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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
ACT 312 ARBITRATION

IN THE MATTER OF:

CITY OF WYANDOTTE (Employer) (City)

-and-

POLICE OFFICERS ASSOCIATION OF
MICHIGAN (PATROL UNIT) (Union)

MERC Case #D04 C-0543
(arising pursuant to Act 312, Public
Acts of 1969, as amended)

FINDINGS, OPINION AND ORDERS

APPEARANCES:

PANEL:

Chairperson: Mario Chiesa, Esq.

Employer Delegate: Steven H. Schwartz

Union Delegate: William Birdseye

FOR THE UNION: William Birdseye
Police Officers Association
of Michigan
27056 Joy Road
Redford, MI 48239-1949

FOR THE EMPLOYER: Steven H. Schwartz & Associates
By: Steven H. Schwartz
31600 W. Thirteen Mile Road
Suite 125
Farmington Hills, MI 48334

TESTIFYING:

Douglas Scott Smith, Executive
Benefit Plans, Inc.

Karla Maue
Maue Actuarial Consulting

Frank Audia
Plante & Moran

Cheryl Underwood
Municipal Employees Retirement
System of Michigan

Todd Drysdale
Wyoming Director of Financial
and Administration

PROCEEDINGS

The authority for this compulsory arbitration is found in Public Act 312 of 1969, as amended.

The Petition for Arbitration is dated March 8, 2004. It was filed by Marvin Dudzinski of the Police Officers Association of Michigan. An April 16, 2004 response was filed by Steven H. Schwartz, the Attorney for the City of Wyandotte. I, the impartial arbitrator and chairperson of the arbitration panel, was notified of my appointment on April 19, 2004.

It is noted that both parties waived all the time limits in the statute and the regulations. A pre-arbitration conference was conducted on September 28, 2004, with a conference summary issued on October 11, 2004.

The hearing was scheduled for several dates in March and April of 2005. The parties adjourned these hearing dates and engaged in further efforts to resolve the dispute. Being unable to do so, the

hearings were scheduled and took place on January 31, February 6 and March 6, 2006.

Last Offers of Settlement were exchanged between the parties on June 12, 2006. Briefs were exchanged between the parties on July 17, 2006. An executive session was held on October 9, 2006.

ISSUES

There are two economic issues to be resolved. The first is fairly labelled as Defined Benefit Plan for employees hired after February 1, 1999, while the other can be characterized as a Social Security Offset Plan or, as the Employer suggests, the establishment of a new Defined Contribution Plan for all employees.

The parties' Last Offers of Settlement, along with the prior contract language, are attached as Exhibit 1.

DECISION-MAKING CRITERIA

The basis for an arbitration panel's Findings, Opinions and Orders are factors, as applicable, contained in Section 9 of Act 312 of 1969, as amended, being MCL 423.239. That section of the Act reads as follows:

"423.239 Findings and orders; factors considered.

"Sec.9. 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 orders upon the following factors, as applicable:

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

- (c) The interests 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."

As indicated in the statute and relevant court decisions, the panel's Findings, Opinions and Orders must be based upon the factors, as applicable, outlined above. A majority decision of the panel is binding if it is supported by competent, material and substantial evidence of the entire record. The issues previously

identified must be resolved on the basis of the factors outlined in Section 9, as well as other guidance provided in the statute, such as, but not limited to, the references in Sections 8 and 10.

COMPARABLES

One of the specifically referenced factors an arbitration panel must consider in arriving at its Findings, Opinions and Orders is a comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally in public employment in comparable communities.

The employees involved in this dispute are the Patrol Officers in the City of Wyandotte. While it was suggested there are 30 employees in the bargaining unit, it appears that at the time of the arbitration there were 27 members of the bargaining unit, 12 of which were hired prior to February 1, 1999 and thus covered by a Defined Benefit Retirement Plan. The remaining 15 were hired after February 1, 1999 and are covered by a Defined Contribution Plan.

The parties have been able to stipulate to a list of communities which the panel should consider comparable to Wyandotte for the purposes of this arbitration. They are: Allen Park, Brownstown Township, Ecorse, Flat Rock, Gibraltar, Grosse Ile, Lincoln Park, Melvindale, River Rouge, Riverview, Rockwood, Romulus, Southgate, Taylor, Trenton and Woodhaven.

