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MICHIGAN DEPARTMENT OF LABOR
EMPLOYMENT RELATIONS COMMISSION
LABOR RELATIONS DIVISION

IN THE MATTER OF:

THE ACT 312 ARBITRATION BETWEEN
POLICE OFFICERS LABOR COUNCIL,

Petitioner,

MERC Act 312 Case No. L99 J-8009

-and-

GRAND BLANC TOWNSHIP,

Respondent.

BEFORE:

Arbitrator Karen Bush Schneider, Esq.
Panel Chairperson

Lloyd Whetstone
Panel Delegate for the POLC

Lyndon J. Lattie, Esq.
Panel Delegate for Grand Blanc Township

APPEARANCES:

For the Petitioner: Timothy J. Dlugos (P57179)
675 E. Big Beaver Road, Suite 105
Troy, MI 48083

For the Respondent: Lyndon J. Lattie (P16444)
8332 Office Park Drive
Grand Blanc, MI 48439

INTRODUCTION

Petitioner, Police Officers Labor Council (hereinafter the "Petitioner"), filed a petition for Act 312 arbitration with the Michigan Employment Relations Commission on or about September 22, 2000. The petition covered the patrol unit employed by Grand Blanc Township (hereinafter referred to as "Respondent"). Hearings were held on May 8 and 10, 2001, in Grand Blanc, Michigan. Following the hearing, Last Best Offers were submitted on or about May 30, 2001, and briefs were exchanged on or about August 13, 2001. A post-hearing objection to Respondent's Last Best Offer was filed by Petitioner on or about August 28, 2001. The Arbitration Panel consisting of Karen Bush Schneider, Esq., Lloyd Whetstone, and Lyndon Lattie, Esq., convened on September 24, 2001, and by telephone on October 9, 2001. After deliberation on the disputed issues and post-hearing objection, the Panel issues this award.

THE FINAL OFFERS OF THE PARTIES

The Final Offer of Petitioner, POLC

1. DURATION AND TERMINATION (Article 48)

The Union requests a three-year contract, thereby modifying Article 48 to read as follows:

Section 48.01: This Agreement shall become effective on the first day of **January 2000**, and shall remain in full force and effect to and including the thirty-first (31st) day of **December 2002**, and shall continue in full force and effect from year to year thereafter unless either party desires to change or modify any of the terms or provisions of the Agreement. The party desiring the change or modification must notify the other party in writing, not less than ninety (90) days prior to termination. However, negotiations shall commence not less than sixty (60) days prior to termination.

However, negotiations shall commence not less than sixty (60) days prior to termination.

This Agreement shall become effective on the first day of January, 2000, A.D., and shall continue in full force and effect until 12:01 a.m., December 31, 2002, inclusive

2. WAGE SCHEDULE (SCHEDULE "A")

A. The Union requests the following across-the-board wage increases:

Effective January 1, 2000 - 3%
Effective January 1, 2001 - 3%
Effective January 1, 2002 - 3%

In the event the Panel decides on an additional contract year, the Union requests:

Effective January 1, 2003 - 4%

Wage Schedule "A" will be amended to reflect the above increases.

B. The Union requests that the following modification be made to Schedule "A" to reflect a change in the payment of Patrol Officers in the Investigation section:

"Patrol Officers promoted to Investigation section will receive \$1,600 5% additional per year."

C. All wage increases to be retroactive to January 1, 2000. The remainder of Wage Schedule "A" will not be changed.

3. RETIREMENT BENEFITS (Article 29)

The Union requests that the following language be added to Article 29:

Section 29.04: Effective [Date of Award], all employees will receive the following benefits through the Municipal Employees Retirement System (MERS):

1. Benefit Program B-4;
2. Retiree cost-of-living program E-2;
3. FAC-5;
4. Minimum of 25 years of service with no age restriction;
5. Ability to purchase other governmental service;

6. Ability to purchase up to two (2) years generic time; and
7. Ability to purchase military service.

As of [Date of Award], the employer's contribution rate will no longer be limited to a maximum of fourteen percent (14%). Instead, the employer's contribution rate will be actuarially redetermined on an annual basis and will assume all financial costs above the employee's contribution rate. All employees will contribute a fixed amount of five percent (5%) towards the cost of the MERS benefits.

Those employees who were previously subject to the Benefit Program B-2 will contribute an additional three percent (3%) towards the cost of the MERS benefits in order to assist in reducing any existing unfunded accrued liability.

