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STATE OF MICHIGAN  
ACT 312 ARBITRATION  
PUBLIC ACTS OF 1969, AS AMENDED

In the Matter of:

CHARTER TOWNSHIP OF MERIDIAN  
(FIRE DEPARTMENT),  
Employer

-and-

MERC CASE NO.: L90 D-0866

TECHNICAL, PROFESSIONAL AND  
OFFICEWORKERS ASSOCIATION OF  
MICHIGAN (MERIDIAN TOWNSHIP  
FIREFIGHTERS ASSOCIATION),  
Union

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Compulsory Arbitration Panel

HARRY W. BISHOP, Impartial Chairman  
STEPHEN O. SCHULTZ, Township Delegate  
WILLIAM BIRDSEYE, Union Delegate

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STATE OF MICHIGAN  
BUREAU OF EMPLOYMENT RELATIONS  
DETROIT OFFICE

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OPINION AND AWARD

October 14, 1991

## INTRODUCTION AND STIPULATIONS

This arbitration opinion and award addresses and resolves various terms of the 1990-1991 collective bargaining agreement between the Charter Township of Meridian (hereafter Township) and the Technical, Professional and Officeworkers Association of Michigan/Meridian Township Firefighters Association (hereafter Union). At the beginning of these proceedings, five (5) issues were submitted by the parties to be resolved by the Compulsory Arbitration Panel (hereafter Panel) pursuant to the provisions of Public Act 312. These were:

1. Retiree Health Insurance
2. Pension Age
3. Wages
4. Pension Multiplier
5. Duration of the Agreement

The issues to be decided in this opinion and award are listed as numbered above. Two of the issues, however, have been resolved by the parties; consequently, the issue of the pension multiplier (issue 4) and the issue of the duration of the contract (issue 5) will not be addressed in this opinion and award.

During the course of these proceedings, the parties made various stipulations which the Panel adopts. These stipulations include the following:

1. All provisions of the prior contract which have not been modified by previous agreement and which are not at issue in this Act 312 proceeding shall be carried forward into the new contract.
2. The Panel has jurisdiction over all issues before it.
3. The durational term of the new contract (resolution of issue 5) shall be January 1, 1990 through December 31, 1992.
4. All proceedings have been timely to date.
5. The Township's financial ability to pay is not disputed. Transcript, Vol I, p 56.
6. The parties have reached agreement on issue 4 above; the pension multiplier shall be 1.6.
7. Except for the three remaining issues to be resolved in these proceedings, all other issues have been resolved by the parties and are to be incorporated in the new agreement by this Act 312 Arbitration Opinion and Award.

8. Issues 1, 2, and 3 are economic issues. Issue 1 deals with the percentage amount the Township will contribute to the health insurance premium for retirees. Issue 2 involves the age an employee becomes eligible for retirement benefits. Issue 3 deals with wages. Under Section 8 of Act 312, the Panel is required to accept the final offer of settlement made by one party or the other party for each economic issue.

9. The wage issue is to be treated as a single issue rather than three separate issues for each year of the three-year agreement.

10. The Union and the Township agree that the two communities most comparable to Meridian Township for the purpose of Act 312 Arbitration are Delta Township and the City of East Lansing.

#### SECTION 9 OF ACT 312

Section 9 of Public Act 312 provides that a compulsory arbitration panel shall base its order and award upon a number of specific factors. Section 9 states:

Where there is no agreement between the parties, or where there is an agreement but 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 upon 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 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.

## ISSUES

### Issue 1 Retiree Health Insurance

#### Union's Final Offer of Settlement

The Union proposed the Township pay one hundred percent (100%) of the monthly premium for a retiree's health insurance and fifty percent (50%) of the monthly premium for his/her spouse.

#### Township's Final Offer of Settlement

The Township proposed no changes from the previous master agreement with the Union on the issue of retiree health insurance.

#### Findings

Neither the Township nor the Union submitted data estimating the increased cost to the Township for this particular issue. A review of internal comparables for other bargaining units within the Township reveals that no other units have one hundred percent of a retiree's health insurance premium paid for by the Township. A

review of external comparables shows that the City of East Lansing and Delta Township pay up to one hundred percent of a retired fire fighter's health insurance premium. Clearly, in the area of health insurance premium benefits for retirees, the level the Township grants does not compare with either Delta Township or East Lansing. On the other hand, none of the Township's bargaining units have the health care premiums for retirees paid for totally by the Township. The Panel is reluctant, consequently, to grant the Union's position on this issue due to the lack of data regarding health insurance costs or comparisons about the kinds of health care benefits to be provided for retirees.

