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**STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
EMPLOYMENT RELATIONS COMMISSION**

In the Matter of the Act 312 Arbitration between

CITY OF WYANDOTTE

-and-

**WAYNDOTTE FIRE FIGHTERS
IAFF LOCAL 366**

MERC No. D02 J-2309

FINDINGS, OPINION, AND ORDER OF THE PANEL

Panel: Maurice Kelman, Chairman
Steven H. Schwartz, Employer Delegate
Ronald Helveston, Union Delegate

Counsel for Employer: Steven H. Schwartz, Esq.

Counsel for Union: Ronald Helveston, Esq.
Julie A. Petrik, Esq.

Chronology of proceedings

Petition filed: April 5, 2004

Chairman appointed: April 27, 2004

Prehearing conference: May 11, 2004

Position statements: August 27, 2004

Hearings: November 4, 5, 11, 12, 2004, December 16, 2004,
May 19 and 20, 2005

Final offers: June 21, 2005

Briefs: August 10, 2005

Panel conf.: September 1, 2005

Award issued: September 16, 2005

Introduction

The Union submits three proposals to the panel. Designated as economic, all three issues relate to pension benefits under Article XIX of the collective bargaining agreement:

1. An increase in the pension multiplier to 2.8% for employees hired before October 1, 1982, who elect to retire within 60 days of the issuance of the award.

2. A "me-too" clause to allow fire fighters who currently are in a defined contribution pension program to transfer to a defined benefit MERS plan if police patrol or any other bargaining unit converts to such a plan for their newer employees during the 2003-2006 contract term.

3. A revision of "Option 3" (Modified Joint and Survivor Allowance) to provide the retired fire fighter an undiminished pension for life and the surviving spouse 50% of a full retirement allowance.

Stipulations

At the prehearing conference, the parties agreed that the panel has proper jurisdiction (except as to a now-withdrawn staffing issue) and expressly waived all statutory time limits. They also stipulated that the provisions of the last contract (2000 – 2003) are readopted except as modified or supplemented by tentative agreements and by this panel's award. The term of the new contract, as settled in the tentative agreement, is three years: February 1, 2003, though January 31, 2006.

Stipulated award re mandatory staffing issue

Initially the Union submitted an issue relating to prescribed staffing levels. Fire fighter contracts since 1993 have incorporated as "Exhibit 4A" the text of a Wyandotte City Council resolution adopted in 1988, which states:

RESOLVED by the City Council that the City Council is desirous of maintaining its current level of services in the City of Wyandotte by the Wyandotte Fire Department and hereby establishes at this time a minimum manpower of eight persons per tour of duty at the Wyandotte Fire

Department so as to maintain its current level of services in the community.

The Union sought to replace Exhibit 4A with a new article reading as follows:

There shall be at all times a minimum for four (4) professional Fire Fighters assigned to each of the two (2) Engines and two (2) professionally trained Paramedics assigned to each of the two (2) Squads.

It is understood the minimum staffing cited above is an effort to protect the health and safety of the employees in the Fire Department, and to provide the minimum manpower essential to properly operate the equipment and fight fires effectively to protect the life and property of the citizens of the City of Wyandotte.

The City opposed the Union's proposal and, for its part, demanded that the minimum staffing resolution be purged from the labor agreement. Asserting that staffing levels are not mandatory subjects of bargaining, the Employer had already initiated unfair labor practice proceedings against the Union both for its refusal to drop Exhibit 4A from the CBA and for submitting the staffing proposal to Act 312 arbitration.

The question of the panel's jurisdiction with respect to the staffing issue became moot when the parties agreed on December 16, 2004, to the following revision tendered by the Union:

Wyandotte City Council Resolution (October 18, 1988), attached as Exhibit 4A, mandates that the Fire Department provide a certain level of service to the City of Wyandotte and establishes a minimum staffing level of eight persons per tour of duty so as to maintain that service level. So

long as that Resolution remains in effect, the City shall maintain fire suppression staffing at eight per tour of duty.

At the parties' request, the above-quoted new language is adopted as a stipulated award, effective on the date of the panel's final order.