Dated: 5-30-01

Final Offer of Respondent, Grand Blanc Township

Article 29 – Retirement Benefits

Section 29.01: The employee's retirement benefits shall be governed by the participation of the employer in the Municipal Employees Retirement System to Michigan. The employer's contribution to the plan shall be 14% of wages, overtime, and longevity.

Section 29.02: All employees, except retired and deceased employees and their decedents, shall receive the following Municipal Employees' Retirement System (MERS) benefits:

1. Benefit program: B -4
2. Retiree cost-of-living program: E-2
3. Additional retirement options:
 - a. FAC-5
 - b. Minimum of 25 years of service with minimum age of 55 years.
4. Additional Service Credit Purchases:
 - a. Ability to purchase governmental service.
 - b. Ability to purchase up to two (2) years generic time.
 - c. Ability to purchase military service.

(The total actuarially determined cost for a, b, and c above are to be assessed to the employee)

5. The employee's contribution rate will be set at 5.11% of wages, overtime and longevity for those employees hired after 1-1-95. The employee's contribution rate will be set at 8.11% of wages, overtime and longevity for those employees hired before 1-1-95. These employee contribution rates will be in effect from the effective date of this contract, not retroactive to January 1, 2000, until the subsequent annual actuarial valuation report covering the participation of the employer in the MERS system. The employee's contribution rate will be actuarially redetermined on an annual basis and will assume all financial costs above the employer's contribution rate. The employees hired prior to 1-1-95 will, however, contribute 3% more annually to the MERS plan than the employees hired after 1-1-95 will be required to contribute.
6. The employer's contribution to the plan will remain at 14% of wages, overtime, and longevity if, and until, all employee's contributions are reduced to 0%, then the employer's contribution to the plan shall be based upon the next subsequent annual actuarial valuation report covering the participation of the employer in the MERS system.
7. All employees will be considered vested in the MERS plan after 10 years of employment with the employer.
8. The currently retired and/or deceased employees will be set aside in a new class within the MERS plan and the cost of their benefits will be contributed solely by the employer.
9. The contributions taken out of the wages, overtime and longevity pay of the employee's hired after 1-1-95 has been returned to them by the employer out of municipal funds. These contributions will be credited to the employer by the MERS plan.
10. The First Trust Corporation Pension Funds of those presently active, retired and/or deceased employees who were hired prior to 1-1-95 totaling approximately \$863,000 have been distributed to them to do with what they wish. This action will not be interfered with in any way, but it is the reason, as well as automatic vesting, these employees will contribute 3% more each year than the employees hired subsequent to 1-1-95.

[Section 29.03: The employer will provide, in full, the then current health care program for any employee retiring with at least 25 years of actual service

with the employer. This coverage shall include the employee and his or her spouse.] WITHDRAWN

Article 48 - Duration and Termination

Section 48.01: This agreement shall become effective on the first (1st) day of January 2000, and shall remain in effect to and including the thirty-first (31st) day of December, 2004 and shall continue in full force and effect from year to year thereafter unless either party desires to change or modify any of the terms or provisions of the Agreement. The party desiring the change or modification must notify the other party in writing, not less than ninety (90) days prior to termination.

However, negotiations shall commence not less than sixty (60) days prior to termination.

Wages (Schedule "A")

Increase 2.5% each year of the contract retroactive to January 1, 2000.

Statutory Authority

Public Act No. 312 of 1969, MCL 423.231, *et. seq.*, provides for compulsory arbitration of labor disputes involving municipal police officers. Section 8 of the Act states, in relation to economic issues, that:

The arbitration panel shall adopt the last offer of settlement which, in the opinion of the arbitration panel, more nearly complies with the applicable factors described in Section 9. The findings, opinions and orders as to all other issues shall be based upon the applicable factors prescribed in Section 9. MCL 423.238.

Section 9 of the Act contains eight factors upon which the Panel must base its opinion and orders. The factors are as follows:

- a. The lawful authority of the employer.
- b. Stipulations of the parties.

- c. The interests and welfare of the public and financial ability of the unit of government to meet those costs.
- d. Comparison of 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 sector or in private employment. MCL 423.329.

