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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
ACT 312 ARBITRATION

COUNTY AND SHERIFF OF IONIA

-and- MERC Case No. L04 B-9004

POLICE OFFICERS ASSOCIATION
OF MICHIGAN – DEPUTIES UNIT
_______________________________/

Panel of Arbitrators

Thomas L. Gravelle, Chairperson
John R. McGlinchey, County Delegate
James DeVries, Union Delegate

JOHN R. McGLINCHEY, ESQ.
For the County

JAMES DeVRIES
For the Union

FINDINGS, OPINION AND AWARD

JANUARY 1, 2004 – DECEMBER 31, 2006
COLLECTIVE BARGAINING AGREEMENT

Dated: January , 2006

INTRODUCTION

The hearing of this matter was held in Ionia, Michigan on September 20, 2005. Briefs were submitted in December, 2005. The arbitration panel met in conference on January 16, 2006 in Lansing, Michigan.

The outstanding issues are economic. Under the law, the Panel is required to accept the last offer of settlement made by one or the other party for each economic issue. In deciding which offers to accept, the Panel has considered the applicable factors set forth in Section 9 of Act 312 PA 1969. Section 9 reads:

> Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order on the following factors, as applicable:
>
> (a) The lawful authority of the employer.
>
> (b) Stipulations of the parties.
>
> (c) The interest and welfare of the public and the financial ability of the unit of government to meet those costs.
>
> (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
>
> (i) In public employment in comparable communities.
>
> (ii) In private employment in comparable communities.
>
> (e) The average consumer prices for goods and services, commonly known as the cost of living.

(f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

(g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(h) Such other factors, not confined to the foregoing, which are normally or traditionally taken in 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.

STIPULATIONS

The parties have stipulated that the new collective bargaining agreement will consist of the following:

(a) The parties' previous collective bargaining agreement as modified by the parties' tentative agreements and by this Award; and

(b) the new collective bargaining agreement will run from January 1, 2004 to and including December 31, 2006.

The parties' agreed-upon external comparable communities are the following Counties:

Barry;
Gratiot;
Montcalm; and
Newaygo.

The parties also have stipulated that all Act 312 time limits are waived.

OVERVIEW: ABILITY TO PAY

Ionia County – like many other public entities in Michigan – is currently operating in a tough economic climate.

Its financial condition includes the following:

– State Equalized Value ("SEV") measures revenue per capita. Real estate taxes are based on SEV. County Administrator Mark Howe testified that per capita SEV for Ionia County and its external comparables are as follows:

Ionia County	$24,000
Barry County	$34,900
Gratiot County	$23,000
Montcalm County	$30,300
Newaygo County	$31,000

In other words, the average per capita SEV among the external comparables is $29,800, or 24% higher than Ionia County's per capita SEV.

– A general fund balance is sometimes referred to as a "rainy day" fund. At the end of 2004, the County's General Fund balance equaled 12% of its General Fund expenditures. Testimony before the Panel is that a General Fund balance equaling 15% or more of General Fund expenditures is financially sound.

– County Administrator Mark Howe testified that for 2005, the County had an operating deficit of about $250,000, requiring it to tap into its General Fund balance for that sum.

– Mr. Howe also testified that the tentative budget for 2006 contains a 2006 operating deficit of about $650,000. This will cause a further reduction of the County's General Fund balance.

– State revenue sharing has been reduced.

– State secondary road patrol grants also have been reduced.

– Premiums for employee health insurance have increased at least 50% since 2001 (which premiums already were high).

– Liability insurance and Worker's Compensation premiums have increased.

Against these financial negatives, the one bright spot is that inflation (excluding health insurance premiums) has remained low.

Because of the above facts, the County is required to exercise caution in its financial commitments.

ISSUE 1: WAGE INCREASES

Union's Final Offer. The Union's final offer of settlement states:

The following annual salary schedule for bargaining unit employees will be effective on the dates shown below:

Deputy	01-01-04 (3%)	01-01-05 (3%)	01-01-06 (3%)
start	35,353	36,413	37506
6 months	36,509	37,605	38733
1 year	37,806	38,940	40,109
2 years	39,209	40,385	41,597
3 years	41,644	42,893	44,180

County's Final Offer: The County proposes the following annual salary increases:

2004	–	1.5%
2005	–	2.5%
2006	–	2.5%

FINDINGS AND OPINION

In January 2003, Ionia County paid its Deputies higher salaries at the third year step than the comparable communities. E. Ex. 20. Similarly, in January 2003, Ionia County remained the highest in comparing annual salaries at the top step (although the difference was less). U. Ex. 40. Here, the comparable County average was $38,921 whereas Ionia County Deputy salary was $40,431 (or 3.9% more than the comparables). Id.

Under the Employer's proposal, for 2004 its Deputies will be paid salaries $1049 (or 2.6%) more than the average of the comparable Counties; and for 2005 $874 (or 2.1%) more than the average of the comparable Counties. Under the Union's proposal, the Deputies' annual salaries for these two years would be 4.1% higher than the average comparable County.

Among the comparable Counties, the only 2006 annual contractual salary data available are for Gratiot and Montcalm Counties. Contractual data show that the deputies for these two Counties will receive 3% annual increases for 2006. Under the Employer's offer, Ionia Deputies for 2006 would receive salaries of $43,115. For 2006, Gratiot County deputies will receive salaries of $40,092 and Montcalm County deputies will receive salaries of $43,273. The average 2006 salaries for these two Counties is $41,683, which is $1,432 less than Ionia County in 2006 (under the Employer's offer).

In other words, Ionia County 2006 salaries would be 3.4% higher than the average of these two comparable Counties under the Employer's proposal.

"Overall compensation" is the total of wages and fringe benefits paid to employees. (It includes increasing health insurance premiums paid by the Employer.) Neither party computed an "overall compensation" exhibit comparing deputies in the comparable Counties with the Employer's Deputies. The Employer did present an exhibit comparing salaries and one fringe benefit – paid holidays. E. Ex. 23. This exhibit shows that the Ionia County Deputies have 13 ½ paid holidays, whereas the comparable communities provide their deputies between 7 paid holidays (Barry County) and 12.5 paid holidays (Gratiot County).

Employer Exhibit 24 is a comparison of salary plus paid holidays for 10 year deputies for 2003: For Ionia County the sum is $42,530, and an average of $40,613 for the comparable Counties. In other words, for 2003 Ionia County was 4.7% higher than the average of the comparable Counties.

The highest (and most prevalent)[1] salary increases for 2004, 2005 and 2006 are 3% in the comparable Counties, whereas the Employer is offering salary increases of 1.5%, 2.5% and 2.5% for these three years. It can be seen, then, that under the salary-plus-paid-holidays data for these three years,[2] Ionia County Deputies would remain higher paid than the average of the comparable Counties by 2.2% (9% – 6.5% = 2.5%. 4.7% – 2.5% = 2.2%).

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[1] For 2004, Montcalm County deputies received a 2% salary increase.

[2] Here, the Panel assumes a 3% salary increase for 2006 for Barry and Newaygo Counties.

In a companion case, the Panel has adopted the Employer's offer of wage increases of 1.5%, 2.5% and 2.5% for the Ionia County Deputies Command Unit.

The record does not establish a reason why Ionia County Deputies should be more highly compensated than the deputies in comparable Counties. More to the point, the Employer is experiencing some financial stress, which has caused it to reduce its General Fund balance. As mentioned above, the Employer had a deficit of about $250,000 for 2005 and anticipates a deficit of $650,000 for 2006. In addition, other monetary facts (as discussed above) also are working against the Employer's ability to offer more generous increases.

For these reasons, the Panel adopts the County's final offer on this issue.

ISSUE 2: HEALTH INSURANCE PREMIUM CO-PAY

County's Final Offer: The County proposes the following:

2004: 10% employee cost sharing of premium cost without caps.
2005: 10% employee cost sharing of premium cost without caps.
2006: 11% employee cost sharing of premium cost without caps.

Union's Final Offer: Retain the current 10% employee cost-sharing contract language but raise the monthly employee premium co-pay from $75 to $100, effective January 1, 2006.

FINDINGS AND OPINION

Article 20 of the parties' current agreement requires an employee contribution equal to 10% of the premium plan selected, with a cap of $75 per month.

The first year of the $75 monthly cap was 2003. In 2003, the monthly premium for traditional full-family Blue Cross/Blue Shield health insurance coverage was $770.00. E. Ex. 1. Therefore, in 2003, the $75 payment represented 10% of the full cost of such coverage. In other words, for 2003 the 10% employee cost and the $75 monthly cap turned out to be the same.

Health insurance premiums have risen dramatically in recent years. In Ionia County, health insurance premiums have increased more than 50% since 2001. E. Ex. 1. In 2004, premiums increased by as much as 21.46%; and in 2005 by as much as 10.14%. E. Ex. 2. In 2005, full-family Blue Cross/Blue Shield coverage was $983 a month (or almost $12,000 per year). For 2005, Deputies paid $75 a month (or 7.6%) for this coverage. However, for 2005 if an employee chose the PPO full-family option, the $75 per month payment would have been 9.2% for the PPO coverage.

For 2006, assuming a 7% annual increase for Blue Cross/Blue Shield full-family coverage to $12,622, under the Employer's offer an employee would pay $116 a month whereas under the Union's proposal an employee would pay $100 a month.

For 2006, assuming a 7% increase in PPO full-family coverage to $860 a month, under the Employer's offer an employee would pay $95 a month, whereas under the Union's proposal an employee would pay $86 a month. To the extent that any employee opted for either single or double coverage, the only difference between the parties' offers for 2006 would be 1% of the monthly premium.

The District Court bargaining unit employees agreed to pay 11% of their 2005 health insurance premiums without a cap, and 12% of their 2006 health insurance premiums without a cap.

The Employer's offer exceeds any premium co-pays in comparable Counties.

In a companion case, the Panel has adopted the Union's offer of a $100 per month cap on health insurance co-pay wage for the Ionia County Deputies Command Unit.

In proposing a 33% increase in the monthly cap (from $75 to $100) the Union has not sought to duck the problem of increasing health insurance premiums. Further, the Union's proposal provides cost certainty for the Deputies.

On balance, the Panel finds that the Union's offer more equitably shares the burdensome cost of health insurance premiums.

For these reasons, the Panel adopts the Union's final offer on this issue (subject to the separate retroactivity issue discussed below).

ISSUE 3: RETROACTIVITY

Union's Final Offer: The Union proposes that wage increases (only) be paid retroactively to January 1, 2004 for all employees still employed on the date of the Award.

County's Final Offer: The County proposes that all economic matters (including wage increases and increased employee health insurance contributions) be made retroactive to January 1, 2004, for all employees who are employed on the date of the Award.

FINDINGS AND OPINION

Under the Employer's offer that increased health insurance employee cost sharing be computed retroactively to January 1, 2004, the result would be that employees whose premiums in 2004 and 2005 were less than $750 a month would owe no restitution whereas employees whose premiums were more than $750 a month would owe the difference between their $75 monthly payments and what their 10% payments would have been without the monthly $75 cap.

At the highest end – full-family traditional Blue Cross/Blue Shield – under the Employer's proposal an employee would owe the Employer $17 a month for 2004 and $23 a month for 2005. For both years the sum would be $480. This in effect would reduce by about 80% of the Employer's wage offer of 1.5% for 2004 (which the Panel has adopted).

In a companion case, the Panel has adopted the Union's retroactivity offer for the Ionia County Deputies Command Unit.

Because the Panel has adopted the Union's offer to increase co-pay caps by 33% (and also the Employer's lower offer on wage increases), the Panel is denying the Employer's offer on retroactivity for increased cost sharing for health insurance premiums.

For these reasons, the Panel adopts the Union's final offer on this issue.

ISSUE 4: PENSION – MULTIPLIER

Union's Final Offer: The Union proposes to amend Article 11 of the parties' agreement by adding the following language:

> Effective December 1, 2006, the B-4 multiplier shall become effective, the cost of the B-4 benefit shall be provided by the Employer to a maximum of two percent (2%) of employee compensation. Any additional cost in excess of two percent (2%) shall be borne by the employees through payroll deduction.
>
> Pension – Multiplier to be effective December 1, 2006.

County's Final Offer: Retain current contract language and add no additional contractual provisions on this issue.

FINDINGS AND OPINION

The Deputies' current B-3 multiplier is 2.25%. Under the Union's proposed B-4 plan, the multiplier would increase to 2.5%.

The Employer's 2005 pension contribution for Deputies was 3.39%, which is lower than any comparable County. E. Ex. 17. Of the four comparable communities, two have a multiplier of 2.5% and two have a multiplier of 2.25%. Two of the four comparable communities – Gratiot (2.25%) and Newaygo (2.5%) Counties – have switched to defined contribution plans for new deputies, thereby shifting the risks of investment loss to the new deputies. For their older deputies still covered by MERS, these two Counties in 2005 made contributions of 19.24% (Gratiot) and either 11.33% or 13.70% (Newaygo). E. Ex. 36; U. Ex. 41. In addition, it appears that Gratiot County has agreed to increase the mulitplier to 2.5% on the condition that the Union (i.e., the deputy beneficiaries) pay the full cost of the change.

Internally, only the Deputies Command Officers – with a 2.5% multiplier – have a higher multiplier than the Deputies. Both groups of employees make 3% contributions. However, the Employer's contributions for Deputies Command is significantly higher than for Deputies. E. Ex. 3. For example, for 2005, the Employer contribution for Deputies was 3.39%, whereas for Deputies Command it was 10.65%.

Four of the seven employee groups of the Employer have a multiplier between 1.5% and 2%. E. Ex. 16.

The Union's offer to cap additional Employer contributions at 2% of increased costs is not unreasonable. However, depending on the "demographics" of the bargaining unit, the Union's offer could place a heavy burden on the non-retiring members of the bargaining unit: When a pension multiplier goes up 11% and senior employees immediately start retiring, the funding liability will rise dramatically for those employees still working in the bargaining unit. On this point, the parties have not obtained an actuarial analysis to explain the consequences of an 11% increase in this bargaining unit's pension multiplier.

Further, the new contract will be subject to reopening in less than one year. This would give the parties time to obtain an actuarial analysis if either chose to do so.

For all the above reasons, the Panel adopts the County's final offer on this issue.

ISSUE 5: MEDICAL REIMBURSEMENT

Union's Final Offer: The Union proposes to amend Article 20, Section 4 to increase the annual reimbursement from $500.00 to $700.00, as follows:

Effective January 1, 2006:

> The Employer will reimburse employees for proven dental, optical and out-of-pocket medical expenses (dollar for dollar – evidenced by paid bill or canceled check), not to exceed seven hundred dollars ($700.00) in each calendar year for the employee, his spouse and dependent children. Dental, optical and out-of-pocket medical expenses may be submitted on a quarterly basis.

Medical reimbursement effective January 1, 2006.

County's Final Offer: The County proposes that the current contractual language be retained.

FINDINGS AND OPINION

At least since December 4, 1998, bargaining unit members have been entitled to an annual maximum of $500.00 as reimbursement for proven dental, optical and out-of-pocket medical expenses.

Employees in the County's Deputies Command bargaining unit are entitled to an annual maximum of $700.00 as reimbursement for proven dental, optical and out-of-pocket medical expenses.

The record before the Panel does not establish any financial hardship to the Employer by reason of the Deputies Command unit's having this benefit.

On this issue, there does not appear to be a solid reason why the Deputies should not be treated the same as Deputies Command Officers.

For the above reasons, the Panel adopts the Union's final offer on this issue.

ISSUE 6: WORKERS' COMPENSATION SUPPLEMENT

Union's Final Offer: The Union proposes to replace current Article 20, Section 5 with the following language:

> An employee on medical leave of absence will receive hospitalization insurance coverage for the remainder of the month in which the employee exhausted his/her accrued sick pay and vacation time (or would have exhausted them, if used) plus one (1) additional month. After that, the employee may continue coverage for an additional three (3) months by paying the monthly cost of the premium to the Employer. In case of employees on medical leave due to a work related illness or injury, the Employer will continue hospitalization coverage for twelve (12) months from the date the employee exhausted his/her accrued sick pay and vacation time (or would have exhausted them, if used). After that, the employee may continue coverage for up to twelve

(12) additional months by paying the premiums to the Employer, provided the insurance carrier permits such continuation.

County's Final Offer: Retain current contract language and add no additional contractual provisions on this issue.

FINDINGS AND OPINION

The sole difference between the Union's offer and the Employer's status quo offer is that the Union's offer would increase from four months to twelve months the Employer's continued provision of hospitalization coverage where an employee is "on a medical leave due to a work related illness or injury."

Although the comparable County contracts do not provide this benefit, the proposed change is identical with the current language in the Ionia Deputies Command contract.

The record before the Panel does not establish any financial hardship to the Employer by reason of the Deputies Command unit's having this benefit.

On this issue, there does not appear to be a solid reason why the Deputies should not be treated the same as Deputies Command Officers.

For the above reasons, the Panel adopts the Union's final offer on this issue.

ISSUE 7: PENSION – CONTRIBUTION

County's Final Offer. The County proposes that the current annual 3% employee contribution be retained.

Union's Final Offer: The Union also proposes that the current annual 3% employee contribution be maintained. The Union adds:

> [H]owever, in the event the panel should award the Union offer on the multiplier, the employees will absorb any cost for such improvement in excess of two percent (2%).

FINDINGS AND OPINION

Because the Panel has not adopted the Union's offer to increase the pension multiplier, the alternative proposed by the Union is moot.

For the above reasons, the Panel adopts the parties' final offer of retaining the 3% employee retirement contribution.

Dated: January 30, 2006

Tl Gravelle
Thomas L. Gravelle, Chairman

Dated: January , 2006

(signature attached)
John R. McGlinchey, County Delegate
Concurs on Issues 1, 4 and 7.
Dissents on Issues 2, 3, 5 and 6.

Dated: January , 2006

(signature attached)
James DeVries, Union Delegate
Concurs on Issues 2, 3, 5, 6 and 7.
Dissents on Issues 1 and 4.

[H]owever, in the event the panel should award the Union offer on the multiplier, the employees will absorb any cost for such improvement in excess of two percent (2%).

FINDINGS AND OPINION

Because the Panel has not adopted the Union's offer to increase the pension multiplier, the alternative proposed by the Union is moot.

For the above reasons, the Panel adopts the parties' final offer of retaining the 3% employee retirement contribution.

Dated: January 30, 2006

T L Gravelle
Thomas L. Gravelle, Chairman

Dated: January , 2006

John R. McGlinchey, County Delegate
Concurs on Issues 1, 4 and 7.
Dissents on Issues 2, 3, 5 and 6.

Dated: January 30, 2006

James DeVries, Union Delegate
Concurs on Issues 2, 3, 5, 6 and 7.
Dissents on Issues 1 and 4.

[H]owever, in the event the panel should award the Union offer on the multiplier, the employees will absorb any cost for such improvement in excess of two percent (2%).

FINDINGS AND OPINION

Because the Panel has not adopted the Union's offer to increase the pension multiplier, the alternative proposed by the Union is moot.

For the above reasons, the Panel adopts the parties' final offer of retaining the 3% employee retirement contribution.

Dated: January 30, 2006

Thomas L. Gravelle, Chairman

Dated: January 27, 2006

John R. McGlinchey, County Delegate
Concurs on Issues 1, 4 and 7.
Dissents on Issues 2, 3, 5 and 6.

Dated: January , 2006

James DeVries, Union Delegate
Concurs on Issues 2, 3, 5, 6 and 7.
Dissents on Issues 1 and 4.