Statutory framework

Resolution of the issues in dispute is governed by Section 9 of Act 312, MCL 423.239:

[T]he arbitration panel shall base its findings, opinions and orders upon the following factors, as applicable:

- (a) The lawful authority of the employer.
- (b) Stipulations of the parties.
- (c) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the 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.

Background

Wyandotte comprises 5.5 square miles, with a 2000-census population of 28,000. It is bordered by Ecorse, Lincoln Park, Riverview, and Southgate. Like other downriver communities, Wyandotte has experienced a steady decline in population from the peak of 43,500 in 1960.

The Fire Fighters unit currently includes 32 employees. They range in age from 30 to 58, with a median age of 45 and median seniority of 15 years. Fire fighters work on a two platoon schedule. The average work week is 50.4 hours. As discussed earlier, a minimum complement of four fire fighters is maintained at each of the City's two fire stations.

Other unionized city employees are police patrol officers, represented by POAM; police command officers – sergeants and lieutenants – represented by a sister organization, COAM; a small unit

of civilian police and fire dispatchers that is Act 312-eligible; and DPW employees, represented by AFSCME.

Comparable communities

The parties agree on seven communities as comparables for Act 312, sec. 9 purposes:

Allen Park
Lincoln Park
Melvindale
River Rouge
Southgate
Taylor
Trenton

The City proposed two additional cities, Ecorse and Romulus, to which the Union takes exception. The Union argues against Ecorse because of its troubled fiscal history – it was placed under a state-installed overseer from the late 1980s to the mid 1990s – and objects to Romulus, which has only recently formed a fulltime fire service and whose fire fighters are under their maiden collective bargaining agreement.

These features, in the panel's judgment, do not constitute grounds for eliminating the two cities as comparables. Ecorse had barely emerged from receivership when the panel chaired by Barry Brown, arbitrating the 1993-1995 contract for Wyandotte Fire Fighters, declared it one of eight communities comparable to Wyandotte (the

other seven being the above-enumerated cities on which the parties currently are in accord). The decisive selection factors were that all the comparables were in the same geographic vicinity (downriver Detroit and western Wayne County), all belonged to the same Mutual Aid Pact, and all employed fulltime fire fighters. Romulus was not proposed to the Brown panel only because it lacked a fulltime fire department in 1995. It was, on the other hand, deemed comparable to Wyandotte in several police Act 312 arbitrations.

..... If we were to apply such commonly used tests of similarity as 50% plus or minus with respect to population and taxable value, Romulus would still qualify, as would four of the stipulated comparables: Allen Park, Lincoln Park, Southgate, and Trenton. Ecorse does not satisfy the population-cum-tax base tests, but then neither do three of the stipulated communities – Melvindale, River Rouge, and Taylor.

..... The fact is, as Arbitrator Brown and two other Act 312 arbitrators in Wyandotte police contract cases have emphasized, the parties themselves have historically used the geographical propinquity represented by the Mutual Aid Pact as their reference point for contract negotiations, rather than seeking out demographic resemblances to communities scattered throughout southeastern Michigan or the

greater Detroit tri-county region. As Arbitrator Brown wrote in the 1998 Wyandotte police patrol award:

Even though there are wide ranges of size and economic strength, this mix [referring to the Mutual Aid Pact matrix] provides a broad base for comparison, and it well represents the labor market in which labor contracts are executed.

The panel, accordingly, recognizes Ecorse and Romulus, together with the seven stipulated communities, as comparables for the purpose of this proceeding.

Wyandotte's financial condition

State-shared revenue represents one quarter of the City's operating budget. The outlook for larger infusions of state aid is distinctly unpromising, for two reasons: State sharing is tied to the municipality's population and, as noted above, Wyandotte's population is in decline; it dropped 9.5% between 1990 and 2000. Secondly, the level of state revenue sharing, aside from the constitutionally guaranteed component, depends on the health of the general economy and on the state's spending priorities. At the moment, Michigan cities consider it good fortune if current statutory revenue sharing is kept at status quo.