Section 10 of the Act provides that the decision of the Panel must be supported by "competent, material and substantial evidence on the whole record." MCL 423.240. This has been acknowledged by the Michigan Supreme Court in *City of Detroit v. Detroit Police Officers Assoc.*, 408 Mich 410 (1980). There, Justice Williams commented on the importance of the various factors, stating:

The Legislature has neither expressly or implicitly evinced any intention in Act 312 that each factor of Section 9 be accorded equal weight. Instead, the Legislature has made their treatment, where applicable, mandatory on the panel through the use of the word "shall" in Sections 8 and 9. In effect, then,

the Section 9 factors provide a compulsory checklist to ensure that the arbitrators render an award only after taking into consideration those factors deemed relevant by the Legislature and codified in Section 9. Since the Section 9 factors are not intrinsically weighted, they cannot of themselves provide the arbitrators with an answer. It is the panel which must make the difficult decision of determining which particular factors are more important in resolving a contested issue under the singular facts of a case, although, of course, all "applicable" factors must be considered. *Id.* at 484.

With the above statutory guidance in mind, the Panel now will address the issues before it.

Issue Number 1: Duration of the Collective Bargaining Agreement.

Petitioner has proposed a three-year agreement to succeed the one which expired on December 31, 1999. It argues that a three-year agreement is reasonable given uncertainties in the economy and the possible detrimental impact that a longer agreement might have on the wages, hours, and working conditions of Petitioner's bargaining unit members. By contrast, Respondent asserts that the successor agreement should have a four-year duration. Respondent observes that the parties are almost two years into the successor agreement and realistically would only have one year to live under that agreement. The parties would be compelled to resume negotiations in less than a year for an agreement to succeed the one subject to this arbitration.

The Arbitration Panel has carefully considered the arguments raised by both parties in light of the factors set forth in Section 9 of Public Act No. 312 of 1969, MCL 423.239. Most relevant of those factors are factors "G" and "H," which deal with changes in circumstances and other factors which are normally or traditionally taken into consideration in the determination of wages, hours, and working conditions. Considering

those factors, the Panel is persuaded that the duration of the agreement should be that proposed by Petitioner, to wit: three years, with the successor agreement extending from January 1, 2000 to December 31, 2002. Uncertain economic times, fueled by a recession and international conflict, support a shorter contract period.

The Panel's decision is also substantially based on the parties' continuing controversy regarding their retirement plan, its unfunded accrued liability, and the perpetuation of the funding cap (*infra*). Given both parties' legitimate concerns over those issues, a shorter, rather than a longer, contract period would allow the parties the opportunity to timely address continuing concerns through negotiations.

Award Regarding the Issue of Duration of Collective Bargaining Agreement

The Panel adopts the proposal of Petitioner, POLC, on the issue of duration and orders adoption of the following amendment to Article 48 of the collective bargaining agreement as follows:

Section 48.01: This Agreement shall become effective on the first day of **January 2000**, and shall remain in full force and effect to and including the thirty-first (31st) day of **December 2002**, and shall continue in full force and effect from year to year thereafter unless either party desires to change or modify any of the terms or provisions of the Agreement. The party desiring the change or modification must notify the other party in writing, not less than ninety (90) days prior to termination. However, negotiations shall commence not less than sixty (60) days prior to termination.

However, negotiations shall commence not less than sixty (60) days prior to termination.

The agreement shall become effective on the first day of January, 2000, A.D., and shall continue in full force and effect until 12:01 a.m., December 31, 2002, inclusive.

Karen Bush Schneider
Karen Bush Schneider
Panel Chairperson

Accepted By:

Floyd A. Whelton
Cynthia J. Lee

Rejected By:

Issue Number 2: Retirement Benefits.

Both Petitioner and Respondent propose a retirement plan that includes MERS benefit program B-4; retiree cost of living program E-2; FAC-5; ability to purchase other governmental service; ability to purchase up to two years of generic credit; and ability to purchase military service credit. Petitioner proposes that all employees contribute a fixed amount of five percent (5%) towards the cost of the MERS benefits, while Respondent proposes that the employee contribution rate be set at 5.11 percent. Both parties propose that employees who were previously subject to the B-2 plan contribute an additional three percent (3%) towards the cost of the MERS B-4 benefits in order to fully fund the plan and address anticipated unfunded accrued liability.

The parties' proposals differ in two respects. First, Petitioner proposes to remove the 14% "cap" on Respondent's contribution rate. It proposes that Respondent assume all financial obligations above the afore-described employee contribution rates. By contrast, Respondent proposes to maintain the status quo, retaining the 14% cap in the successor agreement.

Second, the parties' positions also differ as to retirement eligibility. Respondent proposes to modify the so-called "25 years and out" feature to 25 years of service with a minimum age requirement of 55 years.

