namely July 1, 2002.

The other provisions in Schedule A, "Wages," as to afternoon shift, night shift, Sunday premium and the provision for employees hired at other than the start rate, will continue as in the previous contract.

Accepting the last best offer of the Union, which the Chairman opts to adopt with the concurrence of the POLC delegate, will result in an annualized patrolman rate effective April 1, 2002 of \$32,695; effective April 1, 2003, \$33,839; and effective April 1, 2004, \$35,531.

The parties have respectively presented their own views of the base wage history. The POLC has presented a base wage history excluding Chocolay Township but including Rogers City, Marquette. The Township has presented its patrol officer wage comparison excluding Marquette and Rogers City but including Chocolay Township. One can understand the exclusion of Marquette because its wages are the highest in the area and tend to skew the average. The same could be said about Chocolay Township, although not to the same degree. For example, Marquette, in 2003, is paying its patrol officers \$41,163 whereas in Chocolay Township, the amount paid is \$37,217.

The point the Chairman makes is, using the Union's chart, between 1998 and 2001, the amount that Forsyth Township was below the average was as follows: 1998, \$2,549; 1999, \$2,383; 2000, \$2,183; 2001, \$2,832. With a 3.5% raise for 2002, Forsyth would be \$2,834 below the average; with a 3.5% increase, in 2003 it would be \$3,552 below the average. Both figures represent a wider spread than any previous figure. This suggests that the 3.5% increase for the first two years and a 5% increase in the third year would be the appropriate rate. Using



the comparables suggested by the Township with the 3.5% and 3.5% for 2002 and 2003, the figures come out as follows, with the Township still being below the average: 1998, \$2,449; 1999, \$2,290; 2000, \$2,116; 2001, \$2,613; 2002, \$2,623; 2003, \$3,066. This suggests that the 3.5% increase for 2002 and 2003 as well as 2004 is consistent with the averages over the years when compared to the wages at Forsyth. Although it is difficult to gauge the average for 2004 since there is only one settlement for that year, the fact that with the 3.5% increase for each of 2002 and 2003 ends up with Forsyth being \$3,066 below the average, the highest spread since 1999, it would seem that consistent with a spread that went as low as \$2,116 in 2000, a 5% increase in 2004 is consistent with the comparables. To adopt the Township's last best offer of 2.5% for each of the first two years would further skew this comparable rate and place Forsyth further below the averages.

Compare this with Munising. Beginning in 1998, Munising was \$542 ahead of Forsyth, recognizing that Munising and Forsyth were the lowest paid departments in the group compared. By 2001, Munising was paying \$338 more than Forsyth. In 2002, with the 3.5% across the board increase, Munising would still be \$356 ahead of Forsyth. Munising's contract is not settled for 2003 or 2004. Assuming the Munising settles at 3% for each of the three years, recognizing that in the compared group, there have only been isolated examples of settlements below 3% and that Munising itself has never settled in the immediate past for less than 3.40% (2001) and, in 2002, settled for 3.5%. This would mean that Munising would have, in 2003, a rate of \$34,043, or \$204 difference. In 2004, Munising would be at \$35,065 versus Forsyth at \$35,531 with Forsyth patrolman wages being \$466 higher than Munising. In 1998, Forsyth was \$543 higher than Munising. Thus, this comparable is in keeping with past history. If Munising is consistent with

its past history, a 3% increase would seem low, suggesting that Munising could very well be on par with Forsyth or which would actually put Munising ahead of Forsyth.

On this point, if Munising for either of 2003 or 2004, following its past history of 3.5% for 2002, gave an increase of 3.5% for example in 2004, the wage increase in Munising would be \$35,235 – very close to Forsyth. If in fact Munising gave a 3.5% increase in 2003 and 2004, by 2004 the wage rate for a patrol officer in Munising would be \$35,404, almost on dead heat with Forsyth.

When analyzing the last best offer of the Union – 3.5%, 3.5% and 5% – based upon the below average would leave Forsyth, at least for 2002 and 2003, with the range of its below average between 1998 and 2001 with a high of \$2,832, but usually between \$2,549 and as low as \$2,183. By 2003, the below average jumps to \$3,066, which is the highest below average figure at least since 1998, highlighting that the 3.5%, 3.5% and 5% figure is consistent with the comparables.

The second check on this proposition is the comparison with Munising as discussed above. It is based upon these conclusions that the Chairman, along with the Delegate of the Police Officers Labor Council, will adopt an order accepting the last best offer of the Labor Council for each of the three years. Likewise, the Chairman, joined by the Labor Council Delegate, and presumably by the Township Delegate, will opt for the July 1, 2002 language as to new hires, but calculated at the 3.5%, 3.5% and 5% figure across-the-board. The 3.5%, 3.5% and 5% wage increase will be across-the-board in each category as well as the increases for the new employees.