Property tax collections account for half the City's income. Wyandotte's total city tax rate is 20 mills. The operating millage is

12.1193. That is below the charter limit of 12.5 mills, and if the voters were to approve a Headlee override, as they did five years ago, a return to the charter maximum would realize an additional \$200,000.

Like many older cities, Wyandotte has almost no undeveloped land, and as a consequence its tax base has little prospect for dramatic growth. Redevelopment of course does occur, though it has taken place almost exclusively within the City's Tax Increment Financing Authority (TIFA) district, established in 1987, which covers two thirds of the city. Until 2001 all tax revenue derived from increased property values stayed with the TIFA. After the law was amended to permit voluntary return to the general fund of portions of TIFA revenue derived from the city property tax (though not from county or schools taxes), the Wyandotte TIFA began revenue-sharing with the City. The recapture rate for 2005 is 65% -- an estimated \$1.4 million transfer, which is an increase of \$268,000 from the previous year's rebate. While the TIFA has been extended until 2034, the rebated city taxes ~~will increase to 100% over the next five years, reaching \$2.5 million in 2010.~~

For the past fifteen years, a unique and major revenue source for Wyandotte has been the Hospital Endowment Fund, the repository of the proceeds from the 1991 sale of the city-owned Wyandotte General Hospital to Henry Ford Health Systems. The City's annual pension

contributions are paid out of this fund rather than the general fund, and until last year it was also used to cover current retiree health costs (\$1.6 million in 2004). Although originally expected to last until 2010, it now appears that the hospital fund will be exhausted by fiscal 2007. Thereafter, pension costs as well as some capital expenditures previously borne by the hospital endowment will again become general fund responsibilities.

The general fund balance is conventionally considered a measure of a city's financial well being. Fiscal 2003 ended with a \$1.5 million (10.7%) balance. As of fiscal 2004 the year-end balance was \$1.2 million, which was 8.5% of total expenditures. When the fund balance drops below 10%, municipal finance officials begin to lose sleep and grind their teeth. But Wyandotte's reported fund balance does not present a full picture of the City's operating budget. For a number of years the City has maintained a separate piggy bank, styled the Internal Service Fund. Originally constituted with money from the sale of the hospital, it has received periodic injections of cash from the general fund -- \$314,000 in 2003, \$378,000 in 2004. At last report the internal service fund had grown to nearly \$6 million, which is 38% the size of the entire general fund of \$16 million. It is described in the annual report as a self-insurance fund:

The City's Internal Service Fund has been established to account for insurance costs associated with the City's

participation in the Michigan Municipal League for costs associated with workers' compensation, general liability, and hospital malpractice claims. The Internal Service Fund is used to account for current coverage and to provide reserves for future catastrophic claims

In point of fact, however, the fund is also used for extraneous purposes such as vacation and sick leave payouts and, with the impending depletion of the hospital endowment funding source, for the payment of retiree health care costs (\$1.55 million in 2005). Tort and workers compensation liability costs for 2004 were only \$58,000 and projected long term liability was \$900,000. The medical malpractice statute of limitations has time-barred virtually all claims arising out of the City's management of the hospital. Obviously the \$6 million internal service fund is larger than necessary solely for liability self-insurance. It is, to a considerable extent, an adjunct to the general fund. In reality, then, the City's true general fund balance is significantly higher than the officially reported 8.5%.

This by no means is to suggest that Wyandotte's budget is awash ~~with discretionary money for new employee benefits.~~ Without the cushion of the hospital endowment, pension contributions as well as expensive retiree health care will have to be paid for by the general operating fund. The City's well founded fear is that the present fund balance will evaporate within two years, and municipal services will have to be scaled back further in order to avoid budget deficits.

Section 9 of Act 312 directs the panel to pay attention to "the financial ability of the unit of government to meet [the] costs" of the arbitrated contract. This is a genuine, not an imaginary, concern in Wyandotte, and the fiscal implications of the Union's proposals have to be weighed carefully in the balance while not overlooking other factors that Act 312 also makes salient.¹

Issue #1: Pension Multiplier for Pre-1982 employees

Article XIX, section 6, new ¶e

Union's final offer:

Fire Department members hired prior to October 1, 1982 that retire within sixty (60) days of attainment of twenty-five years of service or within sixty (60) days after issuance of the 312 Award, shall be guaranteed the straight life pension equal to the sum of the number of years and months of credited service, not to exceed twenty-five (25) years, multiplied by two and eight tenth (2.80) percent, times the final average compensation, plus the number of years and months of credited service in excess of twenty-five years, if any, multiplied by one (1.0) percent, times the final average compensation.