Before discussing the Panel's analysis of the retirement issue(s), it must first dispose of an objection which was raised by Petitioner to Respondent's Last Best Offer. Petitioner objects to Respondent's inclusion of a proposed modification to the minimum service/age requirement since the proposal was not presented during collective bargaining or mediation in this matter. Since the proposal was not negotiated or mediated, it is not properly before the Panel. MCL 423.233. Further, Petitioner argues that Respondent's proposal violates Michigan Constitution Article 9, Section 24 in that it diminishes or impairs the financial benefits of the patrol officers' benefits.

The Panel has carefully considered Petitioner's two challenges to Respondent's proposal and agrees with its objection. The proposed modification to the minimum eligibility provision is not properly before this Panel.

Respondent admits that its eligibility proposal was not negotiated or mediated. Accordingly, it may not properly be included within Respondent's Last Best Offer, or be considered as a part of its offer in evaluating the positions of the parties. For that reason, the Panel has disregarded the proposed modification of the minimum retirement eligibility requirement contained in Respondent's Last Best Offer.

Having found that Respondent's proposal regarding retirement eligibility should be disregarded on the basis that it is not properly before the Arbitration Panel, it is unnecessary for the Panel to consider Petitioner's argument that the proposal also violates Article 9, Section 24 of Mich Const of 1963.

The Arbitration Panel turns now to consideration of the parties' proposals regarding retirement benefits. With elimination of the issue dealing with minimum retirement eligibility, the only remaining issue between the parties deals with removal of the 14% cap on employer contributions. Both parties argue vigorously in support of their relative positions. Petitioner argues that perpetuation of the cap on employer contributions has resulted in, and will continue to result in, a substantial financial burden on the bargaining unit members. This financial burden, according to Petitioner, is better carried by the Township, given its financial resources. Employer caps are rare (only 2.53% of MERS participants have employer caps). (V2-164.) Only one of the comparables, Flint Township, has an employer cap on retirement contributions. However, Flint Township employees only contribute 3.85%.

Respondent argues that maintenance of the cap is necessary given the history of the predecessor defined contribution plan, the cost to the Township of addressing the unfunded liability for current retirees, and general improvement of the MERS plan from the B-2 to the B-4.

In resolving this issue, it is necessary to review the history of retirement benefits for this bargaining unit.

In the early 1990s, Grand Blanc Township maintained a defined contribution plan, known as the First Trust Defined Contribution Plan, on behalf of the bargaining unit members and contributed 15% of their compensation to it annually. As a result of the negotiations which culminated in the 1993 collective bargaining agreement, the parties agreed to change from the First Trust Defined Contribution Plan to the Municipal Employees Retirement System (MERS) B-2 plan, with features including retiree cost of

living E-2, FAC-5, minimum 25 years of service retirement eligibility, etc. Respondent's contribution rate was capped at a maximum of 15% of compensation and the employee's contribution was specified as the annual actuarial rate above the employer's contribution. The contract went on to provide that all bargaining unit members joining MERS would be immediately vested with all prior service and that existing defined contribution pension funds would be set aside and would not be transferred to MERS.

In essence, bargaining unit members at the time received both the full benefit of their defined contribution plan contributions, as well as immediate and full vesting in MERS. That created an immediate unfunded accrued liability in connection with the MERS plan, which was subsequently exacerbated by a number of bargaining unit member retirements. Those early retirees received the benefit of two pensions: the monies contained in their defined contribution plan, along with equivalent years of service credited in the MERS defined benefit plan.

In negotiations which lead up to the 1996-1999 collective bargaining agreement, the employer cap on retirement contributions came under negotiation. The issue was ultimately submitted to Act 312 arbitration. As a result of that arbitration, the cap was retained. At the same time, there was a reduction of Respondent's contribution from 15% to 14%. Additionally, bargaining unit members hired after January 1, 1995, were subject to a different retirement plan. Those hired after January 1, 1995, were automatically under the MERS B-4. Bargaining unit members hired prior to January 1, 1995, could participate in the MERS B-4 plan provided they rolled their First Trust money into MERS. (T-39-40.) If they remained in MERS B-2, they could retain their First Trust

money. Only one bargaining unit member opted to roll his defined contribution monies into the B-4 plan. (*Id.*)

The contribution rates for the bargaining unit members participating in the B-2 plan increased from 3.8% to 11.97% in 2000. (T 41-42.) The rate increased in 2001 to 18.53%. (T-43-45, 52.) Of the original 20 First Trust recipients, only nine remain who bear the burden of this substantial employee contribution.

The steadily increasing contribution rates for this bargaining unit have been occasioned, in substantial part, due to the unfunded accrued liability created when the parties agreed to convert from a defined contribution plan to a defined benefit plan. That conversion involved fully vesting bargaining unit members' prior service, even though they were not required to roll over contributions from the First Trust Plan. As members of the bargaining unit have retired, benefits have become payable to retirees for service which was not funded through current service contributions.

