

STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
MICHIGAN EMPLOYMENT RELATIONS COMMISSION
ACT 312, PUBLIC ACTS OF 1969 AS AMENDED

*In the Matter of the Act 312
Arbitration Between:*

COUNTY OF MACOMB and the
MACOMB COUNTY SHERIFF,

Employer

MERC Case No. D12 A-0041

-and-

POLICE OFFICERS ASSOCIATION
OF MICHIGAN

ARBITRATION PANEL OPINION AND AWARDS

**George T. Roumell, Jr., Chairman
Eric A. Herppich, Employee Delegate
John T. Barr, Union (POAM) Delegate**

APPEARANCES:

FOR THE COUNTY OF MACOMB AND
MACOMB COUNTY SHERIFF:

Dennis B. DuBay, Attorney
Eric A. Herppich
Karlyn Semlow

FOR POLICE OFFICERS ASSOCIATION
OF MICHIGAN:

William Birdseye, Advocate
Gary Pusheé, Business Agent
Patrick Maceroni, President MCDDA
Aaron Hurley, Secretary MCDDA
Thomas Habel, Treasurer MCDDA
Charles T. Missig, Sergeant at Arms MCDDA
Mark Grammatico, Steward MCDDA

Background

Macomb County is one of 83 county units of government within the State of Michigan. It is located in southeastern Michigan with Warren, Sterling Heights and Clinton Township being

other units of government within the County having substantial police departments. Macomb County for statistical purposes is part of an area that is sometimes referred to as the Tri-County Area constituting Oakland and Wayne Counties. At times this area is expanded to include Genesee, Lapeer and Monroe Counties.

Each county in Michigan has a constitutional elected Sheriff. In Macomb County, the Sheriff operates the department referred to as the Macomb County Sheriff Department. The Department operates a detention facility, provides police services to the Macomb County Circuit Court, operates road patrols in the County and has contracts with the City of Mount Clemens and Townships for police services. Macomb County is the primary funding source of the Macomb County Sheriff's Department along with contract services for the City of Mount Clemens and Townships plus grant funds. The Department has approximately 185 budgeted Deputy positions and 25 Police Dispatchers including Dispatch Leaders.

There are, among other employees of the Sheriff's Department, approximately 163 Correction Officers, 62 Command Officers and five Captains and Jail Administrators. The Correction Officers are represented by the Macomb County Professional Deputy Sheriff's Association. The Command Officers are newly represented by the Command Officers Association of Michigan (POAM) and the Captains and Jail Administrators are represented by the Police Officers Labor Council.

The Police Officers Association of Michigan represents the Deputies, Dispatchers and Dispatcher Leaders in a 24/7 operation that includes the referenced Road Patrol, Detective services, and services in Units such as MATS and a SWAT Unit.

The most recent Collective Bargaining Agreement between the County of Macomb and

the Police Officers Association of Michigan representing the bargaining unit consisting of the Deputies, Dispatchers and Dispatcher Leaders expired December 31, 2011. The parties engaged in negotiating a successor Collective Bargaining Agreement, including three mediation sessions with a State appointed Mediator on March 16, 2012, April 17, 2012 and June 1, 2012, respectively. Subsequently, Macomb County by its attorney filed a Petition for the appointment of an Act 312 Arbitration Panel, listing 13 issues as being at impasse between the parties. The parties selected Delegates and the Undersigned was appointed Chairman.

There was a pre-trial on October 5, 2012 setting forth the procedure for conducting the Act 312 arbitration session. Last Best Offers were submitted by October 12, 2012. A hearing was held on October 15, 2012. The Panel subsequently met, causing this Opinion and Award to issue.

The Issues

The issues as submitted by the County as attached to its Act 312 Petition are:

1. Duration
2. Wages
3. Healthcare - current employees to have Healthcare coverage with Plan specifications to comply with Public Act 152
4. Healthcare - employees hired into the County after January 1, 2012 will make an additional monthly employee premium contribution of \$100-single contract; \$150-2 person contract; \$200-family contract
5. Healthcare - employees hired into the County after January 1, 2012 must work 20 years of actual service for healthcare for the employee in retirement
6. Healthcare - employees hired into the County after January 1, 2012 will not be eligible for healthcare for an employee's spouse in retirement
7. Healthcare - employees who retire after January 1, 2012 will have healthcare coverage as determined by the Employer
8. Retirement - increase employee contribution by 2%, effective January 1, 2012
9. Retirement - eliminate overtime from inclusion in Final Average Compensation for those who retire on or after ratification

10. Retirement - eliminate the DROP Program
11. Longevity - eliminate
12. Holidays - for each year, 2012 and 2013, the parties agree to eliminate payment for six (6) recognized holidays
13. Compensatory time - eliminate

The issues as presented by the Union are set forth in the Union's Last Best Offer as follows:

1. Wages - 2012
2. Wages - 2013
3. Retirement Benefits - Purchase Service Time
4. Retirement Benefits - Buyout
5. Retirement Benefits - Twenty Year Retirement
6. Deferred Retirement Option Plan
7. Hazard Pay
8. Longevity Pay
9. 12-Hour Shifts
10. Furlough Days

There is also the recognition that tentative agreements dated prior to the arbitration award should be added to the Collective Bargaining Agreement as part of the Awards.

Comment

This is the second time within approximately two years that this Chairman has been called upon to serve as Chairman of an compulsory interest arbitration panel pursuant to Act 312 between the parties to resolve contractual disputes. On August 5, 2010 this Chairman, for the Panel, under Act 312 as then existing issued a series of Awards addressing disputed issues between the parties applying the then applicable criteria. In doing so, the Chairman discussed the history of the Act as well as the history of the criteria. Since August 5, 2010 the legislature of the State of Michigan has amended Act 312 of Public Acts of 1969 by Act 116 of Public Acts 2011 effective July 20, 2011 which affects this arbitration procedure. In particular, the criteria has been modified with the rearrangement of the emphasis. However, the criteria, as originally

enacted, still remains. Likewise, the principles that this Chairman discussed in the August 5, 2010 Opinion still are applicable, but with more urgency because Act 116 confirms that the legislature intends that priority be given to the financial ability criteria of the governmental entity involved.

The Criteria

As in Act 312 before it was amended by Act 116, the criteria to be followed by an arbitration panel was set forth in Article 9. Article 9 of Act 116 amends Act 312 by providing as follows:

Sec. 9. (1) If the parties have no collective bargaining agreement or the parties have an agreement and 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:

(a) The financial ability of the unit of government to pay. All of the following shall apply to the arbitration panel's determination of the ability of the unit of government to pay:

(i) The financial impact on the community of any award made by the arbitration panel.

(ii) The interests and welfare of the public.

(iii) All liabilities, whether or not they appear on the balance sheet of the unit of government.

(iv) Any law of this state or any directive issued under the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, that places limitations on a unit of government's expenditures or revenue collection.

(b) The lawful authority of the employer.

(c) Stipulations of the parties.

(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 in both of the following:

(i) Public employment in comparable communities.

(ii) Private employment in comparable communities.

(e) Comparison of the wages, hours, and conditions of employment of other employees of the unit of government outside of the bargaining unit in question.

(f) The average consumer prices for goods and services, commonly known as the cost of living.

(g) 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.

(h) Changes in any of the foregoing circumstances while the arbitration proceedings are pending.

(i) Other factors that 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.

(2) The arbitration panel shall give the financial ability of the unit of government to pay the most significance, if the determination is supported by competent, material, and substantial evidence.

As previously pointed out and emphasized in 9(1)(a)(i) and (2), financial ability is the most significant criteria to be considered.

At pages 6 through 9 of the August 5, 2010 Opinion, this Chairman made comments about the applicable criteria which are still part of Act 312 as amended by Act 116 which now puts priority on financial ability. But there are also comparable factors with internal employees

of Macomb County.

It is true that at pages 9 through 11 of the August 5, 2010 Opinion this Chairman discussed the external comparables. External comparables are still a criteria. The external comparables can be helpful as comparables. But, first, as a result of Act 116, the financial ability must be given priority. And it is the financial ability of Macomb County that controls in this Act 312. It is the financial ability of Macomb County that has caused the vast majority of the bargaining units in Macomb County to have already settled their contracts with concessions and, in doing so, recognize the limits of the County's financial ability.

Macomb County's Financial Situation

At pages 11 through 20 of the August 5, 2010 Act 312 Opinion, this Chairman discusses Macomb County's financial situation as of the date of that Opinion. Certain comments made on those pages are relevant today, namely:

About 72% of the revenue of Macomb County comes from real and personal property tax. Including real and personal property, the total taxable value as of December 31, 2009 in Macomb County was \$31 billion, of which two-thirds came from residential real property, namely, almost \$22 billion. ...

In terms of the projected property tax declines, Macomb in 2010 had a 10.18% projected decline, for 2011 a 13% decline projection, and for 2012 a 10% decline projection. ...

In addition, the County's State revenue sharing payments have been constantly reduced. In 2002, the County received \$14,500,000 in State shared revenue. In 2003, this amount was reduced to \$12,833,000. Beginning in 2004, the State shared revenue was eliminated by the State Legislature effective September 20, 2004 and replaced with the County "revenue sharing reserve fund" which is a fund created by advancing the County tax collection from December to July. In 2006, this reserve fund for Macomb County reached \$77,800,000, permitting the County in that year to draw \$14,500,000 from the fund. The County continued to draw from that fund. In 2007, the County drew \$15,000,000; in 2008, \$15.4 million; in 2009, \$16.5

million; in 2010, the estimate draw is \$16 million. In the meantime, the revenue sharing reserve fund has gone down so that the estimate revenue sharing reserve fund for 2010 is \$20,949,000. For 2011, it is \$5,000,000.

What this means is that the County can no longer rely on State revenue sharing payments whether the payments come from the State or from the revenue sharing reserve fund. The State has its own financial woes, causing State shared revenue to be cut back. The fund balance sharing reserve fund as to Macomb County has drastically been reduced to the point where by 2012 it will be non-existent.

The impact of the above described declining economic indicators on the County's statement of revenue, expenditures and changes in fund balances can be observed by noting that in 1999 the County's revenues exceeded expenditures by \$7 million. This amount was added to the fund balance equity to increase it to \$39.1 million when the total County expenditures were \$96 million with \$36.3 million for public safety, *i.e.*, the Sheriff's Department. From 2000 through 2003, revenues exceeded expenses causing addition to the fund balance whereby the fund balance was \$65.5 million. Beginning with the fiscal year 2004, the County began running annual deficits so that by 2008 the annual deficit was \$7.3 million with the high being in 2005 of \$9.1 million. By 2008, the fund balance had dropped to \$32.5 million.

The record also reveals that in 2007 the total expenses were \$155.3 million; in 2008, \$154 million. The expenses for Public Safety in each of those years (2007, 2008) was \$63.9 million. The significance of these figures is that the expenditures of the County in the 10 year period had increased about 62%. Public Safety had increased about 56%. The increase in costs in the Sheriff's Department represented the highest increase in cost of expenditures among legislative, judicial, general government, health and welfare. The only area that was higher was an approximate 100% increase in "other" from \$2.4 million to \$5.2 million which accounts for the overall 62% increase.

In 2003, the fund balance of Macomb County as a percentage of budget was 16.6%. By 2008, the fund balance had dropped to 6.6% or approximately \$32.5 million. With the possible exception in 2007, this is the lowest percentage of fund balance that the County has experienced in the last ten years. It is the fund balance that brings into question the County's financial liquidity.

The above factors illustrate a declining ability to pay and a downward spiral of Macomb County's economic capabilities. This fact was recognized by Moody's Investors Service when on December 4, 2009 Moody's downgraded its ratings of the County's outstanding debt

to Aa1 from Aaa. In doing so, the email of December 5, 2009 from Moody's explained its rationale for the downgrade in part as follows:

**MOODY'S DOWNGRADES TO Aa1 FROM Aaa
RATING ON MACOMB COUNTY'S (MI) GOLT
RATED DEBT; ASSIGNS NEGATIVE OUTLOOK**

\$178 MILLION OF GOLT DEBT AFFECTED

Macomb (County of) MI
County
Michigan

NEW YORK, December 4, 2009 Moody's Investors Service has downgraded the rating to Aa1 from Aaa on \$178 million of outstanding debt secured by Macomb County's general obligation limited tax pledge, including debt issued by the Macomb County Building Authority. Concurrently, Moody's has assigned a negative outlook. The Aa1 rating reflects the county's declining yet still satisfactory reserve levels; substantial tax base experiencing some pressure; and manageable debt profile. The negative outlook reflects Moody's belief that the county's economic profile has weakened over time relative to other highly rated counties with continued economic challenges likely. Additionally, the negative outlook reflects the county's persistent structural imbalance primarily attributed to revenue shortfalls and a lack of significant expenditure controls in the recent past, leading to steady declines in the county's once ample (yet still moderate) operating reserves.

**CONTINUED DRAWS ON RESERVES ADDS
PRESSURE TO OPERATIONS; SIZABLE
ALTERNATE LIQUIDITY PROVIDES SOME
FINANCIAL FLEXIBILITY**

Moody's expects the county's financial position to remain satisfactory in the near-term, despite recent General fund deficits given the flexibility provided by sizable alternate liquidity. Following operating deficits in fiscal 2004 through fiscal 2008, the county's General Fund balance decreased to \$32.4 million (15.3% of General Fund revenues) at the end of fiscal 2008. This compares to a healthier \$65.5 million in General Fund balance, 37% of revenues, in fiscal 2003. Declining

state aid revenues, the challenged regional economy and lack of considerable expenditure cuts were primary factors that drove these results. With significant expenditure controls in place and additional property tax revenues of approximately \$11 million from the increase in the county's property tax millage to its legal limit, county officials expect to record at least a \$2.5 million General Fund operating surplus at the end of fiscal 2009. Officials have recently passed a balanced budget for fiscal 2010 and have also committed to balancing operating budgets in fiscal 2011. Going forward, Moody's expects financial operations to maintain structural balance, consistent with the high grade rating.

Additional financial flexibility is provided by approximately \$91.4 million in unrestricted assets in the Delinquent Tax Revolving Fund (DTRF). Macomb County's DTRF is self-supporting in that available liquidity is sufficient to annually reimburse underlying jurisdictions for delinquent property taxes, thereby eliminating the need for delinquent tax note borrowings, typical of other Michigan counties. Although the Delinquent Tax Revolving Fund reserves may offset operational challenges and is a considerable credit asset to the county's financial position, given the primary purpose of the fund, it could be exposed to draws on reserve in the event of sustained regional economic slowdown. Historically, Moody's has viewed the large reserves as a key mitigating factor to a more economically vulnerable region. However, the county's combined General Fund balance and unrestricted net asset DTRF balance has declined from \$151 million in fiscal 2003 (85% of revenues) to \$127 million in fiscal 2008 (60% of revenues). While Moody's believes that existing liquidity remains satisfactory, continued reductions of liquidity could lead to future credit pressure.

Effective October 1, 2004, the State of Michigan temporarily suspended revenue sharing payments to counties. At the same time, to offset the impact of the loss of this revenue stream, the state called for the county's property tax levy to be shifted in phases from December to July over three years under a schedule that calls for the establishment of a Revenue Sharing Reserve Fund (RSRF). In the new RSRF certain

portions of the levy were deposited and managed by the county, which accesses this fund in an amount equal to what it would have received in 2004 plus an inflationary adjustment for operations. At this time, the county anticipates this fund will be depleted in 2011, after which time the state is statutorily required to reinstate revenue sharing payments. While all counties have been working through the nuances of implementing this change, Mood's does not expect that this will impact Macomb County in a material way in the very short-term. Budgetary pressures at the state level in the mid term however, could negatively impact revenues and therefore the financial flexibility of the county moving forward.

AUTOMOTIVE SECTOR RETRACTION CONTINUES AND SERVICE SECTOR GROWS MODESTLY

The county's proximity to employment centers of Oakland County (rated Aaa/stable outlook) and Wayne County (Baa1/negative outlook) as well as major arterial highways, and relatively affordable housing, continue to make it an attractive location. Macomb County's top taxpayers include Chrysler Corporation (ratings withdrawn), General Motors Corporation (ratings withdrawn), Ford Motor Company (senior unsecured rated Caa1/stable outlook). Combined these companies employ over 35,000 people in the county and comprise a modest 2.8% of the county's taxable valuation. Although employment opportunities are somewhat concentrated in the automotive sector, growth in service sector jobs has served to provide some balance as medical systems and midsized technology and advance manufacturing firms invest throughout the county. Wealth indices are above average and population continues to expand, as the county's residents increased nearly 5.4% between 2000 and 2008.