City's final offer:

Status quo. (2.5% multiplier for first 25 years of service for all fire fighters active on February 1, 2000, as provided in Article XIX, section 6(b)).

¹ The Court of Appeals long ago took the view that it would "effectively amend Act 312" were the court to hold that "the ability of the city to pay (§9[c]) should be the determinative factor in compulsory arbitration under Act 312" in all situations. *City of Hamtramck v. Hamtramck Firefighters Ass'n*, 128 Mich. App. 457, 466 (1983).

Discussion

To evaluate the proposal it is important to trace the somewhat convoluted history of pension provisions for Wyandotte police and fire. Until 1982, the multiplier was 2.5% of FAC with employees contributing seven percent of their wages to the retirement system. As a way to eliminate the employee contribution, the police and fire unions agreed to reduce pension benefits by the value of an annuity purchased by a *hypothetical* employee contribution. In exchange, pre-1982 employees retained their 2.5% multiplier. Persons hired after October 1, 1982, were given a multiplier of 1.75% but made no contribution, either real or hypothetical. There was also a difference in the pension cap. The pre-1982 group qualified for a retirement benefit not to exceed 70% of FAC, whereas the maximum benefit for post-1982 employees was set at 60%.

In 1997 an arbitration panel rejected the police command union's proposal to raise the multiplier to 2.8% and to do so across-the-board for all members regardless of hiring date. Arbitrator Mario Chiesa cited both cost considerations and the fact that none of the comparable communities provided a pension multiplier as high as 2.8%.

In 1998 an Act 312 panel for the police patrol contract, chaired by Barry Brown, transformed the pension program in major ways. As requested by the union, the multiplier was raised to 2.5% for post-

1982 officers; the definition of FAC was expanded to roll in all forms of W-2 income (such as overtime and longevity pay); and the pension ceiling was raised to 75% of FAC (though FAC was no longer to be determined by the employee's single best year in his last ten years on the job, but by the highest three years). On the other hand, as proposed by the City, new hires – those entering the police department after February 1, 1999 – were placed in a separate 401(k)-type defined contribution pension plan, financed by a ten percent city contribution and a five percent employee contribution.

When the fire fighters settled their next contract in the fall of 2000, the parties replicated all the changes wrought by the police patrol award, including adoption of the new two-tiered retirement system.² The 2000-2003 agreement also granted the Union the option, which it promptly exercised, of pension reduction for post-1982 fire fighters by way of a 5% hypothetical annuity contribution in lieu of an actual payroll deduction.

Police Command did not, however, settle their 2000-2003 agreement until late 2001, a year after the fire fighters. While the command settlement tracked the Brown patrol award and the fire fighters follow-on agreement in other respects, it boosted the multiplier to 2.8% for pre-1982 command officers who chose to retire upon

² The City's other bargaining units all followed suit by placing new employees in a defined contribution program.

reaching 25 years of service. Those who already had attained or passed that plateau were given a thirty-day window from the time the new contract was formalized in which to retire with a pension based on the higher multiplier. Of 18 eligibles, 16 chose immediate retirement. (There is one pre-1982 command officer who has not yet reached twenty five years but who will receive the 2.8 multiplier if, as expected, he retires within thirty days of attaining that milestone.)

This new dispensation for pre-1982 command officers is what has prompted the Fire Fighters' proposal before this panel. Of the thirty two members in the unit, there are eleven who would qualify for the 2.8 multiplier: one assistant chief, four captains, two lieutenants, and four fire fighter/drivers. Sixteen other defined-benefit members, post-1982 employees, would remain in active service under a 2.5% multiplier, as would the five post-2000 fire fighters who are in defined-contribution status.