While the Arbitration Panel is certainly sympathetic to the plight of bargaining unit members who now must shoulder ever increasing employee contributions beyond the 14% employer cap, it must nonetheless reject the proposal of Petitioner to remove that cap for several reasons.

First, Lynda Fassette, Lead Marketing Representative for MERS (V2-105), presented a solution which would relieve the monetary stress on the defined benefit plan. At T-141-148, Ms. Fassette recommended that the retiree reserve be brought up to fully funded status. Respondent has accepted that liability. The unfunded accrued liability of that reserve alone amounts to over \$700,000. Carving out that liability places it on the shoulders of the Township. Respondent's Last Best Offer assumes responsibility for the

unfunded accrued liability attributable to the retiree reserve. At the present time, all of the 14% of Respondent's current service contribution for Division 2 is going to fund the benefits of retirees. (V2-191.) Satisfying the retiree liability will allow contributions to build for active members.

All bargaining unit members will receive the B-4 plan. All parties concur that a contribution rate of 5.11% for the employees is a "real good deal." See V2-143-144. However, since the "B-2" bargaining unit members received the benefit of their First Trust monies, it is equitable that they pay an additional employee contribution over the 5.11% designated by the MERS valuation. (F2-146.) Those additional employee contributions would be used to reduce the unfunded accrued liability created through vested service of the "B-2s." The contributions would be tracked in the employee's individual retirement accounts and would earn 4% interest. (*Id.*) Merger of the B-2s and the B-4s (Divisions 02 and 21) and separation of the retirees into their own division would allow a funding of the plan, consisting of not less than the 14% employer contribution and the 5.11% employee contribution. (V2-169.) Former B-2 bargaining unit members would also be required to pay an additional 3.0% to cure the under-funding under an amortization schedule of 30 years. This will "help" pay off their own unfunded accrued liability as they approach retirement. (V2-170.)

Although it is MERS' preference that municipalities not maintain contribution caps in connection with their participation in MERS plans, MERS did not make a recommendation in the instant case that the 14% employer cap be removed as part of its solution to the funding problem of this unit's pension plan. Instead, it has identified a systematic and financially prudent course to attempt to fully fund the plan. It is likely that

this plan will ease the impact on the employees, while nonetheless resulting in a desirable pension benefit that, as all describe, is a "real good deal." The fact that the "B-2s" have been allowed to retain their First Trust monies, while nonetheless being able to take advantage of this "good deal," dissuades the Panel from lifting the employer cap at this time.

It would appear prudent to allow the parties some time to see if the solution proposed by MERS has the beneficial impact of easing the contribution rates, while addressing the unfunded accrued liability which has arisen. If it does, the employer cap will cease to be an issue. If it does not, the parties will be resuming negotiations in a matter of twelve months and can once again examine creative solutions to this problem.

AWARD

The Panel awards the proposal of Respondent on the issue of retirement benefits.

Article 29 – Retirement Benefits

Section 29.01: The employee's retirement benefits shall be governed by the participation of the employer in the Municipal Employees Retirement System to Michigan. The employer's contribution to the plan shall be 14% of wages, overtime, and longevity.

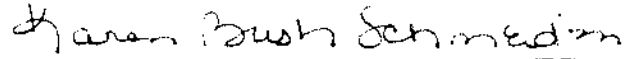
Section 29.02: All employees, except retired and deceased employees and their decedents, shall receive the following Municipal Employees' Retirement System (MERS) benefits:

1. Benefit program: B -4
2. Retiree cost-of-living program: E-2
3. Additional retirement options:
 - a. FAC-5
 - b. Minimum of 25 years of service.