Despite relative diversity in the economic base, ongoing challenges remain as the regional economy adapts to the persistent challenges in the automotive manufacturing sector and slowing in residential and commercial development. The county's full valuation is substantial at \$73 billion. In 2008, the county recorded its first drop in valuation of approximately 3% mainly due to

the decline in property valuations currently being experienced throughout the region. Officials expect to report additional declines of between 10% and 13% through 2012 as the prolonged economic slow-down forces market valuations, particularly residential housing prices, to fall further. Unemployment throughout the county continues to climb (18.1 % in September 2009) and is expected to remain elevated through the near term.

MANAGEABLE DEBT LEVELS WITH MODEST FUTURE BORROWING

Moody's expects the county's debt burden, at 3.4%, to remain manageable, given average principal amortization, and moderate future borrowing needs. Direct debt burden is very modest at 0.1%, since about 70% of the county's outstanding debt is issued on behalf of and paid by underlying jurisdictions. While some development within the county will likely increase the debt of overlapping jurisdictions, debt burden should remain manageable given the already substantial size of the county's tax base. The county's does not plan to issue any new direct debt in the immediate future however officials do expect to continue to issue debt on behalf of underlying municipalities over the long term.

OUTLOOK:

The negative outlook reflects Moody's belief that the county's economic profile has weakened over time relative to other highly rated counties with continued economic challenges likely. Additionally, the negative outlook reflects the county's persistent structural imbalance primarily attributed to revenue shortfalls and a lack of significant expenditure controls in the recent past, leading to steady declines in the county's once ample (yet still moderate) operating reserves.

What could lead to a rating upgrade or revision of outlook to stable from negative:

- Improvement in regional economic trends, including tax base, job growth, and unemployment indicators.

- Indication that improvements in the general economy will result in alleviation of operating pressures of

county operations, including improved revenue streams and no marked increase in expenditure pressures.

-Restoration of balanced or surplus General Fund operations with limited reliance upon non-recurring revenue enhancements or expenditure reductions.

What could lead to a rating downgrade:

- Continued structural imbalance resulting from negative budget variances yielding further declines in General Fund reserve levels.

-Further economic deterioration, resulting in continued stagnation of major revenue streams and increasing pressures on county operations.

KEY STATISTICS:

2000 population: 788,149

Change in population (1990-2000): 9.9%

2008 Full valuation: \$72.8 billion

Full value per capita: \$87.650

Unemployment, 2/08: 8.0% (state 7.9%; national 5.2%)

Overall debt burden: 3.4%

The Moody's downgrade does recognize that the County still has liquidity noting that the fund balance still represents "satisfactory reserve levels." Nevertheless, this outlook notes "that the County's economic profile has weakened over time." Moody's also noted, at least as of February 2008, that Macomb County had a higher unemployment rate than even the State of Michigan.

The bottom line is that the Panel is faced with a county that is located in Southeastern Michigan that is plagued with economic factors that have caused a national rating agency to conclude as of December 4, 2009 that its economic profile has weakened which affects the County's ability to fund the cost of operations, including the cost reflected in collective bargaining agreements.

The County, recognizing that deficits were beginning to build in 2005, proceeded to take steps to address its weakening financial situation. With its 22 non-Sheriff employee bargaining units, the County negotiated labor contracts that provided for no wage increases, changes in health care, eliminating longevity for two successive years, and provided for six so-called "docked" days for two successive years.³ These contracts cover the period from January 1, 2007 to December 31,

2010. Subsequently, the County negotiated a similar type contract with the Macomb County Professional Deputy Sheriff Association covering the Correction Officers and with the Captains and Jail Administrators. This approach reduced the County's expenditures by approximately \$10 million. The Board of Commissioners increased the tax rate to its Headlee maximum. In doing so, an additional \$11 million in revenue for 2009 was generated. The Board of Commissioners obtained another \$15 million in reduced costs by department budget cuts through layoffs, eliminating vacant positions and eliminating programs. In addition, the budget for 2009 provided for a contribution from the County to the Martha T. Berry Facility which, as it turned out, required a \$3 million contribution less than what had been projected. (Tr. 76-79).

In regard to the budgeted positions, the Sheriff's Department experienced no layoffs though from 2006 to 2010 there are 21 less Sheriff's Department employees for a drop of 4.3%. This is the lowest drop of any department, division or unit within Macomb County. The only exception is the Circuit Court which did have an increase of two persons and positions at the 42nd District Court where there was no change in personnel as well as the budget kept the one person in Family Counseling and the four persons in Risk Management and Safety.

Even with the constraints and efforts put forward by the bargaining units in the County, there is still a concern about the County's weakening financial ability. And, if the County had not taken the steps outlined above by cutting expenses by approximately \$36 million, the County would have continued operating in a deficit position, causing the fund balance for 2009 and 2010 to be substantially below \$32.5 million that was the fund balance in 2008 which could have had the effect of the County having no liquidity, thereby affecting its ability to meet current expenses.

Two points should be observed. Until this point in time, this bargaining unit – the Sheriff Deputies – have not made any changes to contributing to reducing labor costs to assist the County in addressing the County's economic concerns except there has been no pay increase since 2007. In addition, the Sheriff's Department has suffered no layoffs and, as noted, with certain exceptions has the lowest reduction in personnel.

³ The Chairman has used the term "docked days" as a generic term. Some of the contracts provided that the six days of no pay involved a combination of reduction in holidays and days off without pay. The combination varied from contract to contract. But, in the end, there were six days without pay. The only groups that did not take docked days, the Juvenile Justice Center and the Correction Officers, took corresponding pay reductions.

The Moody Rating still remains at Aa1. The statements this Chairman made in the Opinion that he wrote for the Panel on August 5, 2010 are essentially true today.

At the time of the August 5, 2010 Opinion, the Chairman at page 20 noted that the County was undergoing a change in government, moving to a County Executive form of government. Mark Hackel was elected County Executive on November 2, 2010.

County Executive Hackel has had the opportunity to present budgets for three consecutive years since assuming office. The Union presented as Union Exhibit 5 an article from The Macomb Daily noting this fact. The article observed that initially the budget anticipated \$16.4 million deficit, meaning that the expenses exceeded revenue by \$16.4 million; that County Executive Hackel was able to balance the budget by avoiding layoff of workers, avoiding raising taxes or dipping into the fund balance. This was accomplished, according to the article and based upon arguments presented to the Panel, through employee attrition, contract concessions, revising debts and saving in operating costs such as utility and contracts. There were also manpower reductions, namely, the loss of 15 full-time employees and one part-time employee in departments other than the Sheriff's Department. The article had noted that:

The county has struggled to balance the budget since 2007 due to sharp declines in property tax revenues, falling state revenue sharing, and rising costs for health care and retiree benefits. The initial estimate for 2013 showed a projected budget deficit of \$16.4 million.

After describing the concern over the deficit and some of the methods used to address the deficit for 2013, the article proceeded to discuss other factors that were helpful in addressing the deficit, namely:

For months, county officials pondered 2013 with trepidation because, after years of cuts, it was unclear how the new budget could be balanced one more time.

But county Finance Director Pete Provenzano now believes that the county sees the "light at the end of the tunnel" as property assessments are expected to drop only 2 percent next year and the backlog of high-priced property tax appeals by industry and commercial businesses has nearly disappeared.

As for the worker concessions, Provenzano said the county will negotiate a continuation contract with the unions for 2013 that includes six unpaid "furlough" days, minimal longevity bonuses, and the maintenance of reduced pay and benefit levels from previous years.

"The assumption is that these labor concessions will continue through 2015," the finance director said, referring to a new approach of developing projected budgets that extend an additional two years into the future.

Since 2009, the county has eliminated approximately 281 positions, mostly through attrition and often by taking advantage of employee retirements. County department heads have found that they can save considerable funds by keeping a vacant position unfilled for up to six months.

Last year, the county saved \$9 million through these employee turnover tactics and they anticipate another \$6 million saved next year.

In 2009, the county board taxes to the maximum 4.5 mills but, less than four years later, the revenue gain from that hike has disappeared due to falling home prices.

After enduring reductions in property assessments -- sometimes in the double-digit range -- for six years, the county expects stabilization in the housing market for 2014 and a slight jump in property tax revenues for 2015.

"Now that we have our spending under control," Provenzano said, "we hopefully can ride this out until the revenues start to increase."

What the article pointed out and what was addressed in the hearing before the Arbitration Panel is that there was still a need for contract concessions for 2012 and 2013 in order to stabilize the County's finances which had become unstable because of the County's heavy reliance on property taxes that had fallen due to fallen property values. As pointed out, the stabilization in the housing market is not expected in Macomb County until approximately 2014. This factor

becomes important in the analysis of the County's ability to pay as it was when the Chairman analyzed the County's ability to pay in the August 5, 2010 Opinion because of the County's heavy reliance on property taxes for its revenue. Without labor concessions and stabilization in labor contracts during these difficult economic times although the recovery is obvious in Michigan and particularly Macomb County, the County cannot build a foundation for more fruitful economic negotiations in the future. With the economic realities as they are, the best that can be hoped for is a holding pattern with some modest concessions until the County is able to stabilize its economic health which depends on the housing market.

The Union introduced a document prepared by Howard Bunsis of Eastern Michigan University, dated May 24, 2012, entitled "Preliminary Analysis of the Financial Condition Macomb County" wherein in his summary he writes in part:

Overall conclusion:

As of June 30, 2010, the County was in strong financial condition. This conclusion is based on very solid reserves, as well as a General Fund surplus for 2010. The extremely high bond rating of the County supports this conclusion. the County has an EXTREMELY high bond rating, in fact, it is just about the highest of any county in the state. As of 12/31/2010, the County had a AAA rating from Standard and Poor's. If this has not changed, then Macomb has a higher bond rating than the United States Government. The Moody's rating is Aa1, which is their 2nd highest potential rating out of 24 categories.

From a strategic standpoint, the County will point to two factors that they claim are leading them to the brink of financial disaster:

1. Declining property tax revenues
2. Legacy costs

The fact is, as this Chairman pointed out in the August 5, 2010 Opinion, the Moody's rating of Aa1 was a downgrade from Aaa rating because of underlying concerns as to the reliance on revenue from property values which had become destabilized in Macomb County. Going to page 8 of the report, the following statement is made:

- Between 2002 and 2011, we have seen a lower reliance on the State, and a greater reliance on property taxes
- There is hardly any change in charge for services, which makes citizens pay directly for services (parking, municipal golf, etc.)
- Overall, the key takeaway is the heavy reliance on property taxes

At page 9, the following statements were made:

- 2011, 2012, and 2013 are all predicted amounts, and come from the 2012 budget.
- From 2009 to 2010, there was a 11% decline in property tax revenue.
- Will other revenue sources pick up the slack? That is hard to know, as the State may not increase revenue sharing.
- This is what the County says about property taxes in the 2012 budget (document was created in November of 2011): *“The County enjoyed health increases in taxable values of 6% per year, on average, from the mid 1990s through the mid 2000s. Taxable values began to stagnate in 2008 and have declined 19.6% from that time through the end of 2011. Further decreases of 5% and 2% are anticipated in 2012 and 2013, respectively. These unprecedented declines in taxable values have placed a severe burden on the County’s ability to provide essential services to its residents. Compounding the problem is a State law known as Proposal A, which was enacted in 1994 and places limits on the annual increase in taxable value. Prior to Proposal A, property was taxed on its State Equalized Value (SEV), which represents approximately 50% of market value. Proposal A created a new value called Taxable Value, which was set at the same amount as SEV at its inception. Under Proposal A, SEV increases at market rates while the growth in taxable value is limited to the lesser of 5% or the rate of inflation. This means that if property values begin to recover in 2014 and increase an average of 2% per year, it will take over 13 years for taxable values to return to their 2008 levels.”*
- How do we approach this?
 - First, they predicted an 11% decline for 2011 property tax revenues. The 2011 CAFR will tell us if this happened. If it did not, then this will shed doubt on the gloom and doom predictions above.
 - Second, they often exaggerate declines. Look at the following graph from the 2012 budget:

The referenced chart on page 10 attempts to suggest that the County predictions on the

declining property values has been distorted.

In discussing the Bunsis report at the arbitration hearing, it was pointed out by the County that Dr. Bunsis pays little attention to legacy costs and in a previous Act 312 arbitration in Sterling Heights the panel rejected Dr. Bunsis' report there because of this defect which was repeated here. Dr. Bunsis in his report as to Macomb County does mention legacy costs, but with minimum analysis. As legacy obligations can have a significant effect on the financial health of Macomb County, the absence of a detailed analysis of the County's legacy's obligations, this Chairman likewise concludes that this is a critical failure in Dr. Bunsis' Macomb County report.

Furthermore, Dr. Bunsis does note that in 2009 and 2010 there was an 11% decline in property tax revenue which is consistent with the predictions of the County. In other words, the County's predictions were relatively accurate.

Of course, a budget is a prediction but, as Union Exhibit 5 pointed out County Executive Hackel was dealing with a \$16 million deficit in developing the County's budget. He closed the deficit by taking certain steps as discussed above. He based the budget by predictions that were based on previous history.

Dr. Bunsis asked if "other revenue sources pick up the slack as the State may not increase revenue sharing". It is a good prediction that the State will not increase revenue sharing because the State has its own budget concerns.

In other words, the Chairman, though studying closely Dr. Bunsis' analysis, believes the analysis is more in terms of rhetorical questions rather than based upon an economic foundation that would suggest that the contract period involved here does not require economic entrenchment so as to lay the foundation for more fruitful negotiations in the future. Gradually,

Macomb County with the reversion to a new form of government is recovering from the economic downturn to economic health and laying the foundation for a healthier bargaining climate. But, to do so, there must be a period of stabilization as was pointed out in the discussion of the October 5, 2012 Macomb Daily article and in the testimony at the October 15, 2012 hearing before this Panel.

This approach has been recognized by 14 other bargaining units in the County plus the non-union employees who have for 2012 and 2013 either ratified or approved contracts with modification and no wage increases as follows:

Ratified Unions	Ratification/ Approval Date	2012	2013
AFSCME Local 411	12-13-2011	Wages - 0%	Wages - 0%
Building Trades Association		Suspend Longevity Payment	Amended Longevity Payment Schedule 15-19 years of service \$600 20-24 years of service \$800 25+ years of service \$1000
International Union of Operating Engineers		Employees hired into the County after 1-1-12 will not be eligible for Longevity	
Macomb County Environmental Health Association		6 Dock/Furlough Days Benefit Plan Design Changes (attached)	6 Dock/Furlough Days Re-opener on Insurance Benefits
Non Union			
POLC-Captains/Chief of Staff/Jail Administrator		Employees hired into the County after 1-1-12 will have a monthly premium contribution of \$100 - single, \$150 - 2 person, \$200 - family contract	
Teamsters Local 214-Circuit Court/ Friend of the Court		Employees hired into the County after 1-1-12 will not be eligible for healthcare for an employee's spouse in retirement	
Teamsters Local 214-Court Reporters		Employees who retire or DROP after 11-1-13 will have the same healthcare coverage as active employees including any future negotiated changes	
TPOAM-Circuit Court Officers and Professional Association			

TPOAM-Family Court/Juvenile
Justice Center
TPOAM-Senior Citizens Service

Employees hired into the County after
1-1-12 must have 15 years of actual
service to be vested for retirement

Any employee not vested by 12-31-12
will not be eligible for the DROP program

UAW Local 889

UAW Local 412
-Assistant Prosecuting Attorneys
-Corporation counsel
-General
-Information Technology
-MCCSA Head Start
-Supervisors

M.N.A. Unit 1-Public Health Nurses 12-28-2011

POAM - Juvenile Justice Center 1-26-2012 Wages - 1.15% reduction Wages - 1.15% reduction

Suspend Longevity Payment	Amended Longevity Payment Schedule
Employees hired into the County after 1-1-12 will not be eligible for Longevity	15-19 years of service \$600 20-24 years of service \$800 25+ years of service \$1000

Reduction of 3 days of Holiday Pay	Reduction of 3 days of Holiday Pay
---------------------------------------	---------------------------------------

Benefit Plan Design Changes (attached)	Re-opener on Insurance Benefits
---	------------------------------------

Employees hired into the County
after 1-1-12 will have a monthly
premium contribution of \$100 -
single, \$150 - 2 person, \$200 -
family contract

Employees hired into the County
after 1-1-12 will not be eligible
for healthcare for an employee's
spouse in retirement

Employees who retire or DROP after
11-1-13 will have the same healthcare
coverage as active employees including
any future negotiated changes

Employees hired into the County after
1-1-12 must have 15 years of actual
service to be vested for retirement

Any employee not vested by 12-31-12
will not be eligible for the DROP program

One group, the Command Officers, have a contract that is still in existence, expiring on December 31, 2012. The ADTECHs are in mediation. AFSCME Local 893 are in fact finding, as is MCPDSA Correction Officers. But, as indicated, the pattern has been set by the 14 other bargaining units who have settled and the non-union group, recognizing the need for stabilization by agreeing to certain modifications that are concessionary in nature. This pattern recognizes that there is a need for 2012 and 2013 for concessions consistent with the financial ability of Macomb County so as to stabilize its finances, recognizing that the County relies heavily on property values for its revenue.