The Union invokes the well established principle of parity for Wyandotte police and fire fighters. Not only have the two police bargaining units and the fire fighters maintained identical retirement benefits in their contracts, as is apparent from our historical conspectus of the pension provisions, but parity has operated with equal vigor in respect to wage improvements as well. The percentage pay raises have consistently been the same for the three units. Even when the

fire fighters in 1999 negotiated for themselves a special wage enhancement of \$2,400 a year for those fire fighters who held ALS (advanced life support) certification enabling the department to provide full ambulance service, the City saw fit to grant \$2,400 add-ons to the base wages of police patrol officers in their next collective bargaining agreement (2000-2003), by negotiating a change to 12 hour shifts, ~~which required the police to work an additional 104 hours per year.~~

~~Nor has police/fire parity been a one way ratchet, applicable only to improved wages or benefits.~~ When post-1982 employees were assigned a lower pension multiplier than their more senior colleagues, and when a police patrol arbitrator routed future hires into a defined contribution plan (a monumental take-away from the union's perspective), the fire and command units voluntarily conformed their next contracts to the patrol award – taking the parity bitter with the parity sweet.

The City attempts to place the 2.8 multiplier in the COAM ~~settlement outside parity's field of gravity.~~ It argues that the offer of a sweetened pension was an early retirement incentive designed to clear out a cohort of senior lieutenants and sergeants and open up immediate promotional opportunities to other officers, thus solving a perceived morale problem in the department. Moreover, the deal was "cost neutral," or at any rate was advertised as such by its proponents.

It added \$149,000 to the City's yearly pension contribution, but it was offset in part by the elimination of two positions in the unit, one supported by federal money but the other an \$80,000 (counting benefits) sergeant's job.

The City's effort to isolate the 2.8% provision to unique circumstances in police command is not convincing to the panel. The record does not demonstrate the urgency of luring all twenty-five year sergeants and lieutenants into immediate retirement. By city ordinance, police as well as fire officers are forced into retirement at age sixty. To say of the senior fire fighters who would be the beneficiaries of the proposal before the panel that "all eleven. . .are going to retire anyway in the near future" (City's brief, p. 19) is to make the same point that could have been asserted against providing any extra retirement incentive to the senior police commanders in 2001.

In any event, even when a pension or wage change was made in ~~one of the police or fire units for unit-specific reasons~~ – as was the case with the ALS wage premium given to fire fighters – the City did not fail to make an equivalent change in the other units' labor agreements.

It is evident that the City from the beginning has been conflicted about the 2001 command settlement. The Finance Director, Mr. Drysdale, testified that he strongly opposed the 2.8% sweetener and

voiced his objections to the City Council at the time, which nonetheless went ahead and approved the agreement on the recommendation of the City's then labor counsel. The current administration, in which the finance director continues to serve, is more comfortable denouncing than rationalizing the earlier settlement. They label the command concession "a mistake" and urge the panel not to "compound" it by parity extension.

The City's focus, of course, is on the price tag of the 2.8% proposal. The actuaries project a further \$1.677 million of UAL above and beyond the \$10.9 million shown in the 2003 valuation report and recommend an additional \$104,000 per year of employer contribution for the remaining twenty-three year amortization period. In the case of the command settlement the City exercised management's prerogative to eliminate job positions in order to meet the new pension obligations. But in the fire department a mandatory staffing requirement remains in force unless and until the staffing resolution ~~(discussed earlier in this opinion and the subject of the parties'~~ stipulated award) is rescinded by City Council.

It is clear to us that two opposing values are in play: an unbroken practice of equal pension treatment for police and fire officers on one side, and budgetary concerns both short term and long range on the other side. Just as cost is a factor under section 9(c) of Act

312, internal comparisons and past bargaining history demand attention under section 9(h): "[S]uch other factors. . .which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining. . .between the parties."

Previous arbitrators have acknowledged the impact of police/fire parity as a reason not to upgrade retirement benefits at the instance of one of the three unions. Barry Brown wrote, in a 1995 award rejecting a pension change sought by the fire fighters: "Both police units have the identical pension plan as do the fire fighters and so a change for the fire fighters could lead to a demand that the police get the same improvements." When city officials negotiated the 2.8% multiplier for the pre-1982 police command staff, and when city council members endorsed that change, they must have understood the dynamic that now has fire fighters claiming equal treatment. In a word, the additional financial burden to the city is self-imposed.

~~Parity is at the foundation of police and fire collective bargaining~~ in Wyandotte. It is too embedded, too important, a principle to be sacrificed simply because the employer has developed a case of buyer's remorse. Even from the perspective of the external comparables there is nothing outlandish about the Union's proposal. Pension multipliers

range from 2.25 in Romulus to 2.8 in Lincoln Park and Taylor,³ and five of the nine comparable communities have multipliers that are higher than Wyandotte's 2.5.

It should also be remembered that the employer is no longer saddled by contract with whatever replacement hiring or expensive overtime is needed to keep eight fire fighters on duty at all times. It is within the ability of City Council to end compulsory staffing by repealing the 1988 rig-manning resolution. For its part, the Union has undermined its standing to mount political opposition to a fiscally-driven end to prescribed fire station staffing. Both parties must live with the consequences of their bargaining decisions.

The panel adopts the Union's final offer on the issue of pension multiplier.

Issue #2: Pension – MERS Plan (Me-Too Clause)

Article XIX, new Section 9

Union's final offer:

Add the following section to the pension article:

³ That was not the case in 1997 when the Chiesa panel refused to raise the police command multiplier to 2.8%.

Effective upon the issuance of the 312 Award and for the period covering February 1, 2003 through January 31, 2006, if any other bargaining unit changes its pension program to a Defined Benefit MERS plan for members hired on or after October 1, 2000, members of this bargaining unit hired on or after October 1, 2000 shall have the option to participate in the same MERS plan.

City's final offer:

Status quo (post 10-1-00 employees remain in defined contribution plan).

Discussion

It will be recalled that the arbitrated police patrol contract for 1997-2000 thrust new hires into a separate, defined contribution plan. All the other bargaining units then adopted the same two-tiered pension program, albeit with somewhat different base line dates for the defined contribution tier: 2/1/99 for both patrol and police command, 10/1/99 for unrepresented administrators, 4/1/00 for AFSCME workers, 10/1/00 for fire fighters, and 7/1/01 for civilian dispatchers.

The police patrol contract for 2003-2006 currently is in Act 312 arbitration and will not be resolved before our fire fighter case is concluded. One of the issues before the police panel is a union proposal to permit those officers who are in the defined contribution program to transfer to a MERS defined benefit plan. The Fire Fighters have not advanced such a proposal independently but they want "me-

too" language to assure their members the same pension coverage should the two-tiered system be annulled for patrol officers.

There is no need in this proceeding to examine the comparative merits of defined benefit versus defined contribution plans. Suffice it to say that the fire fighters are not impressed by the ostensible virtues of the DC approach: self-directed investment, the possibility of a significantly higher payoff at retirement, portability and more freedom to designate beneficiaries. The City, of course, will not readily forgo the financial relief it has achieved by lowering and controlling its pension costs for the next generation of employees.

The question for us is whether the Union, as the moving party, has demonstrated a need to codify police/fire parity with a "me too" clause. As discussed at length in the preceding section of this opinion, parity has been maintained in Wyandotte for as long as anyone can remember and, significantly, that has been the case without the aid of me-too provisions in any of the separately bargained agreements. The calendar indicates why there is even less need for such language now. The contract we are arbitrating will expire on January 31, 2006, and the proposed new Section 9 by its own terms is "for the period covering February 1, 2003 through January 31, 2006." These parties will be back at the bargaining table almost immediately after this award is rendered. If patrol officers prevail in their pending Act 312 arbitration,

the fire fighters can and surely will press the City for equal treatment in those upcoming negotiations and, if need be, will invoke Act 312 procedures, relying on the long history of parity to which has been added the present panel's ruling on Issue #1.

We adopt the City's final offer: status quo.

Issue #3: Modified Joint and Survivor Allowance
Article XIX, Section 6, new ¶f

Union's final offer:

Add the following subsection:

Effective upon the issuance of the 312 Award, the City agrees to provide a pension provision designated as Option 3 – Modified Joint and Survivor Allowance, as provided for in Section 2-221(a)(3) of the City Pension Ordinance, without a reduction in the member's retirement allowance. Accordingly, upon the retiree's death, one-half of the retiree's full retirement allowance shall be continued throughout the life and paid to the surviving spouse.

City's final offer:

Status quo. (Leave current Option 3 unchanged.)

Discussion

Employees have the choice at retirement of drawing a full retirement allowance for life without any survivor benefit. The City's

pension ordinance, Sec. 2-221, provides alternative options by which benefits are assured to the surviving spouse after the retiree's death. Option 2, styled "joint and survivor allowance," reduces the retiree's own pension significantly (by 14 to 16 percent in the examples prepared by the Union) but continues the same level of benefits for the life of the survivor. Option 3, the "modified joint and survivor allowance," reduces the retiree's pension by a smaller amount than does Option 2 (viz., 7 to 9 percent in the Union's illustrations) but cuts back the widow's benefits to 50% of the retiree's reduced pension.

The Union's proposal is to revise Option 3 so that the retiree is paid an undiminished benefit for life and the surviving spouse's allowance is half the decedent's full pension. Because the retirement-options ordinance applies to all Wyandotte employees in a defined benefit program, the Union justifies its proposal entirely on the basis of external comparisons. Six of the comparable communities provide an option identical to the Union's proposal or even more generous. ~~Lincoln Park, Melvindale, and River Rouge~~ grant full benefits to the retiree and half benefits to the survivor. In Southgate, Taylor, and Trenton the retiree receives a full pension and the survivor is paid a 60% allowance. A seventh comparable, Allen Park, favors command officers (but no other employees) with an unreduced pension and a 70% survivor's benefit. Ecorse and Romulus, in common with

Wyandotte, reduce the retired employee's pension as the price of adding a survivor's allowance.

The City's problem with the proposal is its cost, which the actuaries calculate as \$71,300 annually. As previously indicated, the price tag for the 2.8% pension multiplier awarded in this case is \$104,000 per year. Due to the compounding effect of the increased multiplier, the combined annual cost of both improvements sought by the Union is \$185,000, not \$175,000. But even that does not measure the likely financial impact of the Union's proposal. The same doctrine of parity that the fire fighters invoked to catch up to police command's increased multiplier would trigger and justify demands by the two police unions for the new and improved survivor's option won by the fire fighters. In these circumstances, parity argues *against* the proposal. It is simply too expensive for the financially hard pressed employer. The improvement should be left to the normal give-and-take of future bargaining and not decreed by the panel without any cost-neutralizing quid pro quo.

The City's final offer prevails.

ORDER: September 16, 2005

Stipulated Award re revised staffing language

Chairman: Maurice Felman
Union Delegate: Ronald R. Ahnström
City Delegate: John H. Tj

Issue 1 - Pension Multiplier

The Union's final offer is adopted.

Chairman: Maurice Felman
Concurring: Ronald R. Ahnström
Dissenting: John H. Tj

Issue 2 - Me-Too Clause

The City's final offer is adopted.

Chairman: Maurice Felman
Concurring: John H. Tj
Dissenting: Ronald R. Ahnström

Issue 3 - Modified Joint and Survivor Allowance

The City's final offer is adopted.

Chairman: Maurice Felman
Concurring: John H. Tj
Dissenting: Ronald R. Ahnström

CITY PANELIST'S DISSENTING OPINION RE ISSUE 1

The majority Opinion inappropriately places parity over the statutory element of ability to pay. The record reflects that the City has an impending, ongoing annual budget deficit of approximately \$3 million. That deficit will exhaust the City's reserve funds in about two years, requiring major reductions in normal operating expenses. The record reflects significant reductions in personnel across all departments. Granting the pension increase to employees who will retire soon anyways, at a cost of over \$100,00 per year, is akin to removing a water canteen from a thirsty man wandering in the desert – it only accelerates the overwhelming distress in the near future.