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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
ACT 312 ARBITRATION

COUNTY AND SHERIFF OF IONIA

-and-

MERC Case No. L04 C-9003

POLICE OFFICERS ASSOCIATION
OF MICHIGAN – DEPUTIES COMMAND 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

STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
DETROIT MI 48201

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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:

	<u>01-01-04</u> (3%)	<u>01-01-05</u> (3%)	<u>01-01-06</u> (3%)
Deputy <u>Sergeant</u>	42,707.05	43,988.27	45,307.91
Deputy <u>Detective</u>	42,707.05	43,988.27	45,307.91
Deputy <u>Lieutenant</u>	44,878.41	46,224.76	47,611.50

Wages effective retroactive to January 1, 2004 for all hours compensated

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, the Employer's salary for Sergeant was \$41,463, or slightly more than the \$41,301 average for the comparable Counties. E. Ex. 7. The Union's figures for the comparable are slightly higher. U. Ex. 44.

In January 2003, the Employer's salary for Lieutenants was \$43,571, or slightly more than the \$42,953 average for the two comparable Counties – Montcalm and Newaygo – also having this position. E. Ex. 8. However, Employer Exhibit 8 states that the Montcalm rate is for 2002.

"Overall compensation" is the total of wages and fringe benefits paid to employees. (It includes health insurance premiums and pension contributions paid by the Employer.) Neither party computed an "overall compensation" exhibit comparing command officers in the comparable Counties with the Employer's Deputies Command officers. The Employer did present exhibits comparing salaries and one fringe benefit – paid holidays. E. Exs. 11 and 12. These exhibits show 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 12 is a comparison of salary plus paid holidays for a 15 year Sergeant for 2003: For Ionia County the sum is \$43,616, and an average of \$43,089

for the comparable Counties. In other words, for 2003 Ionia County was 1.2% 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 the Employer's Deputies Command officers would be lower paid than the average of the comparable Counties by 1.3% ($9\% - 6.5\% = 2.5\%$. $2.5\% - 1.2\% = 1.3\%$). Using this formula for the Union's proposal, the Employer's Deputies Command officers would be higher paid than the average of the comparable Counties by 1.2%.

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

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

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.

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 maximum employee premium co-pay from \$75 to \$100, effective January 1, 2006.

FINDINGS AND OPINION

Article 23, Section 1 D 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 Command Officers 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.

In a companion case, the Panel has adopted the Union's co-pay cap offer for the Ionia County Deputies Unit.

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

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 Command officers.

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 77% of the Employer's wage offer of 1.5% for 2004 for a Patrol Sergeant (which the Panel has adopted).

In a companion case, the Panel has adopted the Union's retroactivity offer for the Ionia County Deputies 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 – COLA

Union's Final Offer. The Union proposes to amend Article 13 of the parties' agreement by adding the following language:

Effective December 1, 2006, the E-2 COLA benefit shall become effective, the cost of the E-2 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 – COLA 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 Command Officers Unit currently has a MERS B-4 plan, which has 2.5% multiplier. The Union's proposal is to add the MERS E-2 Cost of Living benefit: "Benefit E-2 is an automatic 2.5% annual non-compounded benefit increase to persons retired on or after the effective date of Benefit E-2." E. Ex. 5.

The Employer's 2005 pension contribution for the Deputies Command officers was 10.65%, and is projected to be 12.38% for 2006. These percentages are by far the highest among the seven Ionia County employment units. E. Ex. 3. In addition, the Deputies Command officers have the highest multiplier among Ionia County employee

groups. E. Ex. 16. The multipliers for the other six employee groups range from 1.5% to 2.25%. E. Ex. 16.

Three of the four comparable Counties have some form of retiree COLA benefit. Gratiot County, which has the E-2 benefit (but a 2.25% multiplier), has switched to a defined contribution plan for employees hired after October 1, 2000. Barry and Newaygo Counties have MERS Benefit B, which "is a one-time benefit to present retirees equal to 2% of the present benefit times the years since the later of retirement or the last Benefit E increase. Benefit E may be readopted from time to time." E. Ex. 5. Benefit B is a lesser benefit than proposed Benefit B-2.

As to the COLA offer, 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 new pension benefit goes into effect, the funding liability may 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 the addition of Benefit B-2.

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 retain the annual reimbursement of \$700.00 in Article 23, Section 3, 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) per 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.

County's Final Offer: The County proposes that the current contractual language for annual medical expense reimbursement not to exceed \$700 be retained.

FINDINGS AND OPINION

By reason of the parties' agreement, the Panel adopts the parties' final offer on this issue.

ISSUE 6: WORKERS' COMPENSATION SUPPLEMENT

County's Final Offer: Retain current contract language of Article 23, Section 4, which states:

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.

Union's Final Offer. Retain current contract language of Article 23, Section 4.

FINDINGS AND OPINION

By reason of the parties' agreement, the Panel adopts the parties' final offer on this issue.

ISSUE 7: PENSION – CONTRIBUTION

County's Final Offer. The County proposes that the current annual 3% employee contribution be increased to 5%.

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

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

FINDINGS AND OPINION

With the exception of the Dispatch Union, all the Ionia County employee groups currently make a 3% pension contribution. E. Ex. 16.

The Employer's 2005 pension contribution for Deputies Command was 10.65%, which is more than its contributions for other Ionia County employee groups, but less than comparable Counties to the extent they maintain defined benefit retirement plans. E. Ex. 17.

Among the comparable Counties' defined benefit plans, Gratiot and Newaygo County command officers make no retirement contribution; Barry County command

officers make a 2.5% contribution; and Montcalm County command officers make a 5.50% contribution. U. Ex. 46.

On balance, the above facts support the retention of the 3% employee retirement contribution.

Because the Panel has not adopted the Union's offer to add Benefit B-2 (COLA), the alternative proposed by the Union is moot.

For the above reasons, the Panel adopts the Union's 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, 5 and 6.
Dissents on Issues 2, 3 and 7.

Dated: January , 2006

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

officers make a 2.5% contribution; and Montcalm County command officers make a 5.50% contribution. U. Ex. 46.

On balance, the above facts support the retention of the 3% employee retirement contribution.

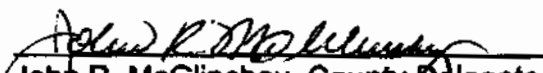
Because the Panel has not adopted the Union's offer to add Benefit B-2 (COLA), the alternative proposed by the Union is moot.

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

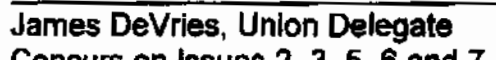
Dated: January 30, 2006


Thomas L. Gravelle, Chairman

Dated: January 27, 2006


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

Dated: January , 2006


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

officers make a 2.5% contribution; and Montcalm County command officers make a 5.50% contribution. U. Ex. 46.

On balance, the above facts support the retention of the 3% employee retirement contribution.

Because the Panel has not adopted the Union's offer to add Benefit B-2 (COLA), the alternative proposed by the Union is moot.

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

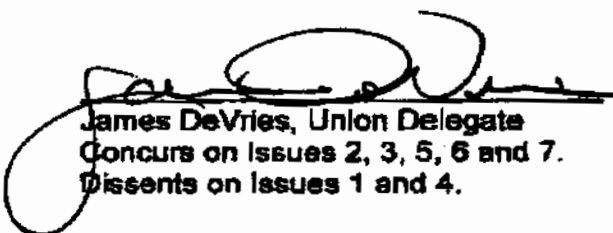
Dated: January 30, 2006


Thomas L. Gravelle, Chairman

Dated: January , 2006

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

Dated: January 30, 2006


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