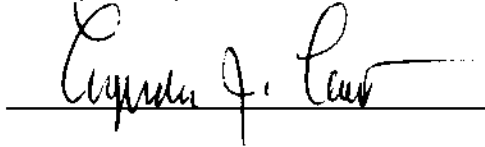
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 - a. Ability to purchase governmental service.
 - b. Ability to purchase up to two (2) years generic time.
 - c. Ability to purchase military service.(The total actuarially determined cost for a, b, and c above are to be assessed to the employee)
5. The employee's contribution rate will be set at 5.11% of wages, overtime and longevity for those employees hired after 1-1-95. The employee's contribution rate will be set at 8.11% of wages, overtime and longevity for those employees hired before 1-1-95. These employee contribution rates will be in effect from the effective date of this contract, not retroactive to January 1, 2000, until the subsequent annual actuarial valuation report covering the participation of the employer in the MERS system. The employee's contribution rate will be actuarially redetermined on an annual basis and will assume all financial costs above the employer's contribution rate. The employees hired prior to 1-1-95 will, however, contribute 3% more annually to the MERS plan than the employees hired after 1-1-95 will be required to contribute.
6. The employer's contribution to the plan will remain at 14% of wages, overtime, and longevity if, and until, all employee's contributions are reduced to 0%, then the employer's contribution to the plan shall be based upon the next subsequent annual actuarial valuation report covering the participation of the employer in the MERS system.
7. All employees will be considered vested in the MERS plan after 10 years of employment with the employer.
8. The currently retired and/or deceased employees will be set aside in a new class within the MERS plan and the cost of their benefits will be contributed solely by the employer.
9. The contributions taken out of the wages, overtime and longevity pay of the employee's hired after 1-1-95 has been returned to them by the employer out of municipal funds. These contributions will be credited to the employer by the MERS plan.
10. The First Trust Corporation Pension Funds of those presently active, retired and/or deceased employees who were hired prior to 1-1-95 totaling approximately \$863,000 have been distributed to them to do with what they wish. This action will not be interfered with in any way, but it is the reason, as well as automatic vesting, these employees will

contribute 3% more each year than the employees hired subsequent to 1-1-95.

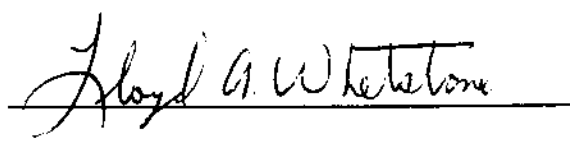
Section 29.03: Status quo.


Karen Bush Schneider
Panel Chairperson

Accepted By:



Rejected By:



Issue Number 3: Wages.

Petitioner proposes that the wage schedule (Schedule "A") be modified to incorporate the following across-the-board wage increases:

Effective January 1, 2000 – 3 percent

Effective January 1, 2001 – 3 percent

Effective January 1, 2002 – 3 percent

Petitioner proposes that the premium paid to patrol officers promoted to the investigation section be increased from \$1,600 per year to 5 percent per year. Petitioner also proposes that all wage increases be retroactive to January 1, 2000.

By contrast, Respondent proposes that the wages set forth in Schedule "A" be increased by 2.5 percent each year of the successor collective bargaining agreement, retroactive to January 1, 2000. Respondent proposes no change to the premium paid to patrol officers promoted to the investigation section.

The Panel has the authority to resolve the parties' wage dispute on a year by year basis.

In support of its position that a 3 percent across-the-board wage increase is appropriate in each of the three disputed contract years, Petitioner relies on wage comparisons with the external comparables. (See Union Exhibit "1," Tab 4, Exhibit C through G.) Respondent argues that its across-the-board proposal of 2.5 percent in each of the three disputed years should be adopted, given the expense it has incurred, and will continue to incur, in addressing the unfunded accrued liability of the unit's pension plan (including its obligation to satisfy the unfunded accrued liability of the current retirees), the roll-up costs associated with a 2.5 percent increase, and the fact that participating bargaining unit members received more than \$1,000,000 from the First Trust Pension Plan.

The Panel has carefully considered the arguments of the parties in light of Section 9(C), (D), (E), (F), and (H) of Public Act 312 of 1969, MCL 423.239. In light of the Panel's decision on the pension issue, *supra*, these factors overwhelmingly support Petitioner's proposal regarding wages in each of the three disputed years.

During the arbitration hearing in this matter, the Panel Chairperson determined that the following proposed comparables would be considered by the Panel in resolving the issues in this case: Flint Township, Mt. Morris Township, Pittsfield Township, White Lake Township, and City of Southgate. (T-12.) In 1999, the average wage for senior patrolmen in those communities was as follows:

City of Southgate	\$47,329
White Lake Township	\$43,740
Mt. Morris Township	\$42,762

Pittsfield Township	\$40,998
Flint Township	\$39,691

The average wage for senior patrol officer in the comparable communities was \$42,904, while the median wage was \$42,762.

In calendar year 1999, Respondent compensated its senior patrol officers \$44,145. However, this amount was based on patrol officers working a 2,210 hour work year, compared to the 2,080 hours required of officers working in the comparable communities. Adjusting the Grand Blanc wage to a 2,080 hour work year results in an annual salary of \$41,548. That amount was below both the average and median wages of the comparables and would have placed Grand Blanc fourth out of the six communities.