The Other Criteria

Pursuant to Section 9(1)(f), the cost of living is a criteria. However, in the economic times facing the nation and in particular in Southeastern Michigan, the cost of living is not a persuasive criteria. There is no longer serious inflation. Macomb County assessors cannot take advantage of the cost of living in increasing the assessments on property values. As already indicated, the internal comparables as recognized in Section 9(1)(e) are the criteria and have been recognized by this Chairman in the discussion above. Section 9(1)(i) recognizes other factors taken into consideration in fact finding which include what this Chairman in numerous cases has recognized, namely, if the parties had been left to their own devices and faced with the consequences if not reaching an agreement, the parties would have engaged in compromise or the art of the possible. There comes a point where compromise becomes essential and Act 312 Panels should attempt under the art of the possible criteria, which would be a factor in fact finding, to predict this point, as will this Chairman in this case. With the discussion of the

criteria and the application to these facts, the Chairman now turns to the issues that are in dispute in the parties' Last Best Offers.

Duration

In their respective Offers as to wages, the parties have agreed that the duration of the contract will be from January 1, 2012 through December 31, 2013. Thus, the parties are in agreement that this contract will be for the period from January 1, 2012 through December 31, 2013 and the Panel will so unanimously rule.

Wages

The Last Best Offer of the Union is that effective January 1, 2012 there be a 2% increase for all bargaining unit members; effective January 1, 2013 there be a 2% increase for all bargaining unit members.

The Last Best Offer of the County is that there be no wage increases in the wages effective January 1, 2012 for each of the two years of the contract.

The Chairman notes that in all the settled bargaining units except the Juvenile Justice Center for 2012 and 2013, namely, 13 units and non-union, the wages remained frozen, namely, there were no wage increases over the 2011 wages; that in the Juvenile Justice Center there was a 1.15% reduction for 2012 and 2013, respectively. Considering the financial condition of the County as discussed on the ability to pay and the need to stabilize and the pattern of wages that had been established among the other bargaining units, the Chairman will join with the County Delegate in adopting the County's Last Best Offer on wage increases for 2012 and 2013. This is the pattern and the financial condition of the County supports such a result.

Health Care

Items 3 through 7 of the County's Petition deal with health care, including the following amendment to Article 26, which was a Last Best Offer:

ARTICLE 26 INSURANCE BENEFITS

All employees who retire or DROP after November 1, 2013, regardless of their date of hire, will have the same healthcare coverage as active employees, including any future negotiated changes, until they are Medicare eligible. subject to the limitation of spouse coverage in . above. This provision does not apply to employees who retire or DROP prior to November 1, 2013.

At time of retirement, an active employee contributing to healthcare will continue to contribute in retirement, including any future negotiated changes to the contribution. At the time of retirement, an active employee not contributing to healthcare will not contribute in retirement.

The Union sought no changes in health care and proposed the *status quo*. To begin, the Chairman joined by the Union Delegate in rejecting the above quoted proposal and said proposal will not be part of the Award. However, there were provisions of the County's health care proposals that were consistent with the proposals that were adopted by the settled bargaining units, namely, two amendments to Article 26 plus the reference to full-time active employees. Since these amendments were adopted by the other bargaining units, there is no reason why these amendments should not be adopted by the Deputies and Dispatchers POAM Unit as the internal comparables are compelling. It is for these reasons that the Chairman, joined by the County Delegate, will award the following amendments as highlighted to Article 26:

ARTICLE 26 INSURANCE BENEFITS

A. Life Insurance:

1. **Full-time Active Employees (including DROP Participants):**

- a. Effective October 1, 2003, the life insurance provided by the Employer for employees in the classification of Deputy is \$25,000 death benefit and \$7,500 additional accidental death and/or dismemberment benefit.
- b. Effective October 1, 2003, the life insurance provided by the Employer for employees in the classifications of Dispatcher and Dispatcher Leader is \$20,000 death benefit and \$7,500 additional accidental death and/or dismemberment benefit.
- c. The Employer will provide a payroll deduction option for employees wishing to purchase additional death benefit life insurance. The amount of coverage shall be equal to 1, 2, 3, 4 or 5 times the employee's annual salary (rounded to the nearest thousand dollars) and based on the Employer's and the individual's combined level of coverage. The amount of life insurance shall be computed by using the employee's annual base salary as of January 1st of each year of this Agreement. Rates and conditions shall be subject to those established by the insurance carrier.
- d. **Waiting Period:** Employees who are eligible for life insurance benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

2. **Retirees:**

The Employer will provide fully paid life insurance coverage to the Employee only, who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance based upon the following condition and provision:

Effective October 1, 2003, employees covered by this Agreement will receive life insurance coverage in the amount of \$2,000.

B. Hospital-Medical Insurance:

1. Full-time Active Employees (including DROP Participants):

The Employer shall provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence and Health Maintenance Organization (HMO) coverage or its substantial equivalence to all regular employees and their eligible family members, including prescription drug coverage, as outlined in **Appendix F**.

Employees hired into the County after date of ratification or Act 312 arbitration award will have an additional monthly employee premium contribution of \$100-single contract or \$150-2 person contract or \$200-family contract.

Employees who have a spouse employed with Macomb County, will be entitled to one insurance plan for both employees and all dependants. Such employee shall not be eligible for the benefit listed in section B.1.b.

Effective September 1, 2010, employees will no longer be eligible for Traditional Blue Cross Blue Shield coverage.

a. Waiting Period:

Employees who are eligible for hospital-medical insurance benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

b. The Employer shall begin a program to coordinate and to eliminate overlapping health care coverage. An Employee, who elects not to enroll in any County-sponsored health care plan (Blue Cross/Blue Shield, Health Maintenance Organization, or Preferred Provider Organization) and whose spouse or parent has coverage provided by another Employer which covers the Employee, shall be paid \$1,500 each year for every year that the spouse or parent has coverage. Payments of \$750 will be made semiannually to each Employee who has not

been on any County-sponsored health care program for six (6) months.

Employees shall be required to show proof annually that a spouse or parent has health care coverage that includes the Employee before said Employee will be declared eligible to receive the \$1,500 annual payment.

Employees, whose spouse's or parents' health care plans cease to cover the Employee shall be allowed to enroll in a County-sponsored health care plan by showing proof that the spouse's or the parents' coverage has ceased. In such cases, the Employee shall be allowed to enroll in a County-sponsored plan at the next billing period.

2. Retirees:

The Employer will provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence to the Employee and the Employee's spouse for the Employee who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance, based upon the following conditions and provisions:

For all employees hired into this unit on or after March 1, 2007, the Employer will provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence to the Employee and the Employee's spouse, after fifteen (15) years of actual service with the Employer, for the Employee who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance, based upon the following conditions and provisions:

Employees hired into the County after date of ratification or Act 312 arbitration award will not be eligible for healthcare for the employee's spouse in retirement. Employees in this category will be provided the option of paying for 100% fully insured spousal HMO health care coverage under the County group health plan. There shall be no contribution by

the Employer for this option.

For all employees hired or promoted into this bargaining unit on or after August 6, 2010, the Employer will provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence to the Employee and the Employee's spouse, after twenty-five (25) years of actual service with the Employer, for the Employee who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance, based upon the following conditions and provisions:

- a. Coverage shall be limited to the current spouse of the retiree, at the time of retirement or DROP. Coverage for the eligible spouse will terminate upon the death of the retiree, unless the retiree elects to exercise a retirement option whereby the eligible, current spouse receives applicable retirement benefits following the death of the retiree.
- b. Retired Employees and/or their current spouse, upon reaching age 65, shall apply, if eligible, and participate in the Medicare Program at their expense as required by the Federal Insurance Contribution Act, a part of the Social Security Program, at which time the Employer's obligation shall be only to provide "over 65 supplemental" hospital-medical benefit coverage. Failure to participate in the aforementioned Medicare Program shall be cause for termination of Employer paid coverage of applicable hospital-medical benefits, as outlined herein, for Employees who retire and/or their current spouse.
- c. Employees who retire under the provisions of the Macomb County Employees' Retirement Ordinance, and/or their current spouse, and who are subsequently gainfully employed, shall not be eligible for hospital-medical benefits, during such period of gainful employment as hereinafter defined:

Gainful employment is defined as

applying to retiree and/or spouse of retiree who are employed subsequent to the Employee's retirement. If such employment provides hospital-medical coverage for both retiree and spouse, the County is not obligated to provide said coverage unless and until the coverage of either person is terminated. If the coverage is not provided to retiree and spouse, the County will provide hospital-medical coverage for the person not covered.

- d. Employees who retire under the provisions of the Macomb County Employees' Retirement Ordinance and current spouse shall, if eligible, apply for and participate in any National Health Insurance Program offered by the U.S. Government. Failure to participate, if eligible, shall be cause for termination of Employer paid hospital-medical benefits as outlined.
- e. The Employer shall begin a program to coordinate and to eliminate overlapping health coverage. A retiree who elects not to enroll in any County-sponsored health care plan (Blue Cross/Blue Shield, Health Maintenance Organization, or Preferred Provider Organization), and whose spouse has coverage provided by another Employer which covers the retiree, shall be paid \$1,500 each year for every year that the spouse has coverage. Payments of \$750 will be made semi-annually to each retiree who has not been on any County-sponsored health care plan for six (6) months.

Retirees shall be required to show proof annually that a spouse has health care coverage that includes the retiree before the said retiree will be declared eligible to receive the \$1,500 annual payment.

Retirees whose spouse's health care plans cease to cover the retiree shall be allowed to enroll in a County-sponsored health care plan by showing proof that the spouse's coverage has ceased. In such cases, the retiree shall be allowed to enroll in a County-sponsored plan at the next billing period.

C. Health Maintenance Organization (see Appendix F):

1. Full-time Active Employees (including DROP participants):

The Employer will provide a Health Maintenance Organization option for regular Employees covered under this Article, provided the premium does not exceed the cost of the present insurance.

Employees who have a spouse employed with Macomb County, will be entitled to one insurance plan for both employees and all dependants. Such employee shall not be eligible for the benefit listed in section B.1.b.

2. Waiting Period:

Employees who are eligible for hospital-medical insurance benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

3. Retirees:

The Employer will provide a Health Maintenance Organization option for current and future retirees of the bargaining unit provided the premium does not exceed the cost of the present insurance.

A retiree will have the option of retaining his/her HMO coverage at the time of retirement, or converting from Blue Cross/Blue Shield to HMO coverage during the County's annual open enrollment period.

D. Dental Insurance:

A Dental Insurance Program will provide the following:

1. Full-time Active Employees (including DROP participants) covered by this Agreement and their dependents will be covered by a 75/25 Class I, 50/50 Class II, maximum \$1,000 per year, per person, Delta Dental Plan, or its

substantial equivalence, with the Employer paying the premium for said coverage.

2. Waiting Period:

Employees who are eligible for dental benefits will be covered on the first day of the month following six (6) months of continuous employment.

E. Optical Insurance:

An Optical Insurance program will provide the following:

1. Full-time Active Employees (including DROP participants) covered by this Agreement, and their dependents, will be covered by a Blue Cross/Blue Shield Vision care Program known as Series ABO, or its substantial equivalence.

2. Waiting Period:

Employees who are eligible for optical benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

F. Liability Insurance:

The County shall provide for each regular Full-time Active Employee (including DROP participants), Bodily Injury and Property Damage Liability Insurance and Personal Injury Insurance, including "false arrest" coverage, for actions taken in the course of and arising out of the lawful performance of duties. The limits of insurance for each occurrence will be \$450,000 in excess of \$50,000 self-insured retention per occurrence with an annual aggregate of \$450,000. The cost of this insurance will be borne by the County.

G. Disability Benefits:

Full-time Active Employees (including DROP participants) who shall be medically certified as unable to perform their duties, as designated by the Employer, because of the following illnesses or diseases, shall

receive compensation of Fifty Dollars (\$50.00) per week for a maximum of fifty-two (52) weeks, based on the conditions specified herein:

SPECIFIC ILLNESS AND/OR DISEASE

Infectious Hepatitis	Smallpox
Spinal Meningitis	Scarlet Fever
Diphtheria	Typhoid
Tetanus	Poliomyelitis
Rabies	(Infantile paralysis)
Encephalitis	Tularemia

The conditions under which specified weekly payments shall be made are:

1. The afflicted Employee shall be declared ineligible for applicable Workers' Compensation Benefits as prescribed by the Workers' Compensation Act of the State of Michigan.
2. The afflicted Employee shall have exhausted his/her sick leave and annual leave bank in accordance with the provisions of the Annual Leave and Sick Leave Articles.
3. The afflicted Employee is not receiving any other form of County compensation other than applicable fringe benefits.

H. Long Term Disability:

Full-time Active Employees (including DROP participants) covered by this Agreement will be provided a Long Term Disability program with benefits as currently provided by the present provider, or its substantial equivalence.

I. Substantial Equivalence:

Determination of "substantial equivalency", and/or "substantial equivalence" as expressed throughout this Article shall be subject to review and agreement by the Parties to this Agreement, prior to implementation of same.

The reference to Appendix F which also will be included in the Award as an attachment

identifies all healthcare plans including Community Blue PPO Plan 14/20% medical coverage effective on January 1, 2013. This will be the Award of the Panel, signed by the Chairman and the County Delegate. The Chairman will also sign the Award rejecting, along with the Union Delegate, the provision proposed by the County discussed at the beginning of this section concerning employees retiring or dropped after November 1, 2013 as to health care coverage.

Retirement

The County had three proposals on retirement, namely, to increase the contribution by 2% effective January 1, 2012, to eliminate overtime from the inclusion in final average compensation for those who retire on or after ratification, and to eliminate the DROP Program.

The Union had four proposals as to retirement, namely, to purchase service time, to permit a buy-out, and a 20 year retirement as well as a deferred retirement option plan.

As the Chairman views the situation, this is not the contract to make the changes in the pension plan that the Union seeks because of the County's attempt to rehabilitate its financial health. Changes at this time in the pension plan will hinder this effort.

In return, the County cannot expect its proposed 2% increase in contribution to the pension plan.

The County does seek one change that it has obtained from other bargaining groups, namely, eliminating the DROP Program for those employees not vested by December 31, 2012. This is the one proposal that the County makes that is supported by the internal comparables. In this change the Chairman will agree with the County Delegate and will so provide in the Award.

There is one other point. The County seeks to eliminate overtime from inclusion in final average compensation for those who retire on or after ratification. This issue came up in the

previous August 2010 Act 312 arbitration. Including overtime in final average compensation is a substantial advantage to those who retire. The provision for overtime has been in the parties' contract since the parties have held Collective Bargaining Agreements. In the August 5, 2010 Award, this Chairman rejected attempts by the County to remove this provision in that Award over substantial protest from the County's Delegate. This is a substantial cost factor to the County. It does add to the cost of pensions.

In continuing to reject this request from the County, the Chairman is granting a substantial benefit to the Deputies and Dispatchers. It is part of the art of the possible. There are a number of proposals that the Deputies had proposed on retirement benefits that are not being granted. There is also the granting of the elimination of the DROP Program. This is a question of the give and take in bargaining. It is part of the art of the possible. Under the circumstances, this Chairman will continue to join with the Union Delegate and agree not to eliminate overtime from inclusion in the final average compensation.

Longevity

Both the Union and the County presented proposals on longevity pay for each year – 2012, 2013. The Union proposal was:

ARTICLE 28 - LONGEVITY PAY

4. The following schedule of payment shall apply:

<u>Step</u>	<u>Continuous Years of Service</u>	<u>Percent Used, But On Base Not In Excess of \$30,000</u>
1	5 through 9	2%
2	10 through 14	4%
3	15 through 19	6%
4	20 through 24	8%
5	25 and thereafter	10%

PROPOSED:

4. The following schedule of payment shall apply:

<u>Step</u>	<u>Continuous Years Of Service</u>	<u>Amount</u>
1	10 through 14	\$1,000
2	15 through 19	\$1,250
3	20 through 24	\$1,500
4	25 and thereafter	\$2,000

The County's proposal is more detailed, but adopted the same principle, namely, going from a percentage to a dollar amount and, like the Union proposal, eliminated the previous Step 1 of 5 through 9 years, but upped the eligibility to 15 through 19 and instead set the amount and eligibility as follows:

<u>Step</u>	<u>Continuous Years Of Service</u>	<u>Amount Percent Used, But On Base Not In Excess Of \$30,000</u>
1	5 through 9	2%
2	10 through 14	4%
<u>13</u>	15 through 19	<u>\$6006%</u>
<u>24</u>	20 through 24	<u>\$8008%</u>
<u>35</u>	25 and thereafter	<u>\$1,00010%</u>

The Chairman, joined by the County's Delegate, will adopt the County's Last Best Offer on longevity because it is the same schedule adopted by the other settled 14 bargaining units in Macomb County. The Union Delegate dissents.

Holidays

The Union proposed as to holidays or furlough days the following:

PRESENT:

LETTER OF AGREEMENT
Between
COUNTY OF MACOMB
and

POLICE OFFICERS ASSOCIATION OF MICHIGAN (POAM)

The County and the Union agree that for each year 2010 and 2011, each employee and DROP participant shall have his/her holiday pay benefit as outlined in Article 16, Holiday Benefits, reduced by four (4) days per calendar year.

This letter of agreement will expire on December 31, 2011.

PROPOSED:

The County and the Union agree that for each year 2012 and 2013, each employee and DROP participant shall receive six (6) days off without pay for the fiscal year. These days are commonly referred to as unpaid furlough days.

This letter of agreement will expire on December 31, 2013.

Furlough Days to be effective date of award.

The County proposed the following:

LETTER OF AGREEMENT
between
COUNTY OF MACOMB
and
POLICE OFFICERS ASSOCIATION OF MICHIGAN (POAM)

The County and the Union agree that for each year 2012 and 2013, each employee and DROP participant shall have his/her holiday pay benefit as outlined in Article 16, Holiday Benefits, reduced by six (6) days per calendar year.

This Letter of Agreement will expire on December 31, 2013.

The two proposals cover both years, 2012 and 2013. Both involve six days. The difference is that the Union's proposal provides for six days off whereas the County's proposal eliminates holiday pay for six days, but that the employees work the six days.

As the Chairman understands Article 16, because of the nature of the employment, the holiday benefits are paid at the end of the year in a lump sum. It would seem since what is involved here is an attempt to address financial restructuring in the County that the aim is not to

give time off, thereby creating overtime issues, but rather the need to control costs. The County proposal should be adopted. This particularly follows when the other bargaining units have agreed to six docked furlough days. Therefore, the Chairman, joined with the County Delegate, will adopt the County's proposal with the Union Delegate dissenting.

Article 14 – Scheduling and Hours

The Union proposes 12 hour shifts for Road Patrol and Dispatch. The County proposes the *status quo*. A 12 hour shift is a major change in operation.

There may be valid arguments from both perspectives concerning the issue of 12 hour shifts. But, in the circumstances of Macomb County where the issue is financial restructuring, the view of the Chairman is that the parties need more time to address the issue to the extent that the matter must be carefully assessed, including considering cost and operational factors. Thus, the Chairman, addressing the issue as pertained to Macomb County and Macomb County Sheriff's Department only, will opt to join with the County Delegate and for this contract only and not to serve as a precedent for this is a matter that may be revisited in the future will reject the proposal for 12 hour shifts at this time. The Union Delegate dissents.

Hazard Pay

Article 32 of the current contract provides an annual pay of \$420 for hazard pay. The Union set in its Last Best Offer a single annual hazard pay of \$875 as hazard pay. The County has proposed the *status quo*.

Again, this is an economic matter and, based upon the approach of the Chairman and considering the internal comparables where the approach has not been to add to the costs and the approach that was taken to avoid a \$16.4 million deficit, the Chairman will join with the County

Delegate and not award an increase in the hazard pay, thereby rejecting the Last Best Offer of the Union. The Union Delegate dissents.

Compensatory Time

The County has proposed to eliminate compensatory time. In 2010 the County made the same proposal. In the August 5, 2010 Opinion and Award, this Chairman, in response to the County's proposal, beginning at page 36, wrote on the issue in rejecting the County's proposal to eliminate compensatory time at that time:

Compensatory Time

The 2004-2007 contract in Article 17.B provided as follows:

B. **Compensatory Time Procedure:**

1. Employees working overtime, call-in time and/or Court time shall have the option of receiving pay at the rate of time and one-half (1 1/2) or receiving compensatory time-off. Employees shall select one (1) of the above options and properly notify the appropriate Command Officer. An Employee who has accrued compensatory time and requests the use of the time, shall be permitted to use the time-off within a reasonable period after making the request; provided, however, that it does not unduly disrupt the operations of the Department. However, no member of the bargaining unit may utilize compensatory time for time off in excess of 144 hours per calendar year. Employees may utilize up to 16 additional hours of compensatory time for training purposes, after approval by the Sheriff or his/her designee. Employees may not, under any circumstances, accumulate more than one hundred (100) hours of compensatory time. Upon termination of employment, an Employee shall be paid for unused compensatory time figured at:

- a. The average regular rate received by

such Employee during the last three (3) years of employment; or,

- b. Final regular rate received by such Employee, whichever is higher.
2. An employee may convert compensatory time to a cash payment by notifying the appropriate Command Officer of the number of hours of compensatory time to be converted to a cash payment.
3. Retirement contributions shall be deducted from the cash payment for compensatory time and the amount paid shall be included in an employee's Final Average Compensation (FAC) for retirement purposes.

The Last Best Offer of the County is to eliminate compensatory time and instead pay Deputies and Dispatchers for overtime work in cash rather than permitting the option of taking compensatory time for the overtime worked.

The Last Best Offer of POAM is to maintain the *status quo* and continue Article 17 into the 2007-2011 Agreement.

The Chairman appreciates that in the two other bargaining units of the Sheriff's Department, namely, the Command Officers and the Captains/Administrators, the County successfully negotiated the elimination of compensatory time. Arguably, this could be a persuasive reason to adopt the County's Last Best Offer.

The County did present Exhibits 170 and 170A showing that in 2005 the average use of comp time among the Sheriff Deputies/Dispatchers was 6.9 days off. In 2007, the last year that the Deputies received a pay raise, the average usage for comp time dropped to 5.95 days off. The County also noted that in 2007 the cash payout for comp time was \$105,281. The overtime caused by comp time was \$230,429. Then there was an Exhibit on comparables that showed that only three of the counties compared had compensatory time, though Clinton Township and Sterling Heights did.

The County also put in an Exhibit illustrating the effect of comp time, noting that if an officer worked eight hours and accepted time and one-half, the County would pay 12 hours of pay. A second option was if the officer accepts 12 hours of comp time and uses the comp time for a day off, there could be a possibility that no overtime would be

required. And, whether it would be 12 hours of pay to the officer or 12 hours of comp time in the two scenarios, the cost would be the same for the County. If, on the other hand, the officer accepts 12 hours of comp time and the officer's position has to be filled by overtime, then the County would incur an additional 12 hours of pay.

These are all arguments advanced by the County to make the change.

The difficulty with these arguments is that the retention of compensatory time option has been a contentious issue between the parties. Furthermore, observe the concept of the art of the possible in this situation. As part of the bargain as a result of this Act 312 proceeding is the Deputies now have a cap on their pension, albeit with some grandfather rights. There is no such provision in the Command Officers' or Captains' contract.

In other words, what the Chairman did was balance the interests of the parties and recognize that the County did obtain a benefit that is not universal within the County, namely, the pension cap. The Union in return keeps the compensatory time provision. This would be the give and take of bargaining. It may be that as time goes on the compensatory time will become a major issue in future negotiations if the comp time affects the County's financial ability. The issue may not go away. The trend could be a reduced use of comp time by the Deputies or it may remain straightline.

But, given the nature of the bargaining and the art of the possible, the Chairman has chosen to accept the pension cap and keep the compensatory time, recognizing that the compensatory time may become an issue in future negotiations, depending on what the facts reveal. For this reason, the Chairman, joined by the POAM Delegate, will vote to maintain the *status quo* as to compensatory time with the County Delegate dissenting.

There is nothing more this Chairman can add to what he wrote back in 2010. The County in the current hearing has not offered anything more on this record that would persuade this Chairman to modify his previous Opinion and Award. Therefore, this Chairman will, along with the Union Delegate, vote to award continuing the current language of Article 17.B in maintaining the compensatory time procedure. The County Delegate dissents.

Tentative Agreements

Tentative Agreements dated prior to the Arbitration Award shall be made part of the Awards and added to the 2012-2013 Collective Bargaining Agreement. Both Delegates plus the Chairman are in agreement with this Award.

Conclusion

What now follows are some conclusionary statements which are solely the statements of the Chairman and do not represent the views of either the County or the Union Delegate. Furthermore, the statements that have been previously written are basically the statements of the Chairman. The Awards that follow and the resulting contract represents a stabilization. They are Awards that the Chairman has signed because the County is attempting to stabilize its financial condition so as to lay the foundation for a better negotiation atmosphere in the future, coupled with the overwhelming internal comparables. Fortunately, there have been no layoffs of any Sheriff Deputies or Dispatchers. And as Southeastern Michigan recovers from the economic situation that the area has faced, the parties will be able to address their respective needs in the near future. But because of the realities of the situation, the Awards that follow are necessary.

A W A R D S

1. Duration:

MACOMB COUNTY DEPUTIES AND DISPATCHERS

INTRODUCTION

THIS AGREEMENT was entered into the 1st day of January, 2012, between the County of Macomb, hereinafter referred to as "Employer" and/or "County", and the Macomb County Deputies and Dispatchers Association, hereinafter referred to as "Association" and/or "Union" acting on behalf of the Employees within the unit for which the Association has been recognized as sole bargaining agent.

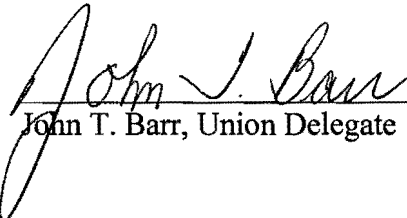
The provisions of this Agreement shall apply to all Employees regardless of age, race, color, religion, sex, national origin or creed.

Amend Article 45 - Termination or Modification, Section A, to provide as follows:

- A. This Agreement shall be and continue in full force and effect until December 31, 2013.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate

November 21, 2012

2. Wages.

**APPENDIX A - WAGE SCHEDULE
POAM**

EFFECTIVE: JANUARY 1, 2012 - DECEMBER 31, 2013

DEPUTY

Start	\$45,246.84
6 months	\$46,808.50
12 months	\$48,370.19
18 months	\$49,931.86
24 months	\$51,493.53
30 months	\$53,055.23
36 months	\$54,616.90
42 months	\$56,178.56
48 months	\$57,745.51

DISPATCHER LEADER

Start	\$41,025.66
6 months	\$42,032.73
12 months	\$43,039.79
18 months	\$44,046.87

DISPATCHER

Start	\$38,811.57
6 months	\$39,766.66
12 months	\$40,721.78
18 months	\$41,677.29


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate

November 21, 2012

3. Article 26 shall read as follows:

ARTICLE 26
INSURANCE BENEFITS

A. Life Insurance:

1. Full-time Active Employees (including DROP Participants):

- a. Effective October 1, 2003, the life insurance provided by the Employer for employees in the classification of Deputy is \$25,000 death benefit and \$7,500 additional accidental death and/or dismemberment benefit.
- b. Effective October 1, 2003, the life insurance provided by the Employer for employees in the classifications of Dispatcher and Dispatcher Leader is \$20,000 death benefit and \$7,500 additional accidental death and/or dismemberment benefit.
- c. The Employer will provide a payroll deduction option for employees wishing to purchase additional death benefit life insurance. The amount of coverage shall be equal to 1, 2, 3, 4 or 5 times the employee's annual salary (rounded to the nearest thousand dollars) and based on the Employer's and the individual's combined level of coverage. The amount of life insurance shall be computed by using the employee's annual base salary as of January 1st of each year of this Agreement. Rates and conditions shall be subject to those established by the insurance carrier.
- d. Waiting Period: Employees who are eligible for life insurance benefits will be

covered on the first day of the month following sixty (60) days of continuous employment.

2. Retirees:

The Employer will provide fully paid life insurance coverage to the Employee only, who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance based upon the following condition and provision:

Effective October 1, 2003, employees covered by this Agreement will receive life insurance coverage in the amount of \$2,000.

B. Hospital-Medical Insurance:

1. Full-time Active Employees (including DROP Participants):

The Employer shall provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence and Health Maintenance Organization (HMO) coverage or its substantial equivalence to all regular employees and their eligible family members, including prescription drug coverage, as outlined in Appendix F.

Employees hired into the County after date of ratification or Act 312 arbitration award will have an additional monthly employee premium contribution of \$100-single contract or \$150-2 person contract or \$200-family contract.

Employees who have a spouse employed with Macomb County, will be entitled to one insurance plan for both employees and all dependants. Such employee shall not be eligible for the benefit listed in section B.1.b.

Effective September 1, 2010, employees will no longer be eligible for Traditional Blue Cross Blue Shield coverage.

a. Waiting Period:

Employees who are eligible for hospital-medical insurance benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

b. The Employer shall begin a program to coordinate and to eliminate overlapping health care coverage. An Employee, who elects not to enroll in any County-sponsored health care plan (Blue Cross/Blue Shield, Health Maintenance Organization, or Preferred Provider Organization) and whose spouse or parent has coverage provided by another Employer which covers the Employee, shall be paid \$1,500 each year for every year that the spouse or parent has coverage.

Payments of \$750 will be made semiannually to each Employee who has not been on any County-sponsored health care program for six (6) months.

Employees shall be required to show proof annually that a spouse or parent has health care coverage that includes the Employee before said Employee will be declared eligible to receive the \$1,500 annual payment.

Employees, whose spouse's or parents' health care plans cease to cover the Employee shall be allowed to enroll in a County-sponsored health care plan by showing proof that the spouse's or the parents' coverage has ceased. In such cases, the Employee shall be allowed to enroll in a County-sponsored plan at the next billing period.

2. Retirees:

The Employer will provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence to the Employee and the Employee's spouse for the Employee who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance, based upon the following conditions and provisions:

For all employees hired into this unit on or after March 1, 2007, the Employer will provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence to the Employee and the Employee's spouse, after fifteen (15) years of actual service with the Employer, for the Employee who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance, based upon the following conditions and provisions:

Employees hired into the County after date of ratification or Act 312 arbitration award will not be eligible for healthcare for the employee's spouse in retirement. Employees in this category will be provided the option of paying for 100% fully insured spousal HMO health care coverage under the County group health plan. There shall be no contribution by the Employer for this option.

For all employees hired or promoted into this bargaining unit on or after August 6, 2010, the Employer will provide fully paid Blue Cross/Blue Shield Preferred Provider Organization (PPO) coverage or its substantial equivalence to the Employee and the Employee's spouse, after twenty-five (25) years of actual service with the Employer, for the Employee who leaves employment because of retirement and is eligible for and receives benefits under the Macomb County Employees' Retirement Ordinance, based upon the following conditions and provisions:

- a. Coverage shall be limited to the current spouse of the retiree, at the time of retirement or DROP. Coverage for the eligible spouse will terminate upon the death of the retiree, unless the retiree elects to exercise a retirement option whereby the eligible, current spouse receives applicable retirement benefits

following the death of the retiree.

- b. Retired Employees and/or their current spouse, upon reaching age 65, shall apply, if eligible, and participate in the Medicare Program at their expense as required by the Federal Insurance Contribution Act, a part of the Social Security Program, at which time the Employer's obligation shall be only to provide "over 65 supplemental" hospital-medical benefit coverage. Failure to participate in the aforementioned Medicare Program shall be cause for termination of Employer paid coverage of applicable hospital-medical benefits, as outlined herein, for Employees who retire and/or their current spouse.
- c. Employees who retire under the provisions of the Macomb County Employees' Retirement Ordinance, and/or their current spouse, and who are subsequently gainfully employed, shall not be eligible for hospital-medical benefits, during such period of gainful employment as hereinafter defined:

Gainful employment is defined as applying to retiree and/or spouse of retiree who are employed subsequent to the Employee's retirement. If such employment provides hospital-medical coverage for both retiree and spouse, the County is not obligated to provide said coverage unless and until the coverage of either person is terminated. If the coverage is not provided to retiree and spouse, the County will provide hospital-medical coverage for the person not covered.

- d. Employees who retire under the provisions of the Macomb County Employees' Retirement Ordinance and current spouse shall, if eligible, apply for and participate in any National Health Insurance Program offered by the U.S. Government. Failure to participate, if eligible, shall be cause for termination of Employer paid hospital-medical benefits as outlined.
- e. The Employer shall begin a program to coordinate and to eliminate overlapping health coverage. A retiree who elects not to enroll in any County-sponsored health care plan (Blue Cross/Blue Shield, Health Maintenance Organization, or Preferred Provider Organization), and whose spouse has coverage provided by another Employer which covers the retiree, shall be paid \$1,500 each year for every year that the spouse has coverage. Payments of \$750 will be made semi-annually to each retiree who has not been on any County-sponsored health care plan for six (6) months.

Retirees shall be required to show proof annually that a spouse has health care coverage that includes the retiree before the said retiree will be declared eligible to receive the \$1,500 annual payment.

Retirees whose spouse's health care plans cease to cover the retiree shall be allowed to enroll in a County-sponsored health care plan by showing proof that the spouse's coverage has ceased. In such cases, the retiree shall be allowed to enroll in a County-sponsored plan at the next billing period.

C. Health Maintenance Organization (see Appendix F):

1. Full-time Active Employees (including DROP participants):

The Employer will provide a Health Maintenance Organization option for regular Employees covered under this Article, provided the premium does not exceed the cost of the present insurance.

Employees who have a spouse employed with Macomb County, will be entitled to one insurance plan for both employees and all dependants. Such employee shall not be eligible for the benefit listed in section B.1.b.

2. Waiting Period:

Employees who are eligible for hospital-medical insurance benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

3. Retirees:

The Employer will provide a Health Maintenance Organization option for current and future retirees of the bargaining unit provided the premium does not exceed the cost of the present insurance.

A retiree will have the option of retaining his/her HMO coverage at the time of retirement, or converting from Blue Cross/Blue Shield to HMO coverage during the County's annual open enrollment period.

D. Dental Insurance:

A Dental Insurance Program will provide the following:

1. Full-time Active Employees (including DROP participants) covered by this Agreement and their dependents will be covered by a 75/25 Class I, 50/50 Class II, maximum \$1,000 per year, per person, Delta Dental Plan, or its substantial equivalence, with the Employer paying the premium for said coverage.

2. Waiting Period:

Employees who are eligible for dental benefits will be covered on the first day of the month following six (6) months of continuous employment.

E. Optical Insurance:

An Optical Insurance program will provide the following:

1. Full-time Active Employees (including DROP participants) covered by this

Agreement, and their dependents, will be covered by a Blue Cross/Blue Shield Vision care Program known as Series ABO, or its substantial equivalence.

2. Waiting Period:

Employees who are eligible for optical benefits will be covered on the first day of the month following sixty (60) days of continuous employment.

F. Liability Insurance:

The County shall provide for each regular **Full-time Active** Employee (including DROP participants), Bodily Injury and Property Damage Liability Insurance and Personal Injury Insurance, including "false arrest" coverage, for actions taken in the course of and arising out of the lawful performance of duties. The limits of insurance for each occurrence will be \$450,000 in excess of \$50,000 self-insured retention per occurrence with an annual aggregate of \$450,000. The cost of this insurance will be borne by the County.

G. Disability Benefits:

Full-time Active Employees (including DROP participants) who shall be medically certified as unable to perform their duties, as designated by the Employer, because of the following illnesses or diseases, shall receive compensation of Fifty Dollars (\$50.00) per week for a maximum of fifty-two (52) weeks, based on the conditions specified herein:

<u>SPECIFIC ILLNESS AND/OR DISEASE</u>	
Infectious Hepatitis	Smallpox
Spinal Meningitis	Scarlet Fever
Diphtheria	Typhoid
Tetanus	Poliomyelitis
Rabies	(Infantile paralysis)
Encephalitis	Tularemia

The conditions under which specified weekly payments shall be made are:


1. The afflicted Employee shall be declared ineligible for applicable Workers' Compensation Benefits as prescribed by the Workers' Compensation Act of the State of Michigan.
2. The afflicted Employee shall have exhausted his/her sick leave and annual leave bank in accordance with the provisions of the Annual Leave and Sick Leave Articles.
3. The afflicted Employee is not receiving any other form of County compensation other than applicable fringe benefits.

H. Long Term Disability:

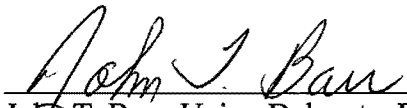
Full-time Active Employees (including DROP participants) covered by this Agreement will be provided a Long Term Disability program with benefits as currently provided by the present provider, or its substantial equivalence.

I. Substantial Equivalence:

Determination of "substantial equivalency", and/or "substantial equivalence" as expressed throughout this Article shall be subject to review and agreement by the Parties to this Agreement, prior to implementation of same.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate, Dissenting as to
highlighted text

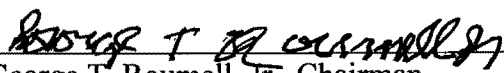
November 21, 2012

4. Article 26 shall not include the following provision:


ARTICLE 26
INSURANCE BENEFITS

All employees who retire or DROP after November 1, 2013, regardless of their date of hire, will have the same healthcare coverage as active employees, including any future negotiated changes, until they are Medicare eligible, subject to the limitation of spouse coverage in . above. This provision does not apply to employees who retire or DROP prior to November 1, 2013.

At time of retirement, an active employee contributing to healthcare will continue to contribute in retirement, including any future negotiated changes to the contribution. At the time of retirement, an active employee not contributing to healthcare will not contribute in retirement.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate, Dissenting


John T. Barr, Union Delegate

November 21, 2012

5. Article 27 shall read as follows:

ARTICLE 27
RETIREMENT BENEFITS

- A. The Employer shall continue the benefits as provided under the presently constituted Macomb County Employees' Retirement Ordinance, except as otherwise modified by the provisions of this Retirement Benefits Article.
- B. The final average compensation (FAC) used for calculating pension benefits for all members of the bargaining unit under this contract and the Macomb County Employees' Retirement System Ordinance shall exclude lump sum Sick Leave Bank and Annual Leave Bank payments made at the time of retirement.
- C. The final average compensation (FAC) used for calculating pension benefits for all members of the bargaining unit under this contract and the Macomb County Employees' Retirement System Ordinance shall treat any retroactive wage payments as if the retroactive wages were paid to the employee when the wages were earned, not when they were paid by the Employer.
- D. Deputy: Deputies who are eligible for and retire under the provisions of the Macomb County Employees' Retirement Ordinance, and this Agreement, shall receive:
1. A straight life retirement allowance consisting of:
 - a. An employee pension which shall be the actuarial equivalent of the accumulated contributions standing to the employee's credit in his/her savings fund at the time of retirement; and
 - b. A County pension, which when added to the employee's pension will provide a retirement allowance equal to the number of years and fraction of a year of credited service multiplied by the sum of 2.64% of the employee's final average compensation for the first twenty-five (25) years and nothing thereafter. In no case shall the employee's County pension exceed 66% of the employee's final average compensation.
 - c. Effective August 6, 2010, in no case shall the Straight Life pension benefit for a bargaining unit member under this contract exceed 100% of the employee's base salary at the time of retirement. Such limitation

shall be applied to a bargaining unit member's straight life benefit calculation prior to an applicable actuarial adjustment, if any, for the member's selection of an optional form of benefit or the annuity withdrawal option. Notwithstanding the provisions of Section D, "Deputy," Subsection 1.c., at the time of the Act 312 award in MERC Case No. D09 0734, any income already earned by current employees who are in the last 10 years of service for pension eligibility, and the income already earned could be counted as one of the employee's best three out of ten years, may be counted for FAC purposes, even if that income exceeds 100% of base pay. Any income earned after the date of the 312 Award and connected to the best three out of ten years income already earned may be counted for FAC purposes to exceed 100% of base pay.

Example: An employee in 2010 earns income which would result in their FAC being more than 100% of base pay would be allowed to use income from 2011 and 2012 for their FAC years to exceed 100% of base pay since they have already started their best three out of ten years for pension purposes.

Any employee, as of August 6, 2010, who has not achieved any portion of three (3) years used to calculate their pension which would result in more than 100% of their base pay shall be subject to the 100% cap.

2. Employees in the classification of Deputy shall contribute four percent (4%) of their compensation to the retirement system.
3. The final average compensation used for calculating pension benefits for Deputies shall be based on the average of an employee's three (3) highest consecutive years of compensation out of the last ten (10) years of service.
4. Upon written application, an employee in the classification of Deputy may apply for voluntary retirement after completing twenty-five (25) years of service regardless of age or upon completing eight (8) years of service and attaining age sixty (60). Said application shall set forth at what time, not less than thirty (30) days nor more than ninety (90) days subsequent to the execution and filing thereof, that he/she desires to be retired. Upon his/her retirement he/she shall receive a retirement allowance as provided in Section 22 of the Macomb County Employees' Retirement Ordinance and the provisions of this Article.

For employees hired or promoted into this bargaining unit on or after August 6, 2010, upon written application, an employee in the classification of Deputy may apply for voluntary retirement upon completing fifteen (15) actual years of service with the County and attaining age sixty (60) or upon completing twenty-five (25) actual years of service with the County regardless of age. Said application shall set forth at what time, not less than thirty (30) days nor more than ninety (90) days subsequent to the execution and filing thereof, that he/she

desires to be retired. Upon his/her retirement he/she shall receive a retirement allowance as provided in the Macomb County Employees' Retirement Ordinance and the provisions of this Article.

5. Survivor Benefit: A Deputy who continues in the employ of the County for more than ten (10) years and has not nominated a beneficiary as provided in the Retirement Ordinance, and (1) dies while in County employment and (2) leaves a spouse, the spouse shall immediately receive a retirement allowance computed in the same manner in all respects as if the member had (1) retired the day preceding the date of his/her death, notwithstanding that he/she might not have attained age sixty (60) years, (2) elected Option A in Section 26 of the Retirement Ordinance, and (3) nominated his/her spouse as beneficiary.
6. Annuity Withdrawal: Any member employed by the Macomb County Sheriff's Department in the classification of Deputy who retires on or after January 1, 1984, pursuant to Sections 24, 25 or 31 of this Ordinance may elect, prior to the effective date of retirement but not thereafter, to be paid the accumulated contributions including interest as defined in the Macomb County Employees' Retirement Ordinance, standing to the member's credit in the Employee's Savings Fund. Upon this election and the payment of the accumulated contributions and interest, the retiring member's monthly straight life retirement allowance shall be reduced by an amount which is the actuarial equivalent of the accumulated contributions paid. The actuarial equivalent shall be determined on the basis of the interest rate established by the Pension Benefit Guaranty Corporation, or, if such a rate is unavailable, by the Macomb County Employees' Retirement System Ordinance for such annuity withdrawals. Such rates to be adjusted semi-annually on January 1, and July 1, of each year. After such reduction, the member may elect to receive the actuarial equivalent of the reduced allowance in accordance with the provisions of Option A, B or C as described in this Section 26 of the Ordinance.
7. Pop Up Option: A retirant may elect this option in combination with Option A or B. Under this option, a reduced retirement allowance is payable during the joint lifetime of the retirant and his/her beneficiary nominated under Option A or B, whichever is elected. Upon the death of the retirant, his/her beneficiary will receive a retirement allowance for life equal to the percentage specified by Option A or B of the reduced retirement income payable during the joint lifetime of the retirant and his/her beneficiary. Upon the death of the beneficiary, the retirant will receive a retirement allowance equal to one hundred percent of the amount specified by Section 26(a) of the Macomb County Employees' Retirement Ordinance for the remaining lifetime of the retirant. The reduced retirement allowance payable during the joint lifetime of the retirant and his/her beneficiary together with the retirement allowance payable to one upon the death of the other will be actuarially equivalent to the retirement allowance provided by Section 22 of the Macomb County Employees' Retirement Ordinance as a single life annuity. This provision shall be without force or effect unless or until the retirant submits acceptable documentation of the death of his/her beneficiary

to the Secretary of the Retirement Commission.

E. Dispatcher: Dispatchers and Dispatcher Leaders who are eligible for and retire under the provisions of the Macomb County Employees' Retirement Ordinance, and this Agreement, shall receive:

1. A straight life retirement allowance consisting of:
 - a. An employee pension which shall be the actuarial equivalent of the accumulated contributions standing to the employee's credit in his/her savings fund at the time of retirement; and
 - b. A County pension which when added to the employee's pension will provide a retirement allowance equal to the number of years and fraction of a year of credited service multiplied by the sum of 2.4% of the employee's final average compensation for the first twenty-six (26) years and one percent (1%) for each year thereafter. In no case shall the employee's County pension exceed 66% of the employee's final average compensation.
 - c. Effective August 6, 2010, in no case shall the Straight Life pension benefit for a bargaining unit member under this contract exceed 100% of the employee's base salary at the time of retirement. Such limitation shall be applied to a bargaining unit member's straight life benefit calculation prior to an applicable actuarial adjustment, if any, for the member's selection of an optional form of benefit or the annuity withdrawal option.

Notwithstanding the provisions of Section E, "Dispatcher," Subsection 1.c., at the time of the Act 312 award in MERC Case No. D09 0734, any income already earned by current employees who are in the last 10 years of service for pension eligibility, and the income already earned could be counted as one of the employee's best three out of ten years, may be counted for FAC purposes, even if that income exceeds 100% of base pay. Any income earned after the date of the 312 Award and connected to the best three out of ten years income already earned may be counted for FAC purposes to exceed 100% of base pay.

Example: An employee in 2010 earns income which would result in their FAC being more than 100% of base pay would be allowed to use income from 2011 and 2012 for their FAC years to exceed 100% of base pay since they have already started their best three out of ten years for pension purposes.

Any employee, as of August 6, 2010, who has not achieved any portion of three (3) years used to calculate their pension which would result in more than 100% of their base pay shall be subject to the 100% cap.

2. Employees in the classifications of Dispatcher and Dispatcher Leader shall contribute four percent (4.0%) of their compensation to the retirement system.
3. The final average compensation used for calculating pension benefits for Dispatchers and Dispatcher Leaders shall be based on the average of an employee's three (3) highest consecutive years of compensation out of the last ten (10) years of service.
4. Upon written application, an employee in the classifications of Dispatcher and Dispatcher Leader may apply for voluntary retirement after completing twenty-five (25) years of service regardless of age or upon completing eight (8) years of service and attaining age sixty (60). Said application shall set forth at what time, not less than thirty (30) days nor more than ninety (90) days subsequent to the execution and filing thereof, that he/she desires to be retired. Upon his/her retirement he/she shall receive a retirement allowance as provided in Section 22 of the Macomb County Employees' Retirement Ordinance and the provisions of this Article.

For employees hired or promoted into this bargaining unit on or after August 6, 2010, upon written application, an employee in the classifications of Dispatcher and Dispatcher Leader may apply for voluntary retirement upon completing fifteen (15) actual years of service with the County and attaining age sixty (60) or upon completing twenty-five (25) actual years of service with the County regardless of age. Said application shall set forth at what time, not less than thirty (30) days nor more than ninety (90) days subsequent to the execution and filing thereof, that he/she desires to be retired. Upon his/her retirement he/she shall receive a retirement allowance as provided in the Macomb County Employees' Retirement Ordinance and the provisions of this Article.

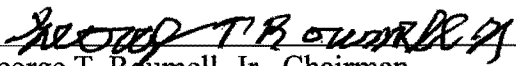
5. Survivor Benefit: A Dispatcher or Dispatcher Leader who continues in the employ of the County for more than ten (10) years and has not nominated a beneficiary as provided in the Retirement Ordinance, and (1) dies while in County employment and (2) leaves a spouse, the spouse shall immediately receive a retirement allowance computed in the same manner in all respects as if the member had (1) retired the day preceding the date of his/her death, notwithstanding that he/she might not have attained age sixty (60) years, (2) elected Option A in Section 26 of the Retirement Ordinance, and (3) nominated his/her spouse as beneficiary.
6. Pop Up Option: A retirant may elect this option in combination with Option A or B. Under this option, a reduced retirement allowance is payable during the joint lifetime of the retirant and his/her beneficiary nominated under Option A or B, whichever is elected. Upon the death of the retirant, his/her beneficiary will receive a retirement allowance for life equal to the percentage specified by Option A or B of the reduced retirement income payable during the joint lifetime of the retirant and his/her beneficiary. Upon the death of the beneficiary, the retirant will receive a retirement allowance equal to one hundred percent of the

amount specified by Section 26(a) of the Macomb County Employees' Retirement Ordinance for the remaining lifetime of the retirant. The reduced retirement allowance payable during the joint lifetime of the retirant and his/her beneficiary together with the retirement allowance payable to one upon the death of the other will be actuarially equivalent to the retirement allowance provided by Section 22 of the Macomb County Employees' Retirement Ordinance as a single life annuity. This provision shall be without force or effect unless or until the retirant submits acceptable documentation of the death of his/her beneficiary to the Secretary of the Retirement Commission.

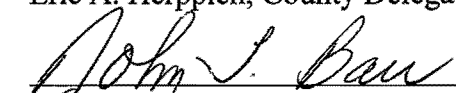
7. Annuity Withdrawal: Any member employed by the Macomb County Sheriff's Department in the classifications of Dispatcher or Dispatcher Leader who retires on or after January 1, 1984, pursuant to Sections 24, 25 or 31 of this Ordinance may elect, prior to the effective date of retirement but not thereafter, to be paid the accumulated contributions including interest as defined in the Macomb County Employees' Retirement Ordinance, standing to the member's credit in the Employee's Savings Fund. Upon this election and the payment of the accumulated contributions and interest, the retiring member's monthly straight life retirement allowance shall be reduced by an amount which is the actuarial equivalent of the accumulated contributions paid. The actuarial equivalent shall be determined on the basis of the interest rate established by the Pension Benefit Guaranty Corporation, or, if such a rate is unavailable, by the Macomb County Employees' Retirement System Ordinance for such annuity withdrawals. Such rates to be adjusted semi-annually on January 1, and July 1, of each year. After such reduction, the member may elect to receive the actuarial equivalent of the reduced allowance in accordance with the provisions of Option A, B or C as described in this Section 26 of the Ordinance.

- F. DROP Program: The Memorandum of Understanding regarding the Deferred Option Plan (DROP) is attached to and is incorporated by references as part of this Agreement.

Any employee not vested by December 31, 2012 will not be eligible for the DROP program.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate, Dissenting as to the highlighted portion concerning employees must vest by December 31, 2012 to be eligible for the DROP

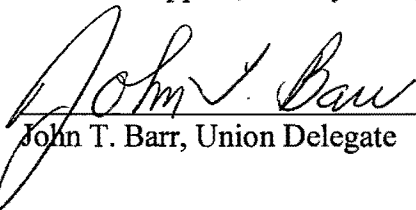
Program.

November 21, 2012

6. There shall be no increase in employee contribution by 2% effective January 1, 2012 as proposed by the County.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate, Dissenting

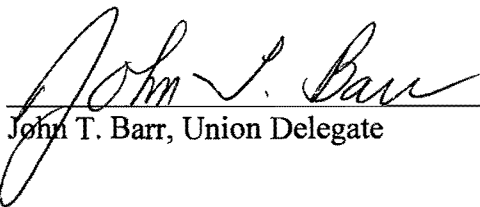

John T. Barr, Union Delegate

November 21, 2012

7. Article 17.B. Overtime shall be included in final average compensation as in the past.

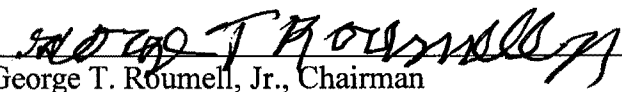

George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate, Dissenting

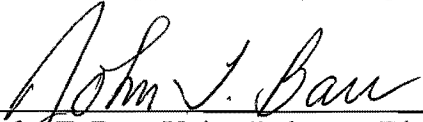

John T. Barr, Union Delegate

November 21, 2012

8. The proposed provision for purchase of service time is hereby not adopted by the Panel.



George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate

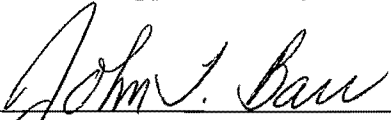

John T. Barr, Union Delegate, Dissenting

November 21, 2012

9. The proposed provision for 20 year retirement is hereby not adopted by the Panel.

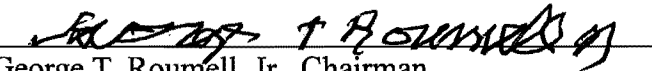

George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate

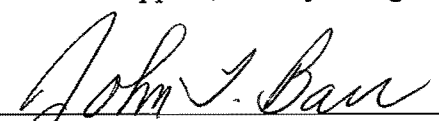

John T. Barr, Union Delegate, Dissenting

November 21, 2012

10. The proposed deferred retirement option plan is hereby not adopted by the Panel.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate, Dissenting

November 21, 2012

11. **Longevity.** Article 28 shall read as follows:

ARTICLE 28
LONGEVITY

- A. The Employer shall pay additional compensation to **Parties recognize** employees **who have** having a record of long and continuous employment with the County **and value the experience gained through such length of service.**

~~The additional compensation is intended to encourage continuous employment with the County and, further, to recognize the value of the experience gained by such service.~~

~~B. All Employees represented by the Union shall be entitled to longevity compensation as hereinafter provided:~~

BE. The basis of longevity compensation is as follows:

1. Full-time employees who, on or before October 31st of any year, have completed fifteen (15) five (5) full years of continuous employment shall be entitled to longevity compensation, except as the following prorated formula shall apply:

Employees who complete at least fifteen (15) five (5) full years of continuous employment during the months of November and December, only, of any year, shall receive a prorated share of longevity as follows:

November 01 through November 15 --- 95%
November 16 through November 30 --- 90%
December 01 through December 15 --- 85%
December 16 through December 31 --- 80%

The longevity schedule of payments and provisions remain unchanged, except as amended above.

2. Continuous employment ~~for the purpose of this Article~~ shall not be considered as interrupted when absences arise from paid vacations, paid sick leave, paid Workers' Compensation (not to exceed one [1] year), or "Leave of Absence" authorized by the Sheriff and approved by the Director, Human Resources and Labor Relations Director; provided, such "Leave of Absence" periods shall not be considered in the computation of years of service for longevity compensation.

- ~~3. The compensation used as the basis for the computation of longevity shall be based on a rate of the employee's annual salary not exceeding \$30,000 paid to such employee as of October 31st, provided such employee is qualified as to length of service as per paragraph C1., above.~~

~~The compensation to be used for computation purposes for a part time Employee entering upon full time employment shall be the average compensation received by such Employee in the previous five (5) years of employment until such time as five (5) years of full employment is attained.~~

34. The following schedule of payment shall apply:

Step	Continuous Years Of Service	<u>Amount</u> Percent Used, But On Base Not In Excess Of \$30,000
1	5 through 9	2%
2	10 through 14	4%
<u>13</u>	15 through 19	<u>\$600</u> 6%
<u>24</u>	20 through 24	<u>\$800</u> 8%
<u>35</u>	25 and thereafter	<u>\$1,000</u> 10%

CD. Proration of longevity payments for Employees retiring or deceased during any year prior to October 31st will be as follows:

1. Employees who qualify will receive one-twelfth (1/12) of the applicable amounts as provided for in the Longevity Compensation Schedule of payment formula for each complete calendar year of service, from the preceding November 1st to the calendar month in which termination takes place. In no case shall less than ten (10) days of service rendered in a calendar month be credited as a month of service.
2. Employees voluntarily leaving the employ of the County or dismissed for cause prior to October 31st of any year shall not be entitled to any longevity payments for the year of leaving, nor for any portion thereof.
3. An approved Leave of Absence Without Pay for reasons of personal illness/injury shall qualify an Employee for a prorated longevity payment at the same time that other Employees receive their payment. Employees who are on a Leave of Absence Without Pay for illness/injury in the immediate family, education or personal reasons will be required to return to active employment from said Leave to qualify for a prorated longevity payment.
4. Employees leaving the employ of the County by reason of retirement and receiving benefits under the Macomb County Employees' Retirement Ordinance or by reason of death from any cause shall be entitled to and receive a longevity payment upon a prorated basis for that portion of the year employed, regardless of date of termination of employment.

DE. Military duty time will be included as continuous service time in the computation of future longevity payments provided the Employee returns to the employ of the County within ninety (90) days after release from service with a branch of the U.S. Armed Forces.

EF. Longevity Compensation shall be a separate and distinct annual payment to those eligible Employees, but shall be considered a part of the regular compensation and, as such, subject to withholding tax, Social Security, retirement deductions, and all other deductions required by Federal and State law and the regulations

and ordinances of the County of Macomb.

FG. Payments to Employees eligible as of October 31st of any year shall be included in the first payroll check of December. The annual period covered in the computation of longevity shall be from November 1 of each year through and including October 31st of the following year.

GH: DROP Participants: At the time an employee elects to participate in the DROP Program he/she shall receive, as part of their payoff, a prorated amount of longevity compensation as described in Section CD. above. Payment for the balance of the DROP years' longevity payment and subsequent longevity payments shall be made in December of each year as described in Section FG. above. For DROP participants, the amount of longevity compensation paid in subsequent years shall be determined by the step level achieved by the employee at the time they elected to DROP. (Step levels are described in Section BE. above).

HG. Notwithstanding any other provision in this Article, the longevity payments for all eligible employees and DROP participants shall be cancelled and not paid for calendar year 2012. ~~s 2010 and 2011. This subsection shall expire on December 31, 2011.~~

I. Employees hired into the County after January 1, 2012 will not eligible for longevity.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate, Dissenting as to highlighted amendments

November 21, 2012

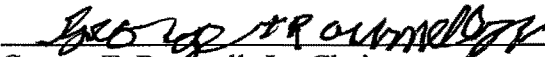
12. **Holidays.** The following Letter of Agreement is awarded:

LETTER OF AGREEMENT
between
COUNTY OF MACOMB
and

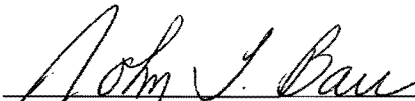
POLICE OFFICERS ASSOCIATION OF MICHIGAN (POAM)

The County and the Union agree that for each year 2012 and 2013 each employee and DROP participant shall have his/her holiday pay benefit as outlined in Article 16, Holiday Benefits, reduced by six (6) days per calendar year.

This Letter of Agreement will expire on December 31, 2013.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate

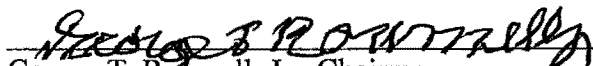

John T. Barr, Union Delegate, Dissenting

November 21, 2012

13. **Hazard Pay.** The *status quo* Article 32 shall continue to read:

ARTICLE 32 - HAZARD PAY

- B. Eligible employees shall receive a single annual payment of \$420 as Hazard Pay. Payment is to be made no later than the first Friday following the end of the first pay period in July.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate, Dissenting

November 21, 2012

14. **12 Hour Shifts.** The current scheduling status shall remain and 12 hour shifts

are rejected.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate, Dissenting


November 21, 2012

15. **Compensatory Time.** Article 17.B shall continue to read as follows:

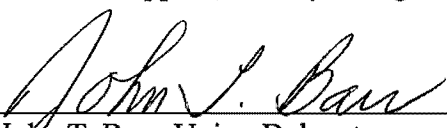
B. **Compensatory Time Procedure:**

1. Employees working overtime, call-in time and/or Court time shall have the option of receiving pay at the rate of time and one-half (1 1/2) or receiving compensatory time-off. Employees shall select one (1) of the above options and properly notify the appropriate Command Officer. An Employee who has accrued compensatory time and requests the use of the time, shall be permitted to use the time-off within a reasonable period after making the request; provided, however, that it does not unduly disrupt the operations of the Department. However, no member of the bargaining unit may utilize compensatory time for time off in excess of 144 hours per calendar year. Employees may utilize up to 16 additional hours of compensatory time for training purposes, after approval by the Sheriff or his/her designee. Employees may not, under any circumstances, accumulate more than one hundred (100) hours of compensatory time. Upon termination of employment, an Employee shall be paid for unused compensatory time figured at:
 - a. The average regular rate received by such Employee during the last three (3) years of employment; or,
 - b. Final regular rate received by such Employee, whichever is higher.
2. An employee may convert compensatory time to a cash payment by notifying the appropriate Command Officer of the number of hours of compensatory time to be converted to a cash payment.
3. Retirement contributions shall be deducted from the cash payment for compensatory time and the amount paid shall be included in an

employee's Final Average Compensation (F AC) for retirement purposes.


George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate, Dissenting

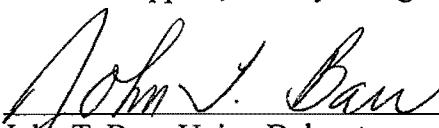

John T. Barr, Union Delegate

November 21, 2012

16. **Tentative Agreements.** Tentative Agreements dated prior to the date of this Arbitration Award shall be added to the 2012-2013 Collective Bargaining Agreement.

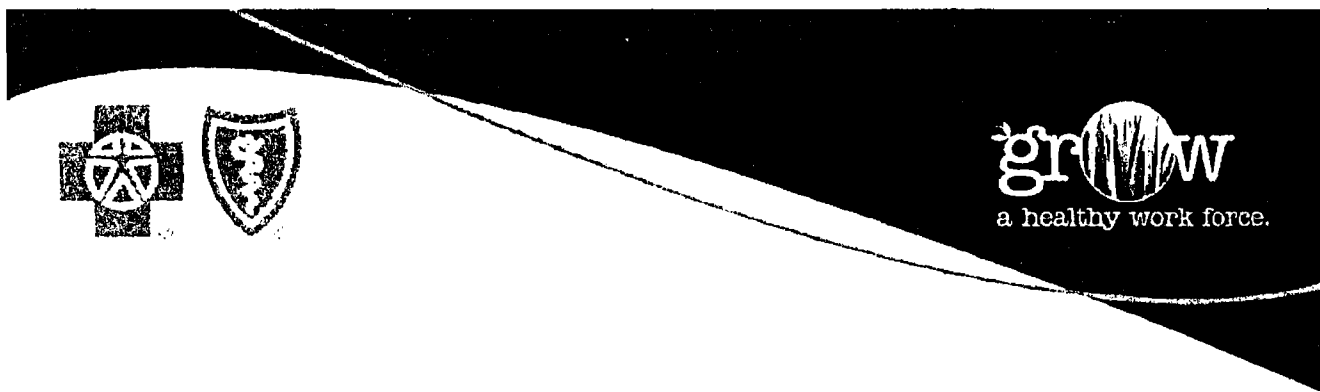

George T. Roumell, Jr., Chairman


Eric A. Herppich, County Delegate


John T. Barr, Union Delegate

November 21, 2012

APPENDIX F



Community BlueSM PPO – Plan 14/20% Medical Coverage Benefits-at-a-Glance

Effective for groups on their plan year beginning on or after September 23, 2010 or January 1, 2011

The information in this document is based on BCBSM's current interpretation of the Patient Protection and Affordable Care Act (PPACA). Interpretations of PPACA vary and the federal government continues to issue guidance on how PPACA should be interpreted and applied. Efforts will be made to update this document as more information about PPACA becomes available. This BAAG is only an educational tool and should not be relied upon as legal or compliance advice. Additionally, some PPACA requirements may differ for particular members enrolled in certain programs, and those members should consult with their plan administrators for specific details.

This is intended as an easy-to-read summary and provides only a general overview of your benefits. It is not a contract. Additional limitations and exclusions may apply. Payment amounts are based on BCBSM's approved amount, less any applicable deductible and/or copay. For a complete description of benefits please see the applicable BCBSM certificates and riders, if your group is underwritten or any other plan documents your group uses, if your group is self-funded. If there is a discrepancy between this Benefits-at-a-Glance and any applicable plan document, the plan document will control.

In-network

Out-of-network *

Member's responsibility (deductibles, copays and dollar maximums)

	In-network	Out-of-network *
Deductibles	\$1,500 for one member, \$3,000 for the family (when two or more members are covered under your contract) each calendar year Note: Deductible may be waived if service is performed in a PPO physician's office.	\$3,000 for one member, \$6,000 for the family (when two or more members are covered under your contract) each calendar year Note: Out-of-network deductible amounts also apply toward the in-network deductible.
Fixed dollar copays	<ul style="list-style-type: none"> • \$40 copay for office visits • \$250 copay for emergency room visits 	\$250 copay for emergency room visits
Percent copays Note: Copays apply once the deductible has been met.	<ul style="list-style-type: none"> • 50% of approved amount for private duty nursing • 20% of approved amount for most other covered services (copay waived if service is performed in a PPO physician's office) See "Mental health care and substance abuse treatment" section for mental health and substance abuse percent copays.	<ul style="list-style-type: none"> • 50% of approved amount for private duty nursing • 40% of approved amount for most other covered services See "Mental health care and substance abuse treatment" section for mental health and substance abuse percent copays.
Annual copay dollar maximums – applies to copays for all covered services – including mental health and substance abuse services – but does not apply to fixed dollar copays and private duty nursing percent copays Note: For groups with 50 or fewer employees or groups that are not subject to the MHP law, mental health care and substance abuse treatment copays do not contribute to the copay dollar maximum	\$2,500 for one member, \$5,000 for two or more members each calendar year	\$5,000 for one member, \$10,000 for two or more members each calendar year Note: Out-of-network copays also apply toward the in-network maximum
Lifetime dollar maximum	None	

Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

* Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low-access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

APPENDIX F



In-network

Out-of-network *

Preventive care services

Health maintenance exam – includes chest x-ray, EKG, cholesterol screening and other select lab procedures	100% (no deductible or copay), one per member per calendar year	Not covered
Gynecological exam	100% (no deductible or copay), one per member per calendar year	Not covered
Pap smear screening – laboratory and pathology services	100% (no deductible or copay), one per member per calendar year	Not covered
Well-baby and child care visits	100% (no deductible or copay) <ul style="list-style-type: none"> • 6 visits, birth through 12 months • 6 visits, 13 months through 23 months • 6 visits, 24 months through 35 months • 2 visits, 36 months through 47 months • Visits beyond 47 months are limited to one per member per calendar year under the health maintenance exam benefit 	Not covered
Adult and childhood preventive services and immunizations as recommended by the USPSTF, ACIP, HRSA or other sources as recognized by BCBSM that are in compliance with the provisions of the Patient Protection and Affordable Care Act	100% (no deductible or copay)	Not covered
Fecal occult blood screening	100% (no deductible or copay), one per member per calendar year	Not covered
Flexible sigmoidoscopy exam	100% (no deductible or copay), one per member per calendar year	Not covered
Prostate specific antigen (PSA) screening	100% (no deductible or copay), one per member per calendar year	Not covered
Routine mammogram and related reading	100% (no deductible or copay) Note: Subsequent medically necessary mammograms performed during the same calendar year are subject to your deductible and percent copay	60% after out-of-network deductible Note: Non-network readings and interpretations are payable only when the screening mammogram itself is performed by a network provider.
One per member per calendar year		
Colonoscopy – routine or medically necessary	100% (no deductible or copay) for the first billed colonoscopy Note: Subsequent colonoscopies performed during the same calendar year are subject to your deductible and percent copay.	60% after out-of-network deductible
One per member per calendar year		

Physician office services

Office visits	\$40 copay per office visit	60% after out-of-network deductible, must be medically necessary
Outpatient and home medical care visits	80% after in-network deductible	60% after out-of-network deductible, must be medically necessary
Office consultations	\$40 copay per office visit	60% after out-of-network deductible, must be medically necessary
Urgent care visits	\$40 copay per office visit	60% after out-of-network deductible, must be medically necessary

* Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low-access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

APPENDIX F



	In-network	Out-of-network *
Emergency medical care		
Hospital emergency room	\$250 copay per visit (copay waived if admitted or for an accidental injury)	\$250 copay per visit (copay waived if admitted or for an accidental injury)
Ambulance services – must be medically necessary	80% after in-network deductible	80% after in-network deductible
Diagnostic services		
Laboratory and pathology services	80% after in-network deductible	60% after out-of-network deductible
Diagnostic tests and x-rays	80% after in-network deductible	60% after out-of-network deductible
Therapeutic radiology	80% after in-network deductible	60% after out-of-network deductible
Maternity services provided by a physician		
Prenatal and postnatal care	100% (no deductible or copay) Includes covered services provided by a certified nurse midwife	60% after out-of-network deductible
Delivery and nursery care	80% after in-network deductible Includes covered services provided by a certified nurse midwife	60% after out-of-network deductible
Hospital care		
Semiprivate room, inpatient physician care, general nursing care, hospital services and supplies Note: Nonemergency services must be rendered in a participating hospital.	80% after in-network deductible	60% after out-of-network deductible Unlimited days
Inpatient consultations	80% after in-network deductible	60% after out-of-network deductible
Chemotherapy	80% after in-network deductible	60% after out-of-network deductible
Alternatives to hospital care		
Skilled nursing care – must be in a participating skilled nursing facility	80% after in-network deductible	80% after in-network deductible Limited to a maximum of 120 days per member per calendar year
Hospice care	100% (no deductible or copay)	100% (no deductible or copay) Up to 28 pre-hospice counseling visits before electing hospice services, when elected, four 90-day periods – provided through a participating hospice program only , limited to dollar maximum that is reviewed and adjusted periodically (after reaching dollar maximum, member transitions into individual case management)
Home health care – must be medically necessary and provided by a participating home health care agency	80% after in-network deductible	80% after in-network deductible
Home infusion therapy – must be medically necessary and given by participating home infusion therapy providers	80% after in-network deductible	80% after in-network deductible
Surgical services		
Surgery – includes related surgical services and medically necessary facility services by a participating ambulatory surgery facility	80% after in-network deductible	60% after out-of-network deductible
Presurgical consultations	100% (no deductible or copay)	60% after out-of-network deductible
Voluntary sterilization	80% after in-network deductible	60% after out-of-network deductible

* Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low-access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

APPENDIX F



In-network

Out-of-network *

Human organ transplants

	In-network	Out-of-network *
Specified human organ transplants – in designated facilities only, when coordinated through the BCBSM Human Organ Transplant Program (1-800-242-3504)	100% (no deductible or copay)	100% (no deductible or copay) – in designated facilities only
Bone marrow transplants – when coordinated through the BCBSM Human Organ Transplant Program (1-800-242-3504)	80% after in-network deductible	60% after out-of-network deductible
Specified oncology clinical trials	80% after in-network deductible	60% after out-of-network deductible
Kidney, cornea and skin transplants	80% after in-network deductible	60% after out-of-network deductible

Mental health care and substance abuse treatment

Note: If your employer has 51 or more employees (including seasonal and part-time) and is subject to the MHP law, covered mental health and substance abuse services are subject to the following copays. Mental health and substance abuse copays are included in the annual copay dollar maximums for all covered services. See "Annual copay dollar maximums" section for this amount. If you receive your health care benefits through a collectively bargained agreement, please contact your employer and/or union to determine when or if this benefit level applies to your plan

Inpatient mental health care	80% after in-network deductible	60% after out-of-network deductible
	Unlimited days	
Inpatient substance abuse treatment	80% after in-network deductible	60% after out-of-network deductible
	Unlimited days	
Outpatient mental health care. • Facility and clinic	80% after in-network deductible	80% after in-network deductible, in participating facilities only
	80% after in-network deductible **	60% after out-of-network deductible
Outpatient substance abuse treatment – in approved facilities only	80% after in-network deductible **	60% after out-of-network deductible (in-network cost-sharing will apply if there is no PPO network)

** Effective 1/1/2011, mental health and substance abuse procedures that are the equivalent of an office visit (consultative services rendered in the physician's office) will be treated and processed like an office visit, subject to the fixed dollar office visit copay.

* Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low-access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

APPENDIX F



In-network

Out-of-network *

Other covered services

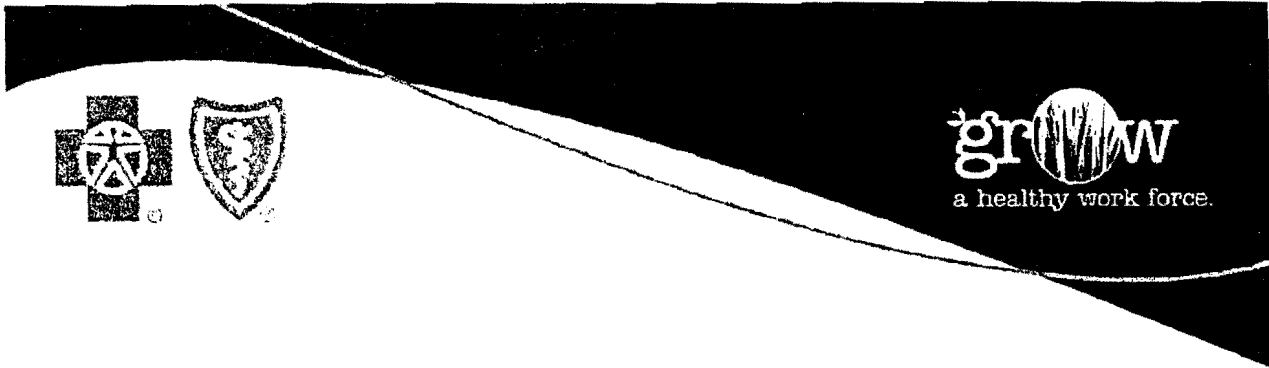
Outpatient Diabetes Management Program (ODMP) Note: Effective July 1, 2011, when you purchase your diabetic supplies via mail order you will lower your out-of-pocket costs.	80% after in-network deductible for diabetes medical supplies; 100% (no deductible or copay) for diabetes self-management training	60% after out-of-network deductible
Allergy testing and therapy	100% (no deductible or copay)	60% after out-of-network deductible
Chiropractic spinal manipulation and osteopathic manipulative therapy	\$40 copay per office visit Limited to a combined maximum of 24 visits per member per calendar year	60% after out-of-network deductible
Outpatient physical, speech and occupational therapy – provided for rehabilitation	80% after in-network deductible Limited to a combined maximum of 60 visits per member per calendar year	60% after out-of-network deductible Note: Services at nonparticipating outpatient physical therapy facilities are not covered.
Durable medical equipment	80% after in-network deductible	80% after in-network deductible
Prosthetic and orthotic appliances	80% after in-network deductible	80% after in-network deductible
Private duty nursing	50% after in-network deductible	50% after in-network deductible
Prescription drugs	Not covered	Not covered

Included riders

Rider CI , contraceptive injections Rider PCD , prescription contraceptive devices Rider PD-CM , prescription contraceptive medications	Adds coverage for contraceptive injections, physician-prescribed contraceptive devices such as diaphragms and intrauterine devices, and FDA-approved oral, or self-injectable contraceptive medications as identified by BCBSM (non-self-administered drugs and devices are not covered). Note: These riders are only available as part of a prescription drug package Riders CI and PCD are part of your medical-surgical coverage, subject to the same deductible and copay, if any, you pay for medical-surgical services. (Rider PCD waives the copay for services provided by network providers.) Rider PD-CM is part of your prescription drug coverage, subject to the same copay you pay for prescription drugs.
Rider XVA , excludes voluntary abortions	Excludes benefits for voluntary abortions

* Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low-access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

APPENDIX F



Blue Preferred[®] Rx Prescription Drug Coverage with \$7 Generic / \$35 Formulary (Preferred) Brand / \$70 Nonformulary (Nonpreferred) Brand Triple-Tier Copay Open Formulary Benefits-at-a-Glance

This is intended as an easy-to-read summary and provides only a general overview of your benefits. It is not a contract. Additional limitations and exclusions may apply. Payment amounts are based on BCBSM's approved amount, less any applicable deductible, copay and/or coinsurance. For a complete description of benefits please see the applicable BCBSM certificates and riders, if your group is underwritten or any other plan documents your group uses, if your group is self-funded. If there is a discrepancy between this Benefits-at-a-Glance and any applicable plan document, the plan document will control.

Specialty Drugs – The mail order pharmacy for specialty drugs is Walgreens Specialty Pharmacy, LLC, an independent company. Specialty prescription drugs (such as Enbrel[®] and Humira[®]) are used to treat complex conditions such as rheumatoid arthritis. These drugs require special handling, administration or monitoring. Walgreens Specialty Pharmacy will handle mail order prescriptions only for specialty drugs while many retail pharmacies will continue to dispense specialty drugs (check with your local pharmacy for availability). Other mail order prescription medications can continue to be sent to Medco (Medco is an independent company providing pharmacy benefit services for Blues members.) A list of specialty drugs is available on our Web site at bcbsm.com. Log in under *I am a Member*. If you have any questions, please call Walgreens Specialty Pharmacy customer service at 1-866-515-1355.

BCBSM reserves the right to limit the initial quantity of select specialty drugs. Your copay will be reduced by one-half for this initial fill (15 days).

Member's responsibility (copays)

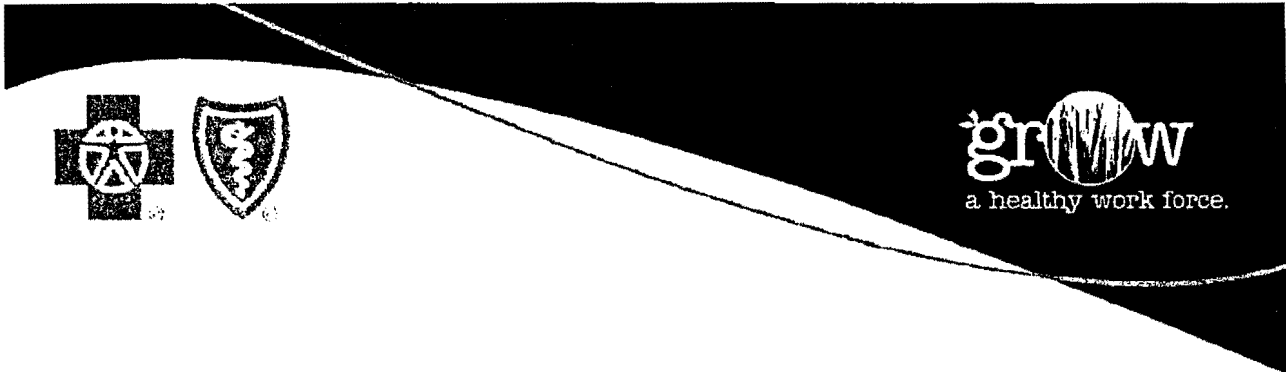
		90-day retail network pharmacy	* Network mail order provider	Network pharmacy (not part of the 90-day retail network)	Non-network pharmacy
Tier 1 – Generic or prescribed over-the-counter drugs	1 to 30-day period	\$7 copay	\$7 copay	\$7 copay	\$7 copay <i>plus</i> an additional 25% of BCBSM approved amount for the drug
	31 to 83-day period	No coverage	\$14 copay	No coverage	No coverage
	84 to 90-day period	\$14 copay	\$14 copay	No coverage	No coverage
Tier 2 – Formulary (preferred) brand-name drugs	1 to 30-day period	\$35 copay	\$35 copay	\$35 copay	\$35 copay <i>plus</i> an additional 25% of BCBSM approved amount for the drug
	31 to 83-day period	No coverage	\$70 copay	No coverage	No coverage
	84 to 90-day period	\$70 copay	\$70 copay	No coverage	No coverage
Tier 3 – Nonformulary (nonpreferred) brand-name drugs	1 to 30-day period	\$70 copay	\$70 copay	\$70 copay	\$70 copay <i>plus</i> an additional 25% of BCBSM approved amount for the drug
	31 to 83-day period	No coverage	\$140 copay	No coverage	No coverage
	84 to 90-day period	\$140 copay	\$140 copay	No coverage	No coverage

Note: Over-the-counter (OTC) drugs are drugs that do not require a prescription under federal law.

* BCBSM will not pay for drugs obtained from non-network mail order providers, including Internet providers.

Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.

APPENDIX F



Covered services

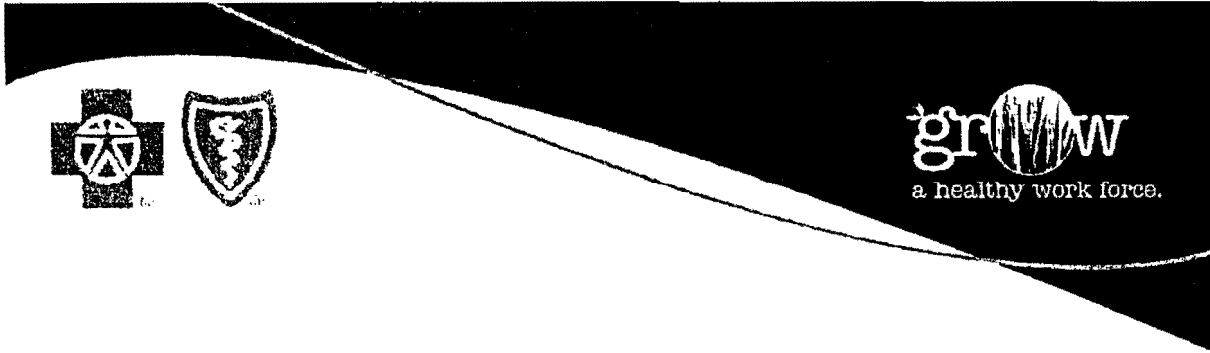
	90-day retail network pharmacy	* Network mail order provider	Network pharmacy (not part of the 90-day retail network)	Non-network pharmacy
FDA-approved drugs	100% of approved amount less plan copay	100% of approved amount less plan copay	100% of approved amount less plan copay	75% of approved amount less plan copay
Prescribed over-the-counter drugs – when covered by BCBSM	100% of approved amount less plan copay	100% of approved amount less plan copay	100% of approved amount less plan copay	75% of approved amount less plan copay
State-controlled drugs	100% of approved amount less plan copay	100% of approved amount less plan copay	100% of approved amount less plan copay	75% of approved amount less plan copay
Disposable needles and syringes – when dispensed with insulin or other covered injectable legend drugs Note: Needles and syringes have no copay.	100% of approved amount less plan copay for the insulin or other covered injectable legend drug	100% of approved amount less plan copay for the insulin or other covered injectable legend drug	100% of approved amount less plan copay for the insulin or other covered injectable legend drug	75% of approved amount less plan copay for the insulin or other covered injectable legend drug

* BCBSM will not pay for drugs obtained from non-network mail order providers, including Internet providers

Features of your prescription drug plan

BCBSM Custom Formulary	<p>A continually updated list of FDA-approved medications that represent each therapeutic class. The drugs on the list are chosen by the BCBSM Pharmacy and Therapeutics Committee for their effectiveness, safety, uniqueness and cost efficiency. The goal of the formulary is to provide members with the greatest therapeutic value at the lowest possible cost.</p> <ul style="list-style-type: none"> • Tier 1 (generic) – Tier 1 includes generic drugs made with the same active ingredients, available in the same strengths and dosage forms, and administered in the same way as equivalent brand-name drugs. They also require the lowest copay, making them the most cost-effective option for the treatment. • Tier 2 (preferred brand) – Tier 2 includes brand-name drugs from the Custom Formulary. Preferred brand name drugs are also safe and effective, but require a higher copay. • Tier 3 (nonpreferred brand) – Tier 3 contains brand-name drugs not included in Tier 2. These drugs may not have a proven record for safety or as high of a clinical value as Tier 1 or Tier 2 drugs. Members pay the highest copay for these drugs.
Prior authorization/step therapy	<p>A process that requires a physician to obtain approval from BCBSM before select prescription drugs (drugs identified by BCBSM as requiring prior authorization) will be covered. Step Therapy, an initial step in the Prior Authorization process, applies criteria to select drugs to determine if a less costly prescription drug may be used for the same drug therapy. Some over-the-counter medications may be covered under step therapy guidelines. This also applies to mail order drugs. Claims that do not meet Step Therapy criteria require prior authorization. Details about which drugs require Prior Authorization or Step Therapy are available online at bcbsm.com. Log in under <i>I am a Member</i> and click on <i>Prescription Drugs</i>.</p>
Mandatory maximum allowable cost drugs	<p>If your prescription is filled by a network pharmacy, and the pharmacist fills it with a brand-name drug for which a generic equivalent is available, you MUST pay the difference in cost between the BCBSM approved amount for the brand-name drug dispensed and the maximum allowable cost for the generic drug <i>plus</i> your applicable copay regardless of whether you or your physician requests the brand name drug. Exception: If your physician requests and receives authorization for a nonpreferred brand-name drug with a generic equivalent from BCBSM and writes "Dispense as Written" or "DAW" on the prescription order, you pay only your applicable copay. Note: This MAC difference will not be applied toward your annual in-network deductible, nor your annual coinsurance/copay maximum.</p>

APPENDIX F



<p>Drug Interchange and generic copay waiver</p>	<p>BCBSM's drug interchange and generic copay waiver programs encourage physicians to prescribe a less-costly generic equivalent. If your physician rewrites your prescription for the recommended generic or OTC alternate drug, you will only have to pay a generic copay. In select cases BCBSM may waive the initial copay after your prescription has been rewritten. BCBSM will notify you if you are eligible for a waiver.</p>
<p>Quantity limits</p>	<p>To stay consistent with FDA approved labeling for drugs, some medications may have quantity limits. A list of these drugs is available at bcbsm.com.</p>

Included riders

<p>Rider CI, contraceptive injections Rider PCD, prescription contraceptive devices Rider PD-CM, prescription contraceptive medications</p>	<p>Adds coverage for contraceptive injections, physician-prescribed contraceptive devices such as diaphragms and IUDs, and FDA-approved oral, or self-injectable contraceptive medications as identified by BCBSM (non-self-administered drugs and devices are not covered)</p> <p>Note: These riders are only available as part of a prescription drug package. Riders CI and PCD are part of your medical-surgical coverage, subject to the same deductible and copay/coinsurance, if any, you pay for medical-surgical services. (Rider PCD waives the copay/coinsurance for services provided by a network provider.)</p> <p>Rider PD-CM is part of your prescription drug coverage, subject to the same copay you pay for prescription drugs.</p>
--	---

APPENDIX F

Benefits At A Glance

BCN5

00100532/0001/0006 Macomb County SE Active BOC

Deductible, Copays and Dollar Maximums

Deductible	None
Fixed Copay:	\$0 for allergy injections
	\$20 for office visits
	\$30 for urgent care visits
	\$100 for emergency room visits
	\$30 for referral physician visits
Coinsurance	50% for selected services as noted below
Copay Dollar Maximums	
Fixed Dollar Copay Maximum	None
Coinsurance Maximum	None
Dollar Maximums	None

Preventive Services

Health Maintenance Exam	100%
Annual Gynecological Exam	100%
Pap Smear Screening	100%
Well-Baby and Child Care	100%
Immunizations - pediatric and adult	100%
Prostate Specific Antigen (PSA) Screening	100%

Mammography

Mammography Screening	100%
-----------------------	------

Physician Office Services

Office Visits	\$20 Copay
Consulting Specialist Care - when referred	\$30 Copay

Emergency Medical Care

Hospital Emergency Room (copay waived if admitted, if applicable)	\$100 Copay
Urgent Care Center	\$30 Copay
Ambulance Services - medically necessary	100% ground and air services

Diagnostic Services

Laboratory and Pathology Tests	Office visit copay may apply per member, per visit
Diagnostic Tests and X-rays	Office visit copay may apply per member, per visit
High Technology Radiology Imaging	Office visit copay may apply per member, per visit
Radiation Therapy	Office visit copay may apply per member, per visit

Maternity Services Provided by a Physician

Pre-Natal and Post-Natal Care	\$20 Copay
Delivery and Nursery Care	100% (for professional services. See Hospital Care for facility charges)

Benefits Selected - AS5,DME5,WPT,ER100,MHSAP0,CO20,P&O5,30RP,SN730,WASCR,UR30,10255C,MOPD20,HA

mibcn.com

09/15/2011 03:39:22 pm



APPENDIX F

Benefits At A Glance

BCN5

00100532/0001/0006 Macomb County SE Active BOC

Hospital Care

General Nursing Care, Hospital Services and Supplies	100%, unlimited days
Outpatient Surgery	100%

Alternatives to Hospital Care

Skilled Nursing Care	100%
	Up to 730 days per lifetime
Hospice Care	100% when authorized
Home Health Care	\$30 Copay

Surgical Services

Surgery - included all related surgical services and anesthesia	See Hospital Care for inpatient and outpatient copay
Voluntary Sterilization	100%
Human Organ Transplants (subject to medical criteria)	100%
Reduction Mammoplasty (subject to medical criteria)	50%
Male Mastectomy (subject to medical criteria)	50%
Temporomandibular Joint Syndrome (subject to medical criteria)	50%
Orthognathic Surgery (subject to medical criteria)	50%

Mental Health Care and Substance Abuse Treatment

Inpatient Mental Health Care	100% when authorized
Inpatient Substance Abuse	100% when authorized
Outpatient Mental Health Care	100%
Outpatient Substance Abuse	100%

Benefits Selected - AS5,DME5,WPT,ER100,MHSAP0,CO20,P&O5,30RP,SN730,WASCR,UR30,10255C,MOPC20,HA

mibcn.com

09/15/2011 03:30:22 pm



**Blue Care
Network
of Michigan**

A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.

APPENDIX F

Benefits At A Glance

BCN5

00100532/0001/0006 Macomb County SE Active BOC

Other Services

Allergy Testing and Therapy	100%; Office visit copay may apply per member per visit
Allergy Injections	100%
Chiropractic Spinal Manipulation - when referred	\$30 Copay
Outpatient Physical, Speech and Occupational Therapy (60 consecutive days/episode)	\$30 Copay
Infertility Counseling and Treatment (excludes in-vitro Fertilization)	50% on all associated costs
Durable Medical Equipment	100%
Prosthetic and Orthotic Appliances	100%
Weight Reduction Procedures	100%
Prescription Drugs	Generic - \$10 copay, Brand - \$25 copay, Non - Formulary - \$50 copay with contraceptives, 30 day supply Sexual Dysfunction Drugs - 50% coinsurance
Mail Order Prescription Drugs	Two times the applicable copay up to a 90 day supply
Prescription Drug Deductible	None
Hearing Aid	Covers one hearing aid and exam every 36 months

This is intended as an easy to read summary and provides only a general overview of your benefits. **It is not a contract.** Additional limitations and exclusions may apply to covered services. For a complete description of benefits, please see the applicable Blue Care Network certificates and riders. Payment amounts are based on the Blue Care Network approved amount, less any applicable deductible and/or copay amounts required by the plan. This coverage is provided pursuant to a contract entered into in the State of Michigan and shall be construed under the jurisdiction and according to the laws of the State of Michigan. **Services must be provided or arranged by member's primary care physician or health plan.**

Benefits Selected - AS5,DME5,WPT,ER100,MHSAP0,CO20,P&O5,30RP,SN730,WASCR,UR30,10255C,MOPD2C HA

mibcn.com

09/15/2011 03:30:23 pm



A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

APPENDIX F



Health Alliance Plan of Michigan
Health Maintenance Organization (HMO) Plan
 Summary of Benefits

Health Care Services	Coverage	Limitations*
Benefit Period, Annual Deductible, and Annual Co-insurance Maximum:		
Benefit Period:	Calendar Year	
Annual Deductible	None	
Co-insurance (amount member pays)	None	
Annual Co-insurance Maximum:	NA	
Preventive Services:		
Preventive Office Visit	Covered	
Well Baby Office Visit	Covered	Covered up to 24 months
Immunizations	Covered	
Related Laboratory and Radiology Services	Covered	
Pap Smears and Mammograms	Covered	
Outpatient & Physician Services:		
Personal Care Physician Office Visit	\$20 Copay	
Specialty Physician Office Visit	\$30 Copay	
Gynecology Office Visit	\$30 Copay	
Audiology Office Visit	\$30 Copay	
Eye Exam Office Visit	\$30 Copay	
Allergy Treatment and Injections	Covered	
Laboratory and Radiology Services	Covered	
Dialysis	Covered	
Chemotherapy	Covered	
Radiation Therapy	Covered	
Outpatient Surgery	Covered	
Chiropractic Office Visit and Related Services	Not Covered	
Emergency/Urgent Care:		
Emergency Room Services	\$150 Copay	Copay will be waived if admitted
Urgent Care Facility Services	\$30 Copay	
Emergency Ambulance Services	Covered	Emergency transport only
Inpatient Hospital Services:		
Hospital Inpatient Stay in Semi-Private Room, Specialty Units as medically necessary, Physician Services, Surgery, Therapy, Laboratory, Radiology, Hospital Services and Supplies	Covered	
Bariatric Surgery & Related Services	\$1,000 Copay	One procedure per lifetime
Maternity Services:		
Initial Prenatal Office Visit	\$30 Copay	
Subsequent Prenatal and Postnatal Office Visits	\$30 Copay	
Labor, Delivery and Newborn Care	Covered	
Mental Health:		
Inpatient Services	Covered	
Outpatient Services	\$20 Copay	
Chemical Dependency:		
Inpatient Services	Covered	
Outpatient Services	\$20 Copay	
Other Services:		
Home Health Care	Covered	Does not include PT/OT/ST See PT/OT/ST Coverage
Hospice Care	Covered	Up to 210 days per lifetime
Skilled Nursing Care	Covered	Up to 730 days, renewable after 60 days
Durable Medical Equipment, Prosthetic & Orthotics	Covered	Coverage provided for approved equipment based on HAP's guidelines
Hearing Aid Hardware	Covered	Covered for authorized conventional hearing aids
		One pair every 24 months, or 12 months with prescription change, dollar limit applies
Vision Hardware	Covered	Contact lenses in place of eyeglasses are covered, subject to a maximum retail allowance
		Contact lens fitting is not covered
Physical, Occupational, and Speech Therapy (PT/OT/ST)	Covered	Up to 60 combined visits per benefit period May be rendered at home
Voluntary Sterilizations	Covered	
Voluntary Termination of Pregnancy	Not Covered	
Infertility Services	Covered	Services for diagnosis, counseling, and treatment of anatomical disorders causing infertility in accordance with HAP's benefit, referral and practice policies
Assisted Reproductive Technologies	Covered	One attempt of artificial insemination per lifetime
Pharmacy:		
Generic / Preferred Brand / Non-Preferred Brand	\$15 / \$30 / \$50 Copay	Retail 30 day supply for non-maintenance drugs at 1 Copay, 90 day supply for eligible maintenance drugs at 2 Copays
		Mail Order 90 day supply for both eligible maintenance and non-maintenance drugs at 2 Copays

Rev 01/2010

Benefit Code / Riders: L18 / 012,013,014,016, 124,126,132,133,452, J05

* Hospital admissions require that HAP be notified within 48 hours of admission. Failure to notify HAP within 48 hours could result in a reduction of benefits, or nonpayment.

* Students away at school are covered for acute illness and injury related services according to HAP criteria. Students away at school are not covered for routine physicals, non-emergency psychiatric care, elective surgeries, obstetrical care, sports medicine and vision care services while at school.

* In cases of conflict between this summary and your HMO Subscriber Contract, the terms and conditions of the HMO Subscriber Contract govern.