State of Michigan
Employment Relations Commission

In the Matter of Arbitration
Between
Village of Sparta
And
Police Officers Labor Council

MERC Case No. L03H-4003

Background

The Agreement between the parties expired on December 31, 2003. The Union filed an application for Act 312 arbitration on December 19, 2003. On April 8, 2004 Bernard Klein was appointed Arbitrator in the case. The delegates chosen by the parties were Mr. John Gretzinger for the Employer and Mr. Fred Lamaire for the Union.

The Advocates were:
Mr. John Gretzinger for the Employer
Mr. Mark P. Douma for the Union

The parties continued to negotiate both before and after the date of the pre-conference and did settle most of the outstanding issues. The pre-conference was held in Sparta on August 30, 2004. The bargaining resulted in a successor Agreement effective through December 31, 2006.

The only issue left to resolve through arbitration was the issue of Retiree Health Insurance. The parties had stipulated their agreement on comparables for purposes of arbitration of this issue. The comparable communities were: Allegan, Cedar Springs, Fremont, Hudsonville, Lowell, Otsego, Plainwell, Rockford, Spring Lake and Wayland.

The Hearing on this issue was held in Sparta on February 17, 2005. The parties submitted their final offers on that day.

Position of the Parties

The position of the Union in its final offer was to maintain the present language. It provides:

Employees upon retirement at age 50 shall be allowed to carry on part of or all insurance benefits in the group plan if the employee elects, with the employee to pay the premium.

A retiree at age 60 and the retiree's spouse shall be entitled to all insurance benefits in the group plan, with the cost of the premium being paid 100% by the Employer.

A retiree at age 65, and the retiree's spouse, shall be entitled to all insurance benefits in the group plan being paid 50% by the Employer, 50% by the retiree.

In the event the retiree dies after retirement between the age 50 and 70, the spouse shall continue to have the health insurance benefits mentioned above, until such time as the retiree would have reached the age of 70.

When a retiree reaches age 70, the health insurance benefits mentioned above shall cease. If the retiree's spouse is younger than the retiree, said spouse shall continue receiving health insurance benefits until such time as the spouse also reaches the age of 70.

The arguments the Union has presented in favor of its desire for the status quo on this issue are as follows:

1. The Employer's offer represents a reduction of this benefit.
2. Members of this bargaining unit should not be required to accept the Employer's offer simply because other Village employees have accepted it. Other units are not subject to Act 312 and thus are more subject to the whims of the Employer.
3. Desire by the Employer for uniformity among all its employees in this benefit is not a reason to change.
4. A spouse who is younger than the retiree would lose coverage once the retiree reaches Medicare eligibility.
5. Actual financial amount of coverage is less than the current benefit.

<u>Positions of the Employer</u>

The Employer's final offer proposes the following changes to the current system.

Twenty years of work is the minimum period before an employee will be eligible for any retiree health care coverage.

The plan sets the level of payment at $15.00 per month for each year of service and does not provide higher payments to individuals based on marriage status.

Payments stop when retiree reaches eligibility for Medicare.

The spouse of a deceased retiree would continue to receive payments until the retiree would have reached Medicare age.

The Employer gives the following arguments in favor of its proposals.

1. ~~The internal comparables have agreed to these proposals.~~
2. The proposal is more generous than the external comparables several of which provide no retiree health coverage at all.
3. Present plan was not a well constructed plan but one that was adopted to meet the need of one employee.
4. The Employer's proposals provide a better plan for most retirees than the current plan.
5. Costs of retiree health insurance.

<u>Position of the Arbitrator</u>

The several facets of retiree health coverage would lend themselves to parts of each party's proposal. Nevertheless, the law requires the Arbitrator to choose between the last best offer of one party.

The panel proposes the adoption of the Employer's proposals for several reasons. Certainly the comparables, both internal and external would tend to be closer to the Employer's proposals. All employers both public and private are grappling with the increasing costs of health insurance and this Employer's proposals represent a more reasonable approach to health insurance costs and their constant escalation. Every employer that this Arbitrator has studied, both public and private relies on Medicare eligibility to provide relief of the high costs. While ease of administration might not be an overwhelming reason for change of the current plan, it is a solid argument in favor of change. Finally the Employer's proposal provides coverage during the years when it is needed rather than the luxury of when it is not absolutely necessary and where there are other alternatives.

Award

This panel adopts the Employer's last best offer in regard to retiree health insurance for this bargaining unit. This award plus those issues already agreed to by the parties should comprise the Agreement effective January 1, 2004 – December 31, 2006.

Dated: April 24, 2005

Respectfully submitted:

Bernard Klein

Bernard Klein
Chairman

John H. Gretzinger 5/2/2005

John Gretzinger
Employer Delegate

Fred LaMaire (Dissent)

Fred Lamaire
Union Delegate