Beginning in 2000, patrol officers employed by the Grand Blanc Township were converted to a 2,080 hour standard work year. Thus, it becomes easier to compare the wages of all of the communities. For calendar year 2000, a senior patrol officer in the comparable communities received the following base salary:

City of Southgate	\$48,749
White Lake Township	\$45,507
Mt. Morris Township	\$44,466
Pittsfield Township	\$43,934
Flint Township	\$41,080

The average senior patrol officer during calendar year 2000 earned a base salary of \$44,747, while the median base salary was \$44,466.

Applying Petitioner's proposal to the senior patrol officers' base salary would result in a salary adjustment to \$45,470, while applying Respondent's proposal to the

senior patrol officers' base salary would result in a \$45,249 base salary for calendar year 2000. Under both proposals, the Grand Blanc senior patrol officer's base salary would advance from fourth amongst the comparables to third amongst the comparables. In both cases, the Grand Blanc senior patrol officer base salary would be higher than the average and the median.

Looking at the two proposals from a percentage increase standpoint, the comparability analysis tips in favor of the Petitioner's proposal. Percentage wage increases for the comparable communities for calendar year 2000 are as follows:

White Lake Township	4 percent
Mt. Morris Township	Approximately 4 percent
Flint Township	3.5 percent
Pittsfield Township	3 percent
City of Southgate	3 percent

Thus, the average percentage increase for calendar year 2000 is 3.5 percent. Petitioner's wage increase proposal for calendar year 2000 more closely reflects the average percentage wage increase of the comparable communities. None of the comparable communities offered a wage increase below 3 percent. Thus, Respondent's wage proposal of 2.5 percent, even considering the arguments it makes with regard to pension and the adjustment of the average work year, is not supported by external comparability.

The Panel also takes judicial notice that the CPI for the period December, 1999 to December, 2000, was 3.4 percent. (CPI, Bureau of Labor Statistics, U.S. Department of Labor.)

With regard to calendar year 2001, the comparable communities paid their senior patrol officer the following base salaries:

City of Southgate	\$50,212
White Lake Township	\$47,346
Pittsfield Township	\$45,252
Flint Township	\$42,818

The contract for Mt. Morris Township expired March 31, 2001. Therefore, wage information is not available for that comparable for calendar year 2001.

The average of the base salaries of the comparable communities for calendar year 2001 was \$46,407. Under the Petitioner's proposal of a 3 percent across-the-board increase, a senior patrol officer would earn \$46,834 for calendar year 2001. This assumes the 3 percent increase is applied to the senior patrol base salary evolving out of Petitioner's proposal for calendar year 2000, or based upon \$45,470. That proposal would place Grand Blanc slightly higher than the average. It would assume the median position amongst the comparable communities. By contrast, Respondent's proposal of a 2.5 percent across-the-board increase would net the senior patrol officer a base salary in 2001 of only \$46,380. This assumes that the 2.5 percent increase would be applied to the Respondent's previous proposal of \$45,249. Under those circumstances, the Respondent's 2001 base salary proposal for a senior patrol officer would cause Grand Blanc to fall below the average base salary of the comparable communities. Alternatively, applying Respondent's 2.5 percent across-the-board increase to a base salary of \$45,470 (the Petitioner's proposal for calendar year 2000) would result in a base salary of \$46,607

but for senior patrol officers. This would place the Grand Blanc patrol officer salary above the average at the median.

However, in comparing the percentage increases of the comparable communities, the Panel notes that adopting Respondent's percentage increase would cause salary erosion and is not justified by a comparability analysis. The percentage increase in base wages of the comparable communities for calendar year 2001 is as follows:

White Lake Township	4 percent
Flint Township	3.5 percent
Pittsfield Township	3 percent
City of Southgate	3 percent

The average percentage increase is 3.38 percent. Even assuming that some of the communities placed a greater emphasis on an increase in benefits rather than on wages, none of the comparable communities applied a percentage increase less than 3 percent. Thus, Petitioner's proposal of a 3 percent across-the-board increase in calendar year 2001 is substantially supported by the external comparables.

In calendar year 2002, the only comparable salary information available pertains to Pittsfield Township. The base salary for a senior patrol officer in Pittsfield Township for calendar year 2002 is \$46,723. Thus, the "average" of the comparables for that year is also that amount. Applying the Petitioner's proposed 3.0 percent increase, and assuming the Petitioner's prior proposals have been adopted, the senior patrol officer's base salary in Grand Blanc for calendar year 2002 would be \$48,238. By contrast, Respondent's proposal of 2.5 percent on the base (assuming Respondent's prior salary

proposals have been accepted), would yield a base salary for a senior patrol officer in Grand Blanc of \$47,540. While both of these amounts are substantially above the "average," it is noteworthy that the "average" consists of only one comparable. Further, Pittsfield Township has historically ranked below the average of the comparables.