### **Ruling**

The Township's final offer of settlement on this issue is adopted.

## **Issue 2      Pension Age**

### **Union's Final Offer of Settlement**

The Union proposed reducing the age of eligibility for retirement for fire fighters from age fifty-five (55) to age fifty-two (52) with a minimum of twenty-five years of service. Early retirement, with a reduced pension benefit would be available at age fifty-two (52) with fifteen (15) years of service.

### **Township's Final Offer of Settlement**

The Township proposed no change in pension age eligibility.

### **Findings**

The Township estimated the cost to reduce the retirement age for fire fighters from age fifty-five to age fifty-two to be 4.7 percent of the economic package. Internal comparables indicate that Township police officers gained the option of age fifty-two retirement by taking smaller salary gains in the course of past negotiations in consideration of the increased cost of this option. No other employee group within the Township, however, has this option.

There is no doubt, historically, that police and fire fighter bargaining units normally have earlier retirement eligibility age contract provisions than other employee units. Stress, danger, and physical ability to perform these jobs have generally been cited as reasons for earlier retirement age options for these occupations. On the other hand, reductions in the eligibility age for retirement from any occupation flies in the face of phased in increases in the

eligibility age for receiving Social Security retirement benefits, as well as age demographics in this country.

External comparables on this issue are mixed. Delta Township fire fighters are eligible to retire at age fifty-five. Union Exhibit 19. East Lansing allows fire fighters to retire at age fifty after twenty-five years of service. Union Exhibit 18.

### **Ruling**

The Township's last offer of settlement on this issue is adopted.

## **Issue 3      Wages**

### **Union's Final Offer of Settlement**

The Union proposed a five percent (5%) across-the-board increase for calendar year 1990, a five percent (5%) across-the-board increase for calendar year 1991, and a four and one half percent (4.5%) across-the-board increase for calendar year 1992.

### **Township's Final Offer of Settlement**

The Township proposed a three percent (3%) across-the-board increase for calendar year 1990, a three and one half percent (3.5%) across-the-board increase for calendar year 1991, and a four and one half percent (4.5%) across-the-board increase for calendar year 1992.

### **Findings**

During the hearing, the Township and the Union representatives each presented pertinent and cogent data on the issue of wages. The Panel finds testimony about the negotiation process with each of the Township's bargaining units of some significance. Testimony indicated the Township's chief negotiator was given a parameter for a fixed percentage rate increase of four percent for the total economic package for each of the township's bargaining units. The township's parameters covered the years 1990, 1991, and 1992. Transcript, Vol II, p 16.

The Panel notes, in analyzing internal comparables, that the four percent parameter established by the Township Board for 1992 wages for all units can really be translated into a five percent raise for the POAM Police unit.

The average 1991 POAM Police salary was \$32,833.50 (\$32,508 on 1-1-91 plus \$33.159 on 7-1-91 divided by two (2) equals \$32,833.50). Four percent of the average salary for 1991 equals \$34,146.84. Four percent of the salary on 12-31-91 equals \$34,485.00. Five percent of the average 1991 POAM Police salary equals \$34,475.00.

So, the question becomes four percent of what? Four percent of the salary in effect on 12-31-91 or four percent of the average 1991 salary? Bargaining history indicates the answer is four percent over the salary on 12-31-91--or in reality a gain of five percent over the 1991 average salary. Union Exhibit 16.

Exhibits and testimony establish the cost of the Union's economic proposals for the 1990-93 contract period to be a five percent increase for 1990, a five percent increase for 1991, a four and one half percent increase for 1992, and effective with the date of the arbitration award another four and seven tenths percent increase to allow reducing the age of retirement eligibility to age fifty-two. Accordingly, the Union's proposal for wages and for the reduced age of retirement eligibility carried a nineteen and two tenths percent increase for the three years contract period.<sup>1</sup>

The Township's proposal for the 1990-93 contract term is a three percent increase for 1990, a three and one half percent increase for 1991, and a four and one half percent increase for 1992--or a total increase of eleven percent for the three years contract period. The percentage increases on the issue of wages are displayed as follows:

	UNION'S PROPOSAL		TOWNSHIP'S PROPOSAL	
Wages	1990	5%	1990	3%
	1991	5%	1991	3.5%
	1992	<u>4.5%</u>	1992	<u>4.5%</u>
Total		14.5%		11.0%

Reviewing the wage scales for the Township with the agreed upon comparable fire fighter units of Delta Township and East Lansing required some recalculating to insure wages in each were displayed by calendar year rather than a mixture of fiscal and calendar years. Union Exhibits 18 and 19 provided the information used to

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<sup>1</sup>Because the retirement age issue was resolved by the Panel in Issue 2 above, the cost of the Union's economic proposal for 1990 is now listed as five percent.

recalculate the wages of the three fire fighter units to calendar years.<sup>2</sup> The comparison that follows is based on wages for a fire fighter with four years of seniority.

DELTA TWP.		EAST LANSING	MERIDIAN TWP.	
			Union Prop.	Twp. Prop.
1-1-90	\$31,418.	\$29,877.	\$30,822.	\$30,235.
1-1-91	33,003.	30,322.**	32,363.	31,293.
1-1-92	33,792.*	--	33,819.	32,701.

\* In addition to the amount listed a cost-of-living increase for the last half of 1992 will be added. Union Exhibit 19, p 64.

\*\* The contract expired on 6-30-1991.

It should be noted that the East Lansing fire fighters enjoy a 7.65 percent increase in real wages over their counterparts in Delta Township and Meridian Township due to the fact that East Lansing does not deduct Social Security taxes from fire fighter wages. Transcript, Volume 2, p 128. Essentially, this means that \$30,000.00 in annual salary for an East Lansing fire fighter hired before April 1, 1986 has \$2295.00 more in spendable income than the Meridian Township fire fighter. Those hired after April 1, 1986, have the Medicare portion of F.I.C.A. deducted from their salaries, leaving them with \$1860.00 more in spendable income. Consequently, if considering spendable income as the basis of comparison among the three fire fighter units by taking away the amounts Delta and Meridian Township fire fighters with four years of seniority contribute to F.I.C.A.<sup>3</sup>, the result for the year 1990 would look like this.

DELTA TOWNSHIP	EAST LANSING	MERIDIAN TOWNSHIP
		<u>Union</u> <u>Township</u>
\$29,470.	\$29,877.	\$28,911.   \$28,300.

<sup>2</sup>For Delta Township, recalculation to an annual wage for the calendar year 1990 includes wage rates for 1-1-90 to 6-30-90 and another wage rate effective 7-1-90 through 12-31-90. Union exhibit 19, pp 63-64. For East Lansing, recalculation to an annual wage for the calendar year 1990 includes wage rates in place on 1-1-90 and the change in the wage rate effective 6-25-90 through 12-31-90. Union Exhibit 18, Appendix A, p A-1.

<sup>3</sup>For 1990 the total F.I.C.A. tax was 7.65 percent. Of this amount 6.2 percent was for social security income benefits and 1.45 percent was for Medicare benefits. These same rates apply in 1991. For comparison purposes, only the 6.2 percent social security income portion of the F.I.C.A. was used.

It is fairly evident that both the Union and the Township offers for final settlement for wages fall below the wages for the fire fighters of Delta Township and East Lansing for 1990. No comparison may be made on this issue for 1991 or 1992, since the comparable figures are unknown. The data available, however, do indicate that the Township will continue to lag behind Delta Township and East Lansing in fire fighter wages for these years.

When applying the factor's to be considered under Section 9 of Public Act 312, it is clear that the Union's final offer of settlement on the issue of wages will allow the employees in this bargaining unit to maintain their relative position with regard to the inflationary rate or cost of living index. Union Exhibit 12.

This decision was a difficult one to make. Both parties were close, but not quite close enough in terms of comparables. Consequently, the fair decision is to adopt the Union's final offer of settlement on the issue of wages.

#### **Ruling**

The Union's final offer of settlement more closely meets the factors to be considered, according to Section 9 of Public Act 312, than the Township's. Accordingly, the Union's final offer of settlement on the issue of wages is adopted.

SUMMARY

The decisions of the Panel's Impartial Chairman are:

Issue 1 Retiree Health Insurance

The Township's final offer of settlement for no change in retiree health insurance is adopted.

Agree SO Schultz Dissent MM

Issue 2 Pension Age

The Township's final offer of settlement for no change in the eligibility age for retirement is adopted.

Agree SO Schultz Dissent MM

Issue 3 Wages

The Union's final offer of settlement on the issue of wages is adopted. Increase wages by five percent (5%) across-the-board for the period of January 1, 1990 through December 31, 1990.

Increase wages by five percent (5%) across-the-board for the period of January 1, 1991 through December 31, 1991.

Increase wages by four and one half percent (4.5%) across-the-board for the period of January 1, 1992 through December 31, 1992.

Agree MM Dissent SO Schultz

Date: October 14, 1991

Harry W. Bishop  
Harry W. Bishop  
Impartial Chairman

Stephen O. Schultz  
Stephen O. Schultz  
Township Delegate

William Birdseye  
William Birdseye  
Union Delegate