### Health Insurance – Active Employees

Initially, the contract expiring on November 30, 2002, Article XII, "Insurance," Section 1, provided:

The Employer will pay the cost of health insurance for those full-time employees and their dependents not covered by other policies. The plan shall be the Blue Cross/Blue Shield PPO Option I with the Dental Plan A. The Employer agrees to pay all increases in the premium of the health insurance up to 5% in any one year. If premiums increase above 5% in any one year, the amount in excess of 5% shall be paid equally by the Employer and the employee. In the event that an employee is not or chooses not to subscribe to the health insurance through the Employer, said employee shall be paid the sum of one thousand dollars (\$1,000.00) per year pro rated for each month of the preceding year that the employee has not been enrolled in the health insurance plan. This sum will be paid to the employee on the first regular pay after April 1, of each year.

Pursuant to this provision, employees shared in any premium increases over 5% in any one year on an equal basis with the Employer. There was no cap on the amount of co-pay for premiums under this provision.

It is also noted that the initial insurance plan was Blue Cross/Blue Shield PPO Option I with Dental Plan A.

Following the 2001-2002 year, the Township has experienced increasing costs in its health insurance premiums, as set forth below:

#### **FORSYTH TOWNSHIP POLICE BCBS HEALTH INSURANCE COST SUMMARY CATEGORY PREMIUM INCREASES**

	2001-2002	2002-2003	% Increase	2003-2004	% Increase	Average % Increase
Single	308.58	385.74	25.00%	433.42	13.00%	19.00%
Couple	648.29	810.06	25.00%	962.38	19.00%	22.00%
Family	725.24	906.48	25.00%	1140.46	26.00%	25.50%
Couple + Continuance	802.58	1002.94	25.00%	1179.11	18.00%	21.50%

**FORSYTH TWP. POLICE DEPT. ACTUAL PREMIUM INCREASES**

	2001-2002	2002-2003	% Increase	2003-2004	% Increase	Average % Increase
Family	725.24	906.48	25.00%	1140.46	26.00%	25.50%
Family	725.24	906.48	25.00%	1140.46	26.00%	25.50%
Couple	648.29	810.06	25.00%	962.38	19.00%	22.00%
Couple	648.29	810.06	25.00%	962.38	19.00%	22.00%
Couple + Continuance	802.58	1002.94	25.00%	1179.11	18.00%	21.50%

These increasing costs impacted both on the Township as well as the Officers for, with increases in the range of 25% in 2001-2002, the co-pay provisions for premiums have kicked in.

As a result, the issue of insurance has been an object of the impasse between the parties.

This dispute is against a background of the active employee health insurance provided in the comparables as follows:

	Coverage	Prescriptions	Premiums
Chocolay Twp.	PPO 2 BCBS	\$10/\$20	Fully paid by Employer
Ishpeming	PPO 1 MEBS	\$10/\$20	Fully paid by Employer
Munising	PPO 6 BCBS	\$10/\$20*	Fully paid by Employer
Negaunee	PPO 4 BCBS with gap coverage, equaling PPO 1	\$10/\$20**	Fully paid by Employer
Tuscarora Twp.	PPO 1 BCBS	\$5	Fully paid by Employer
Forsyth Twp <i>Current</i>	PPO 2 BCBS	\$10/\$20	Employer pays all premium increases up to 5% in one year. Premium increases above 5% per year shared 50/50 by employer and employee
Forsyth Twp <i>Union Proposal</i>	PPO 2 BCBS	\$10/\$20	Status quo but cap monthly premium at \$100 for employees

Forsyth Twp <i>Employer Proposal</i>	PPO 2 BCBS	\$10/\$20	Status quo but cap monthly premium at \$110 for employees
Iron Mountain	BCBS Comm Blue PPO Opt 2	\$10	Employees pay \$0.10 per hour
Marquette	BCBS Comm Blue PPO Opt 1	\$10/\$20	Employees pay \$15 p/p ingle, \$20 p/p couple and \$25 p/p family
Rogers City	BCBS Comm Blue PPO Opt 1	\$15/\$30** *	Fully paid by Employer

\* Employer reimbursement of \$10 if non-generic not available or is doctor-prescribed.

\*\* Self-funded to \$5/\$10.

\*\*\* With employer reimbursement of copay exceeding \$10 provided generic not available or non-generic ordered by physician.

What these comparables indicate is that the insurance plan varies among the comparables.

There is not necessarily a common plan utilized by all the comparables. Of the eight comparables, six provide that the insurance is fully paid by the employer. But it is noted, for instance, that in Munising, in which the employer does pay the insurance, the plan is a Blue Cross/Blue Shield Community Blue PPO Plan 6, which the Chairman takes notice has more deductibles to be paid by the employee upon use than the plans being proposed by both the POLC and Forsyth Township for the contract in dispute here. The same can be said for the Negaunee plan.

It is further noted that at least two of the compared communities, Iron Mountain and Marquette, provide for employee contribution in one form or another toward premiums.

In reviewing the previous Agreement between the parties as to health care insurance for active employees, the increasing costs of insurance premiums and the comparables that health care insurance for active employees have become a major concern for the parties. From the

Township's perspective, increases ranging from 18% to 26% in the Police Department impact on the Township's finances. From the Officers' viewpoint, the increases impact on co-payments and reduce the Officers' spendable income, irrespective of pay raises.

The last best offer of the POLC as to health insurance for active employees is to amend Article XII, Section 1 to read:

The Employer will pay the cost of health insurance for those full-time employees and their dependents not covered by other policies. The plan shall be the Blue Cross/Blue Shield PPO Option 2 with the Dental Plan A. The Employer agrees to pay all increases in the premium of the health insurance up to 5% in any one year. If premiums increase above 5% in any one year, the amount in excess of 5% shall be paid equally by the Employer and the employee until the employee contribution reaches a maximum of \$100 per month after which the Employer shall pay all further premium. In the event that any employee is not or chooses not to subscribe to the health insurance through the Employer, said employee shall be paid the sum on one thousand dollars (\$1,000.00) per year pro rated for each month of the preceding year that the employee has not been enrolled in the health insurance plan. This sum will be paid to the employee on the first regular pay after April 1, or each year.  
(Emphasis in original.)

The last best offer of the Township is to amend Article XII, Section 1, to read:

The Employer will pay the cost of health insurance for those full-time Employees and their dependent not covered by other policies. The plan shall be the Blue Cross/Blue Shield PPO 2 with Dental Plan A, or similar coverage. The choice of carriers and contracts is at the Employer's discretion, provided that benefits remain comparable to those currently provided.

The Employer agrees to pay all increases in the premium of the health insurance up to 5 percent in any one year. If premiums increase above five (5) percent in any one year, the amount in excess of five (5) percent shall be paid equally by the Employer and the Employee, except that the portion of the premium paid by the Employee shall not exceed one hundred ten dollars (\$110.00) per month, and in such case the Employer will pay the remainder of the premium in excess of the Employee's one-hundred-ten-dollar (\$110.00) monthly share.

In the event that an Employee does not subscribe to the health insurance through the Employer, said Employee shall be paid the sum of

one thousand dollars (\$1,000.00) per year prorated for each month of the preceding year that the Employee has not been enrolled in the health insurance plan. This sum will be paid to the Employee on the first regular payday after April 1 of each year.  
(Emphasis supplied by Chairman.)

Both parties have agreed that the plan should be a Blue Cross/Blue Shield PPO 2 with a Dental Plan A. In fact, on September 5, 2001, the parties did enter into a Memorandum of Amendment for the third year of the contract expiring on March 31, 2002, whereas, as to health care insurance for active employees, the parties agreed:

As soon as practical after the signing of this document, Article XII, Section 1, shall be amended to reflect that the Health Care Plan will be changed to the Blue Cross Blue Shield Community Blue PPO Option 2, with a \$10 generic, \$20 brand name prescription co-pay with mail order provision. This will result in a savings which will place the employee premium co-pay at zero dollars during the term of the health care contract as the rates are guaranteed through Sept. of 2002. Dental, Optical and other coverages to remain the same, as does other existing language.

This represented a change to a Blue Cross/Blue Shield Community Blue PPO Option 2 with the recognition that it was intended to be a savings "which will place the employee premium co-pay at zero dollars during the term of the health care contract as the rates are guaranteed through Sept. of 2002." Thus, both last best offers continue the Blue Cross/Blue Shield Community Blue PPO Option 2 with the Dental Plan A. However, the parties have also both agreed to place a cap on the maximum premiums that employees will pay beyond an increase of 5%, with the Employer opting for \$110.00 per month and the employees \$100.00 per month. There is also an added provision in the Township's last best offer as emphasized above, namely, the Township reserves the right to change the carriers and contracts "provided that benefits remain comparable to those currently provided." There is also a reference to "Dental Plan A or similar coverage."

Obviously, this provision is an attempt to invoke further cost savings provided there is no

change in benefits.

This is where the bargaining history criteria comes into play, along with the comparables. As observed, the comparables suggest there are variations in the plans. There are some plans such as the PPO 1, but there are other plans less generous as the PPO 6. Given this phenomena, and recognizing that the parties have both opted for PPO 2 based upon their Amendment in September 2001, it would seem that also providing the option to change plans, but with the same or similar benefits, is consistent with the comparables and the bargaining history between the parties, namely, to have plans that provide benefits to the employees at current levels, but to use techniques to contain costs.

As between the \$100.00 cap and the \$110.00 cap, the Chairman will opt for the Employer's last best offer. The reason for this is that the parties are coming off a contract without any cap. Given the bargaining history, recognizing that the POLC has prevailed as to wages, and recognizing that this is a first attempt at a cap, and the provisions of the \$10.00 generic/\$20.00 brand name with a mail order provision, it would seem that the Township's last best offer is more consistent with the parties' bargaining history. It is for these reasons that the Chairman will vote to adopt the last best offer of the Township in all respects, joined by the Township's Delegate. The Delegate for the POLC dissents.

Presently, there have been no health insurance for retirees provisions in the Collective Bargaining Agreements between the Township and the POLC providing for health insurance for retirees. This has become an issue between the parties and has been submitted to the Arbitration Panel for resolution. The eight comparables that the parties have offered as to the health insurance for retirees reveal:



### HEALTH INSURANCE COMPARISON – RETIREES

	Coverage	Premiums
Chocolay Twp	None	
Ishpeming	Coverage for retiree and spouse, same as active employee	Fully paid by employer for first 9 mos. of retirement; employee shall contribute \$28 per pay period, matched by employer, to trust fund to pay part or all of premiums after retirement
Munising	None	
Negaunee	Coverage for retiree up to age 65 same as active employee	Fully paid by employer until age 65; then employer pays for supplemental
Tuscarora Twp	None	
Iron Mountain	Coverage same as active employee for retiree only	If hired before 7/1/97: fully paid by the employer. If hired after 7/1/97: retirees are required to pay premium cost increases in excess of 5% per year.
Marquette	Coverage same as active employee until age 65	Unit 1/Patrolman: employer pays up to \$250 per month. Unit 2/Sgt/Corp/Lt: employer pays up to \$310 per month.
Rogers City	Coverage same as active employee for retiree and spouse for 6 years or until age 65/eligible for medicare coverage; whichever occurs first	Sliding scale premium payments made by employer as follows: 1 <sup>st</sup> yr of ret: 100% paid by employer, 2 <sup>nd</sup> yr of ret: 90% paid by employer, 3 <sup>rd</sup> yr of ret: 80% paid by employer, 4 <sup>th</sup> yr of ret: 70% paid by employer, 5 <sup>th</sup> yr of ret: 70% paid by employer, 6 <sup>th</sup> yr of ret: 65% paid by employer.

Of the eight, three in addition to Forsyth have no provisions for health insurance for retirees. Of the three, two are Townships (Tuscarora and Chocolay Townships) and Munising, which the Chairman noted was the nearest in wage comparisons to Forsyth. Of the remaining five comparables that do provide for retiree health insurance, three (Ishpeming, Marquette and

Rogers City) provide for some form of premium co-pay between the employer and the retiree. Iron Mountain has a co-pay for employees hired after July 1, 1997. Only Negaunee provides for fully paid retiree insurance up to age 65 and then provides a supplement.

The conclusion to be drawn is that, among the comparables that do provide retiree health insurance, all in some form or another, with perhaps the exception of Negaunee, provide for retiree contribution. Against this background, observe the final last best offers of the parties.

The POLC's last best offer is:

Section 4. Retiree Health Care: Employees who retire on or after April 1, 2004, from the Forsyth Township Police Department (other than deferred retirements) shall be covered under the health insurance plan that is in effect for the active members of the department with the Employer paying up to three hundred fifty dollars (\$350.00) per month for the premium. The retiree shall be responsible for any costs over \$350.00 per month. Employer payments shall continue until the retiree reaches the age of 65 years or until Medicare eligibility.

This would be a new section in the contract.

The Township has proposed no change in the current provision, namely, the Township's last best offer does not provide for retiree health care insurance. However, as part of its last best offer addressing the one member of the bargaining unit that is near retirement age, William A. Meni, the Township has offered the following Letter of Understanding:

#### LETTER OF UNDERSTANDING

RE: Labor Agreement, effective April 1, 2002 through March 31, 2005, between the Township Board of Commissioners of Forsyth Township ("Employer") and the Police Officers Labor Council Forsyth Township Police Association ("Union")

It is hereby mutually understood and agreed:

1. Forsyth Township Police officer and Union member William A. Meni ("Meni") has expressed the desire to retire during the term of the above-named Labor Agreement and to receive from the Employer some assistance with health coverage in his retirement prior

to being eligible for Medicare at age sixty-five (65).

2. The Employer does not, and will not, provide any health insurance coverage in retirement for Meni or other Union members. However, the Employer agrees to provide the following payments to Meni upon his retirement, only under the following terms and conditions:

(a) Meni must retire from Forsyth Township at age sixty-two (62). Meni will not receive any of the payments outlined in this Letter of Understanding if he retires from Forsyth Township before or after age sixty-two (62).

(b) The Employer will pay to Meni cash payments of three hundred dollars (\$300.00) per month, beginning the first calendar month after the date of his retirement, and ending the calendar month prior to the month Meni reaches age sixty-five (65).

(c) The timing of a cash payment in any given month is within the discretion of the Employer, but the Employer will make an effort to accommodate Meni if monthly timing of the payment (first week of the month, last week of the month, etc.) is dictated by the purpose for which Meni uses the payment.

(d) The monthly payments outlined in this Letter of Understanding are of the nature of health and welfare payments, which Meni may apply toward his own self-funded health insurance or toward any other purpose of his choice.

(e) It is the responsibility of Meni to keep the Employer informed of his address at and after his retirement. The Employer is not responsible for payments late or missed as a result of an incorrect address.

3. This Letter of Understanding is based on the facts and circumstances of Meni's individual situation and will not serve as precedent for any other situation or contract negotiation, regardless of whether the facts and circumstances are the same or similar. This Letter of Understanding, and the mutual agreement it represents, shall provide no basis for any Union bargaining unit member to claim additional pay or any other benefit, including but not limited to health insurance for active or retired employees, and shall not be considered or referred to as creating, "past practice" or otherwise as binding on the Employer except as specifically herein provided.

The question of retiree health insurance is perplexing when one reviews the comparables

and notices that the compared Townships have not yet adopted retiree health insurance nor has Munising. The thrust of this Opinion is to address wage parity and to recognize the need for some cost containment in health care for active employees. Recognizing that most of the Officers are not near retirement age, and that only one officer is near retirement age, it would seem that the last best offer presented by the Township should be adopted, namely, the Letter of Understanding.

The reason for this is that there are three of the eight communities not providing retiree health care insurance. The others provide for some form of co-pay. It is interesting to note that the highest paid department in the area, Marquette, as to retirees, at least as to patrolmen, does not even pay the \$300.00 being offered by the Township although Marquette does for Command Officers, namely, paying \$310.00 per month. Thus, this is an evolving issue in the contracts among the comparables.

The Letter of Understanding addresses the issue as to the one employee. This contract expires on March 31, 2005 and at that time, presumably, the matter can be revisited. But considering the bargaining history and the comparables and the fact that the Township is prepared to pay \$300.00 per month for one future retiree, which though somewhat less than the \$350.00 that the Labor Council has suggested, does represent a change from the status quo. Furthermore, the Letter of Understanding limits the payments until Mr. Meni reaches 65, which is similar to the Union's last best offer. The disadvantage from the Union's position is that it is not \$350.00 per month and there is not a permanent provision. Yet, considering the bargaining history, the Letter of Understanding represents a change. The Chairman, in reaching this result, also recognizes that the Letter of Understanding refers to past practice. But, in future

negotiations, the parties can negotiate regardless of statements about creating past practices.

Finally, this result is based on the concept of last best offers, namely, that a majority of a panel must opt for one or the other last best offer. Though the Chairman can appreciate the last best offer of the Union of \$350.00 per month, when one comes from ground zero, namely, no provisions, and the comparables do not necessarily support at this point \$350.00 per month, the \$300.00 per month for at least one potential retiree is a beginning and for this reason can be further addressed in the future. The Township's Delegate concurs with the Chairman but does not accept all of the Chairman's rationale. The POLC Delegate dissents.

### **Retirement**

The provisions for retirement are set forth in Article XIII. The current language reads:

The Employer is a member of the Michigan Municipal Employees Retirement System (MERS). All members of this bargaining unit shall be under the MERS retirement system. The MERS benefit Plan B-2 shall be in effect and shall cover all members from their effective date of hire. Effective April 1, 1995, the employee contribution to the retirement plan shall be 3% of compensation. A copy of the resolution adopted by the Township to this effect shall be attached to and made a part of this Agreement. Effective April 1, 2001, the retirement plan shall be upgraded to include the B-4 Benefit plan, the FAC-3 rider and the E-2 rider. Further a window will be opened in on or about April 1, 2001, for a period of 180 days, which will allow any employee with 20 or more years of service to retire regardless of age. Should a window period not be available, the F/55 with 20 years of service rider will be adopted. Employee contributions to the retirement program will be increased to 5% of compensation effective April 1, 2001.

This current language is to be compared to the comparables. The comparables as to pensions reveal:

### PENSION COMPARISON

Unit	Annuity Factor	Maximum Benefit	Eligibility	Employee Contribution	FAC	Post Ret. Escalator	Plan
Iron Mountain	2.50%/1.0 % or 2.80% for 25 yrs	Unlimited/ 70%	50/25/ or 60/0	5.00%	3/10	No	Act 345
Ishpeming	2.50%/1.0 %	Unlimited	50/25 or 60/0	5.00%	3/10	No	Act 345
Marquette	2.5%/1.5%	Unlimited	50/25	0.00%	3	No	Act 345
Munising	2.50%	80.00%	60/10 or 55/25	0.00%	FAC-5	Yes; E-2	MERS
Negaunee	2.90%/1.0 %	Unlimited	50/25 or 60/0	5.00%	5/10	No	Act 345
Rogers City	2.50%	80.00%	55/25	2.30%	FAC-5	Yes; E-2	MERS
Tuscarora Twp	2.50%	80.00%	55/15	0.00%	FAC-5	No	MERS
Chocolay Twp							Employer contributes 10% of employee's gross wages into American Express defined contribution plan

There are several points to be made about the comparables. Chocolay Township is not an appropriate comparable in this instance because, unlike the other seven comparable communities, it has a defined contribution plan with the American Express Company. The other comparables have a defined benefit plan. Of the seven other comparables, four of the plans are Act 345 plans, meaning that the employer has the ability to fund same through millage that may not be available under a MERS plan, which is the plan of the Michigan Municipal Employees Retirement System. Three of the communities, including Tuscarora Township and Munising, have MERS plans along with Rogers City. Thus, excluding Chocolay Township and its defined contribution plan, the

comparables are almost evenly split between MERS plans and Act 345 plans.

It is noted that of the comparables three do not provide for employee contribution, whereas Iron Mountain, Ishpeming and Negaunee provide for 5%, with Rogers City providing for 2.3%. This becomes important when the Chairman notes that both the Township's and the POLC's last best offers continue the employee 5% contribution, suggesting that both last best offers in this respect have support in the comparables. As to maximum benefit and the annuity factor of 2.5%, the maximum benefit is 80% in Forsyth. Both last best offers continue this even though there are at least three comparables having unlimited maximum benefits, three having 80% and one, Iron Mountain, 70%.

As to post-retirement escalator, only two of the comparables, including Munising and Rogers City, have the E-2 MERS plan which is a post-retirement escalator. It is noted that this is not an issue between the parties because the parties in the current contract have an E-2 rider and continue to do so in their last best offers. As to final average compensation, the comparables would suggest that the final average compensation, FAC-3, is not universal among the comparables. But, again, this is not an issue between the parties as the parties are continuing their provisions concerning same.

The dispute between the parties is the eligibility. It is noted that in the contract expiring March 31, 2002, the parties provided for a window allowing employees with 20 or more years of service to retire regardless of age. This was a window and should be recognized as such. It is also noted that the parties had agreed that "should a window period not be available, the F/55 with 20 years of service rider will be adopted." Now, observe the last best offer of the parties. The POLC's last best offer reads:

The Employer is a member of the Michigan Municipal Employees Retirement System (MERS). All members of this bargaining unit shall be under the MERS retirement system. The MERS benefit Plan B-2 shall be in effect and shall cover all members from their effective date of hire. Effective April 1, 1995, the employee contribution to the retirement plan shall be 3% of compensation. A copy of the resolution adopted by the Township to this effect shall be attached to and made a part of this Agreement. Effective April 1, 2001, the retirement plan shall be upgraded to include the B-4 Benefit plan, the FAC-3 rider and the E-2 rider. ~~Further a window will be opened in on or about April 1, 2001, for a period of 180 days, which will allow any employee with 20 or more years of service to retire regardless of age. Should a window period not be available, the F/55 with 20 years of service rider will be adopted.~~ Employee contributions to the retirement program will be increased to 5% of compensation effective April 1, 2001. For employees who retire on or after April 1, 2004, the F/55 with 25 years of service rider will be adopted.

The last best offer of the Township reads:

The Employer is a member of the Michigan Municipal Employees Retirement System (MERS). All members of this bargaining unit shall be under the MERS retirement system. The MERS benefit Plan B-2 shall be in effect and shall cover all members from their effective date of hire. Effective April 1, 1995, the employee contribution to the retirement plan shall be 3% of compensation. A copy of the resolution adopted by the Township to this effect shall be attached to and made a part of this Agreement. Effective April 1, 2001, the retirement plan shall be upgraded to include the B-14 Benefit plan, the FAC-3 rider and the E-2 rider. Employee contributions to the retirement program will be increased to 5% of compensation effective April 1, 2001. For employees who retire on or after April 1, 2004, the F/55 with 30 years of service rider will be adopted.

It is noted that the window language has been removed from both last best offers, as has the provision for the adoption of the F/55 with 20 years of service rider. As the Chairman has noted, the parties have agreed to the FAC-3 rider and the E-2 rider and these riders are not issues. Nor is it an issue that the employee contribution for the retirement program will continue to be 5% of compensation effective April 1, 2001. What is the issue is whether the plan adopted for employees retiring after April 1, 2004 will be the F/55 with 25 years of service or the F/55 with 30 years of service.



The Chairman believes, based upon the comparables, that no comparables, excluding the defined contribution plan of Chocolay Township, have an F/55 with 30 years of service. The provisions for those in MERS are at least 55 and 25. See, for example, Munising and Rogers City. In fact, Tuscarora Township has 55 and 15. Those in Act 345 are at 50 and 25. The comparables overwhelmingly support the last best offer of the POLC. So does the bargaining history. In the last contract, although admittedly a window period, the Township for a limited time was prepared to permit employees to retire with 20 years or more of service regardless of age and, if this was not available, to provide for an F/55 with 20 years of service. The comparables and the bargaining history support adopting the last best offer of the POLC, which the Chairman will do, along with the POLC Delegate. The Township Delegate dissents.

In arriving at this result, the Chairman has considered the cost. The cost of the current plan and the proposed plan and the difference, as calculated by the actuaries for MERS, based upon the change to F/55 (25), which is the only change, has been listed as follows, based upon an evaluation as of December 31, 2002:

	Current Benefits	Proposed Benefits	Difference
1. Benefits			
a) Benefit Formula	B-4 - 80% Max	B-4 - 80% Max	
b) Normal Retirement Age	60	60	
c) Vesting Provision	V-10	V-10	
d) F50 Ret Condition	-	-	
e) F55 Ret Condition	-	F55(25)	F55(25)
f) F(N) Ret Condition	-	-	
g) Rule of X	-	-	
h) FAC Period	FAC-3	FAC-3	
i) RS50 Percent	-	-	
j) D-2	-	-	
k) Benefit E	-	-	
l) Benefit E-1	-	-	
m) Benefit E-2	2.5% (4/1/2001)	2.5% (4/1/2001)	
n) Load for Sick Leave in FAC	-	-	
o) Member Contribution Rate	5.00%	5.00%	

8. Cost as Percentage of Payroll			
a) Employer Normal Cost	5.75%	6.74%	0.99%
b) Amort of UAL (over 32 yrs)	<u>3.32</u>	<u>5.72</u>	<u>2.40</u>
c) Total Long Term Employer Contribution (8a+8b)	9.07	12.46	3.39*
d) Overfunding Credit	<u>0.00</u>	<u>0.00</u>	
e) Total Regular Employer Contribution % (8c+8d)	9.07%	12.46%	
f) Total Regular Employer Contribution \$ (8e x 3)	\$15,261	\$20,965	\$5,704

The Chairman appreciates that the additional cost for the benefit will be \$5,704.00. But at some point the Township, based upon the comparables, must meet the marketplace and go to at least F/55 (25). The earlier this is done, the less expensive it will be in the long run for the Township because of the ability to fund the pension plan over a number of years.

There is no question that in a tight financial year \$5,704.00, though not a large sum, is a sum that cannot be ignored. Yet, the bargaining history and the comparables dictate the result ordered by a majority of the Panel.

#### Ability To Pay

In reaching the orders, the Chairman has considered the ability of the Township to pay. One begins with the recognition that in the State of Michigan, presently, this is not the best of economic times. The State has been running a budget deficit resulting in cuts in the State shared revenue for townships. Furthermore, the Chairman recognizes that there is the former Sawyer Air Base complex which presently is a tax free zone, so the Chairman is advised, which impacts on the Township's ability to raise revenue.

In regard to the cuts in State shared revenue, this has been a phenomena since 2001 as revealed by the following chart:

	3/31/98	3/31/99	3/31/00	3/31/01	3/31/02	3/31/03	Estimated 3/31/04	Estimated 3/31/05
Revenues	1,755,244	1,766,131	1,906,788	1,964,815	1,805,998	1,737,244	1,578,489	
State Shared Revenues	741,667	791,733	895,275	866,165	640,203	614,168	520,373	506,500
State Shared Revenues, as % of Revenues	42.25%	44.83%	46.95%	44.08%	35.45%	35.35%	32.97%	

Until March 31, 2002, the percentage of State shared revenue never fell below 42.25% since 1998. However, by March 31, 2003, the percentage had dropped to 35.35% and is estimated for the year ending March 31, 2004 to be 32.97%, with a further predicted drop for the fiscal year ending March 31, 2005. The effect of these changes have the following impact on the Township's fund balance based upon the March and October Revenue/Expense Snapshots:

	1998		1999		2000	
	3/31/98	10/31/98	3/31/99	10/31/99	3/31/00	10/31/00
Revenues	1,755,244	398,286	1,766,131	450,242	1,906,788	415,064
Expenditures	1,621,337	951,823	1,709,876	997,042	1,790,455	1,001,301
Difference	133,907	(553,537)	56,255	(546,800)	116,343	(586,237)
Township Fund Balance	1,043,235	381,341	1,075,051	444,330	1,162,247	521,236

	2001		2002		2003	
	3/31/01	10/31/01	3/31/02	10/31/02	3/31/03	10/31/03
Revenues	1,964,815	408,970	1,805,998	406,919	1,737,244	466,939
Expenditures	1,851,115	1,202,061	1,925,642	942,309	1,672,935	1,085,583
Difference	113,700	(793,091)	(119,644)	(535,390)	64,309	(618,644)
Township Fund Balance	1,275,947	428,076	1,156,301	566,134	1,165,834	547,189

This snapshot also recognizes that the Township fund balance varies; that several months of cash

flow is maintained by the Township "to compensate for uneven flow of revenue and expenditures." And the Township does make a point that, with reducing State shared revenues and limits on the Township's ability to raise revenue at the current time because of the tax free Sawyer zone, the Township has increased strains on its fund balance for it may be required to use the fund balance to cut expenditures.

As the Chairman heard testimony from Township witnesses that changes will require the Township to reassess priorities and expenditures, recognizing that the Township police budget is 30.30% of the Township's current budget without the orders here. As of October 31, 2003, it is \$547,189.00. This is not the lowest that the fund balance has been as of October 31<sup>st</sup> since 1998. The fund balance was lower on October 31, 1998, October 31, 1999, October 31, 2000 and October 31, 2001. Even though the Chairman makes this observation, the Chairman recognizes that, just because there were lower fund balances in the past as compared with October 2003, this fact does not necessarily give comfort because there is still the phenomena of State aid being cut. Yet, the comparables and the bargaining history dictate the result here. And although the orders will have impact on the Township's budget, the fact is that in order to have a viable police department paid competitive wages and having competitive pension benefits, the orders here are reasonable. It may be that in the next negotiations the finances may have to be re-evaluated, depending on whether or not there is a change in State aid or other ability to raise revenue. But in the current marketplace, the orders here are consistent with the comparables. Furthermore, in the area of health care, there have been cost constraints adopted as a result of the orders that follow. In other words, in the present situation, the Township does have the ability to finance the orders adopted here, recognizing that the orders have considered, in the view of the Chairman.

the Township's ability to pay.

### Duration

The parties by their last best offers have adopted a three year contract beginning April 1, 2002 and expiring March 31, 2005. The last best offer in this regard of the Township reads:

### ARTICLE XXII DURATION AND RENEWAL

#### Section 1.

This Agreement shall be binding on the parties hereto and their successors and administrators. The duration of this Agreement shall be April 1, 2002, through and including March 31, 2005 ("Expiration Date"), with the following modifications:

- A. This Agreement shall be retroactive as to wages only from April 1, 2002, through and including the date both parties have executed this Agreement ("Retroactivity Period").
- B. Neither this Agreement nor the wage retroactivity described in this Article XXII, Sec. 1. apply to Employees whose employment ceased during the Retroactivity Period.

#### Section 2.

This Agreement shall be automatically renewed for additional one (1) year periods, each period beginning April 1 and ending March 31 ("Renewal Period"), unless either party notifies the other of its desire to modify or terminate this Agreement at least one hundred twenty (120) days before the Expiration Date of this Agreement, or at least one hundred twenty (120) days before the expiration of any subsequent Renewal Period.

The Chairman has reviewed this last best offer and will opt, along with the Township's Delegate, to adopt same.

### Other Agreements

The parties have reached numerous agreements which will be incorporated by reference herein, and the order entered in this respect is unanimous.

### Signatures

Because the Chairman and the two Delegates reside in diverse areas of Michigan, the parties have agreed that the signature of each of the Delegates in separate parts will be considered as signature on the original document.

### ORDERS

1. Wages. The last best offer of the Police Officers Labor Council for each of the three years, 2002, 2003 and 2004, as to wages, with the across-the-board, as set forth in the Opinion, including increases in the wages for new employees adopting the July 1, 2002 date, is ordered with the Chairman and the POLC Delegate concurring.

  
\_\_\_\_\_  
GEORGE T. ROUMELL, JR., Chairman

\_\_\_\_\_  
THOMAS E. KREIS, POLC Delegate concurring

\_\_\_\_\_  
JOSEPH MINELLI, Township Delegate dissenting

2. Health Insurance for Active Employees. The last best offer of the Township as to health insurance for active employees, as set forth in the Opinion, is ordered.

  
\_\_\_\_\_  
GEORGE T. ROUMELL, JR., Chairman

\_\_\_\_\_  
JOSEPH MINELLI, Township Delegate concurring

\_\_\_\_\_  
THOMAS E. KREIS, POLC Delegate dissenting

3. Health Insurance For Retirees. The last best offer of the Township as to retiree health insurance, as set forth in the Opinion, namely, the Letter of Understanding, is hereby ordered.

George T. Roumell, Jr.  
GEORGE T. ROUMELL, JR., Chairman

\_\_\_\_\_  
JOSEPH MINELLI, Township Delegate concurring

\_\_\_\_\_  
THOMAS E. KREIS, POLC Delegate dissenting

4. Pensions. The majority of the Panel hereby orders the pension program as set forth in the Opinion, namely, the addition to the plan of F/55 (25).

George T. Roumell, Jr.  
GEORGE T. ROUMELL, JR., Chairman

\_\_\_\_\_  
THOMAS E. KREIS, POLC Delegate concurring

\_\_\_\_\_  
JOSEPH MINELLI, Township Delegate dissenting

5. Duration. The duration set forth in the Opinion is hereby ordered, being the Township's last best offer.

George T. Roumell, Jr.  
GEORGE T. ROUMELL, JR., Chairman

\_\_\_\_\_  
THOMAS E. KREIS, POLC Delegate dissenting

\_\_\_\_\_  
JOSEPH MINELLI, Township Delegate concurring

6. Other Provisions. All tentative agreements reached between the parties are hereby ordered to be part of the contract.

  
\_\_\_\_\_  
GEORGE T. ROUMELL, JR., Chairman

\_\_\_\_\_  
THOMAS E. KREIS, POLC Delegate concurring

\_\_\_\_\_  
JOSEPH MINELLI, Township Delegate concurring

April 14, 2004



**Signatures**

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**ORDERS**

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THOMAS E. KREIS, POLC Delegate ~~concurring~~  
dissenting

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JOSEPH MINELLI, Township Delegate concurring

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THOMAS E. KREIS, POLC Delegate concurring

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JOSEPH MINELLI, Township Delegate concurring

April \_\_, 2004

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ORDERS

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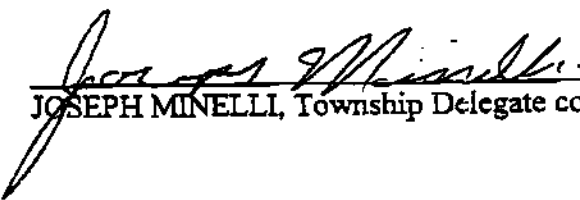
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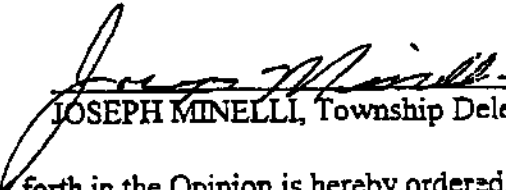
  
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THOMAS E. KREIS, POLC Delegate concurring

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April 14, 2004