The percentage increase Pittsfield Township received in connection with the 2002 base salary for senior patrol officer was 3.25 percent. Thus, even accepting the percentage increase offered by Petitioner, the bargaining unit members in Grand Blanc will receive a .25 percent increase less than the "average." They will barely maintain the approximately \$1,500 difference between their compensation and that of Pittsfield Township. That difference will have existed over the course of the successor agreement.

Petitioner's wage proposals are also supported by this Panel's decision on the retirement issue. Since the Panel has determined to maintain the cap on Respondent's contribution to retirement, a higher percentage increase in salary is appropriate to offset an increase in the employee's contribution.

Petitioner also requests a modification be made to Schedule "A" to reflect a change in the wages of patrol officers in the investigation section from an additional \$1,600 per year to 5 percent per year. Respondent requests the status quo be maintained.

In support of its proposal to increase the premium paid to patrol officers promoted to investigation, Petitioner argues that the \$1,600 premium designated in the last contract equated to nearly 4 percent of salary. ($\$1,600 \div \$40,399$.) Due to increases over the life of the predecessor collective bargaining agreement, the value of the premium diminished to 3.6 percent. ($\$1,600 \div \$44,145$.) (See Union Exhibit "1," tab 2, Schedule

"A".) As base salaries continue to increase over the life of the successor agreement, the percentage value of the \$1,600 will diminish even further.

Petitioner argues that the premium offered should be tied to a percentage, rather than a flat dollar amount. In that way, the premium will remain in a fixed proportion to the patrol officers' annual salary and provide a true incentive to those who are interested in the investigation section. Applying Petitioner's argument to the base salary determined by the Panel, it is clear that the percentage value of \$1,600 will diminish substantially over the period 2000-2002. Leaving the premium static would result in the following diminution:

$$\$1,600 \div \$45,470 = 3.5 \text{ percent}$$

$$\$1,600 \div \$48,034 = 3.4 \text{ percent}$$

$$\$1,600 \div \$48,239 = 3.3 \text{ percent}$$

By contrast, applying a 5 percent figure would result in premium rates that would increase as follows over the life of the new collective bargaining agreement:

2000--\$2,274

2001--\$2,342

2002--\$2,412

While Petitioner's proposal does represent a slight increase over the percentage that the premium represented at the outset of the predecessor collective bargaining agreement, it is certainly more reasonable than the proposal of Respondent. Given the increases the Panel has applied to other wages, it believes Petitioner's proposal is more reasonable and consistent with Section 9 factors. It keeps the percentage of the premium consistent over the years of the collective bargaining agreement and will provide a realistic incentive to those who seek "promotion" to detective.

Award Regarding Issue of Wages

The Arbitration Panel adopts the wage proposal of Petitioner in each of the years of the successor agreement.

Effective and retroactive to January 1, 2000 - 3% across-the-board increase to Schedule "A."

Karen Bush Schneider

Karen Bush Schneider
Panel Chairperson

Accepted By:

Lloyd A. Whelton
Cyrus J. Lee

Rejected By:

Effective and retroactive to January 1, 2001 - 3% across-the-board increase to Schedule "A."

Karen Bush Schneider

Karen Bush Schneider
Panel Chairperson

Accepted By:

Lloyd A. Whelton
Cyrus J. Lee

Rejected By:

Effective January 1, 2002 - 3% across-the-board increase to Schedule "A."

Karen Bush Schneider

Karen Bush Schneider
Panel Chairperson

Accepted By:

Gregory J. Eubank

Rejected By:

Effective and retroactive to January 1, 2000, Patrol Officers promoted to the Investigation Section will receive 5% additional base salary per year.

Karen Bush Schneider

Karen Bush Schneider
Panel Chairperson

Accepted By:

Lloyd A. Whitstone

Rejected By:

Gregory J. Eubank

Award Regarding other Terms of the Agreement

All tentative agreements reached by the parties in negotiations and all language of the expired agreement not modified by this Award shall be carried forward in the successor agreement.

Karen Bush Schneider

Karen Bush Schneider
Panel Chairperson

Accepted By:

Lloyd A. Whitestone

Cynthia J. Laro

Rejected By:
