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THOMAS J. BARNES, PANEL CHAIR

COUNTY OF ST. CLAIR

Employer,

- and – MERC 312 Case No. D03 A-2011

POLICE OFFICERS ASSOCIATION
OF MICHIGAN

Union.

OPINION AND AWARD

Panel Chair Thomas J. Barnes
November 8, 2005

CHRONOLOGY

Petition Filed:	June 9, 2005
Pre-Hearing:	October 17, 2005
Last Best Offers Exchanged:	November 3, 2005

APPEARANCES

Counsel For Employer	**Counsel For Union**
Gary Fletcher	Jim Tignanelli

BACKGROUND

This matter is before the panel on the basis of the exhibits offered at the prehearing conference and the pension exhibit submitted subsequently by the Union entitled: St. Clair County DSA Comparison of Pension Benefits and a November 3 letter from Amy Sullivan with attachments clarifying Saginaw County's pension contribution and pointing out the 2 contributions to a common fund for pension and retiree healthcare.

Last best offers were submitted by the parties and exchanged by me on November 3 by mail. The issues for decision are:

Wages (Union)
Employee Pension Contribution Rate (Union)
Pension Multiplier (Union)
Healthcare (Employer)

WAGES

For the top deputy, the comparables average wage as of July 1, 2003 (the last year of expired contract), is $45,463; St. Clair is at $50,885 - about $5,400 higher. The internal bargaining units settled or are settling at 2.5% increases per year. The external comparables of Jackson, Livingston, Monroe, and Saginaw counties average a 4% increase as of July 1, 2004; 3% as of July 1, 2005; and 3% as of July 1, 2006 (Livingston and Monroe only).

While it is true that St. Clair County deputy wages are rising at a lower rate than the 4 comparables, nevertheless the County is still $5,400 higher on the average of all comparables.

For 2004 and 2005, the internal comparables and the COL index are more nearly in line with the County's offer of 2.5% than the Union offer of 3.5%. For these 2 years, therefore, the County's last best offer is adopted. While the external comparables for 2004 are closer to the Union's offer, in retrospect given what is occurring in Michigan (both in the private and public sectors) the 4% average turned out to be a generous increase. That is one of the hazards for either party that pursues Act 312. As economic conditions change, the fortunes of either party's position rises or falls, particularly where the parties are nearly half way through a new 3 year contract.

With regard to 2006 the Union's last best offer of a 3.5% increase is adopted for the following reasons:

- The deputies are incurring some diminution in their healthcare plan upon issuance of this Award.
- The average increase in the comparable communities for 2006 is 3%.
- The 3.5% last best offer of the Union will maintain some parity with the 4 comparables, albeit the gap is closing.

It goes without saying that these are tough economic times in Michigan and much bad news has emerged in the private sector in the last 2 months alone - this will undoubtedly have, and has had, its effect on the public sector as well. A very good, no-cost healthcare package, an 8.5% wage increase over a 3 year term (almost half of it retroactive), and a very good pension are 3 critical elements for an employee's welfare. Relatively speaking, these are good jobs with very good wages and benefits.

As of the last year of the contract (July 1, 2006), the County top deputy will still be ahead of Livingston and Monroe Counties by \$3,818 (\$4100 at July 1, 2003) and \$3835 (\$4742 at July 1, 2003) respectively.

For the County:		For the Union:	
Concur	Dissent	Concur	Dissent

INSURANCE

The County's offer is consistent with the plans offered other County employees with the basic plan not costing deputies anything and the drug co-pay being a very modest \$10/20. With no co-pay by employees, it is relatively speaking a very good plan for employees and should apply equally to the deputies (as it already does to sheriff department supervisors and corrections officers). The County's last best offer is therefore adopted.

For the County:		For the Union:	
Concur	Dissent	Concur	Dissent

RETIREMENT MULTIPLIER

The County, by ordinance, maintains a pension plan for all of its employees. Almost all aspects of the plan are identical for all employees. The plan is currently underfunded slightly and the County is contributing about 13% while the employees remit 5%. The County submitted an exhibit (Tab 2, page 3) showing an example of a 25 year deputy having a pension of $37,558; over $5,000 higher annually than the nearest comparable (Saginaw) and nearly $10,000 higher than the furthest comparable (Livingston). However, that isn't the whole picture since Livingston and Saginaw have COL increases of 2.5% annually for employees retiring in the last 10 or 20 years. Thus, Saginaw and Livingston will provide higher pensions as one gets out, to approximately 14 years in the Livingston case and about 10 years in the case of Saginaw. Of course during those 10 and 14 year periods, St. Clair's pension for each of those years is greater. At day's end, it is pretty close to a wash unless, of course, one exceeds the mortality tables and then Livingston's and Saginaw's pensions become superior. St. Clair's employees contribute the most toward their pension (5%) of the comparables with Livingston and Monroe having a 0% employee contribution. St. Clair's retirees benefit from higher FAC due to their significantly higher wage structure.

There is a respectable argument for increasing the multiplier to 2.5 (in line with comparables Monroe and Saginaw) but that would redown to the benefit of all other County employees similarly being raised to 2.5. It doesn't appear reasonable at this time to put that burden on the County when the deputies' initial years' pension are considerably greater than the 4 comparables in any event. It also bears great mention that St. Clair County is contributing to the pension fund for retiree health insurance (a total of 13% this year vs. a recommended 17.84%), a rarity among all municipalities and a prudent undertaking that will inure to deputies when they retire. Therefore, the County's position on pension multiplier to retain the status quo is adopted.

For the County: For the Union:

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Concur Dissent Concur Dissent

EMPLOYEE PENSION CONTRIBUTION

The pension fund is currently underfunded and the near term outlook is for that underfunding to grow larger. All County employees have been contributing 5% for many years. There is no reason to change under these circumstances and therefore the County's position is adopted.

For the County: For the Union:

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Concur Dissent Concur Dissent

Respectfully submitted,

Dated: 11-8-05

Thomas J. Barnes, Panel Chair