By way of a general comparison, it is noted that the percent of owner-occupied homes in the comparable communities ranges from

93.9% in Grosse Ile to 61.8% in Ecorse. Wyandotte is 73%. The median home value ranges from \$248,800 in Grosse Ile to \$44,300 in Ecorse, with Wyandotte at \$101,700. Median per capita income is at a high of \$42,150 in Grosse Ile and a low of \$13,728 in River Rouge. Wyandotte is \$22,185. The median household income ranges from \$87,069 in Grosse Ile to \$27,142 in Ecorse. Wyandotte is at \$43,740. It must be noted that the source of this data was the 2000 U.S. census, so the data is several years old. Other aspects of the relationship between Wyandotte and the comparable communities will be discussed and analyzed at a subsequent point.

WYANDOTTE - PERTINENT CHARACTERISTICS
AND ABILITY TO PAY

The City of Wyandotte is a downriver community whose population in October of 2004 was 26,901. That figure is a SEMCOG estimate. According to the U.S. census, in 1970 Wyandotte had a population of 41,061. Unfortunately there has been a very substantial drop in Wyandotte's population. As of 2000, Wyandotte had 94.4% of its land developed. This leaves little room for growth. It does operate a nine-hole golf course on property owned by BASF Corporation, but the land cannot be developed for it is highly contaminated. The City maintained a municipal swimming pool until, for budgetary reasons, it was closed on October 1, 2005. Wyandotte also operates its own electric utility. The plant is located in downtown Wyandotte on the Detroit River, but it was explained that even if the property were sold, after 70 years of burning and storing coal on the property it is probably heavily contaminated. The City also operates a municipal ice arena. It

has done so since 1968, but in recent years has decreased the level of employees, both in the Recreation Department, as well as those responsible for operating the ice arena. Apparently there is no consideration of condemning private property in the hope of developing same in order to institute renewal and perhaps increase income to the City.

There is an extensive amount of evidence in the record regarding the City's ability to secure funds to meet obligations and to provide for the general fund. As most involved in this type of arbitration recognize, municipalities such as Wyandotte have various sources of income. The record has provided substantial data, but it would be impossible, and probably inappropriate, to display all of it in this analysis.

Everyone should be aware of the impact of the Headlee constitutional amendment which in general limited property tax increases to inflation. There were provisions allowing roll-ups, and for that matter, roll-backs. This of course was influenced by the 1994 constitutional change known as Proposal A. It eliminated a number of adjusting mechanisms available in Headlee, but still allowed a Headlee override vote. Indeed, the record establishes that the Employer had a successful Headlee override vote in 2000. However, in 2005 Headlee rolled back the voter-approved operating millage of 12.5 to 12.1193. The City is levying 100%, but nonetheless, there is a substantial negative impact.

In the November 2005 special election the citizens prohibited the City from combining existing debt millage into operating

millage to provide new funding sources for operations. This prevented the City Council from allocating the totality of funds based on the priorities it established.

Of course, included in the revenue source formula is the dollars the City receives from the State. State-wide, there has been substantial reductions in the revenue received pursuant to statutory provisions. Focusing on the City of Wyandotte, the record establishes that for the fiscal year 2005-2006 the total received by the City was \$3,428,887.00. This compares to \$4,399,754.00 which was received in 1999. Of course, given the decline in the City's population, its share of the constitutionally guaranteed portion of shared revenues has declined.

Given recent court decisions, the City also faces restrictions when it attempts to increase revenues by increasing user fees.

The City has taken steps to reduce expenses and outlays. There has been previous reference to the closing of the swimming pool, the reduction in the ice arena, etc. However, there have also been reductions in full-time budgeted positions. As an example, as of July 14, 2005 there were 144 full-time budgeted positions. This is a reduction of 30 full-time personnel from the 174 budgeted in 1997. The largest reductions were in the DPS, Fire Department and Police Department. In fact, the full-time budgeted positions for 2005 totalled 157. At the hearing it was revealed that the Fire Department lost three, or perhaps more accurately, five positions since 2005. Thus, it appears that just between 2005 and 2006 15 full-time budgeted positions were eliminated.

In 1990 the City sold the municipal hospital to Henry Ford Hospital. The millions of dollars it received were allocated to specific revenue funds or endowment funds or reserves. One of those funds is the Retiree Health and Life Insurance Reserve. When the hospital was sold, there was \$3,974,358.00 allocated to that account. Given the expenditures, as of 9/30/04 this account ended up with a deficit of \$1,097,491.00. To meet the costs, funds have been transferred from another fund known as the Hospital Endowment Reserve or the Self Insurance Fund. In 2006 the cost of retiree health and life insurance will be budgeted into the general fund. However, the circumstances are adversely intensified by the switch from pay-as-you-go to the actuarial cost of retiree health.

The Hospital Endowment Reserve was set up to provide annual pension contributions. Upon sale of the hospital \$15,308,831.00 was placed into the fund. As of 9/30/04 that amount was \$6,372,052.00. The testimony suggests that if that amount were utilized to cover retiree health under the new GASB, it would not even be "close" to covering the actuarial cost of retiree health care.

There is more data which could be displayed, but the reality and the findings are that the City is experiencing and will experience substantial financial stress. Five-year projections suggest that the general fund balance, which was \$1,226,263.00 as of 2003-2004, could very well become a deficit of \$9,457,454.00 in 2008-2009.

DEFINED BENEFIT PLAN FOR EMPLOYEES
HIRED AFTER FEBRUARY 1, 1999

A little history is necessary in order to understand this issue. At one point in time all patrol officers participated in a Defined Benefit Pension Plan. As a result of a petition filed in 1997, the parties engaged in an Act 312 arbitration which was chaired by Arbitrator Barry Brown. The resulting agreement covered the period from February 1, 1997 through July 31, 2000. The award was issued on December 10, 1998.

One of the issues involved an employer proposal that employees hired on or after February 1, 1999 would not be covered by the City's Defined Benefit Program. These employees would enroll in a Defined Contribution Plan which was to be selected by the parties. The City's contribution rate was and is 10%. The original provision did not require any contribution from the employees.

Arbitrator Brown adopted the City's position. The current language has evolved from the original award and contains the provision that employees will be required to contribute 5% base salary to the plan. As indicated, the Last Offers are attached hereto and both the prior contract language and each party's Last Offer of Settlement are displayed.

As it turned out, the Police Command Unit also adopted a Defined Contribution Plan for employees hired after 2/1/99. The Firefighters followed suit and each employee hired after 10/1/2000 participates in a Defined Contribution Plan. Dispatchers hired after July 1, 2001 participate in a Defined Contribution Plan, as do AFSCME employees hired after March 31, 2000. All of the plans

involve a employer contribution of 10% and an employee contribution of 5%.

The record establishes that the Employer's contribution for police and fire pensions is almost 41%. This is the highest percentage of payroll contribution of any of the comparable communities where the data is available. The parties also recognize that the Defined Benefit Plan is not in good shape.

Defined Contribution Plans are not prevalent in the comparable communities, but nonetheless, they do exist in Patrol Officer Units in Brownstown Township, River Rouge (for officers hired after 7/1/96) and in Trenton (for officers hired after January 1, 1996). In Brownstown Township the Employer contributes 15%, while the employees' contribution is voluntary. In River Rouge the Employer's basic contribution is 6% and the employee contribution is voluntary, but there is a provision whereby the Employer would contribute an additional 3% if the employees contribute at least 3%. Trenton's plan provides for a employer contribution of 12% and employee contribution of 6%. Of course, the current status in Wyandotte is 10% employer contribution and 5% employee contribution.

The record also contained a general discussion of the advantages and disadvantages of Defined Contribution Plans compared to Defined Benefit Plans. For instance, in a Defined Contribution Plan the contribution rate is level from year to year unless of course it is altered by collective bargaining. When the investment medium, generally the stock market, is up, the asset values and

retirement benefits are increased. Of course, if the market is down, the opposite is true. If good investment choices are made, retirement income will be positively affected. Furthermore, account balances are portable and can be easily moved from employer to employer.

Of course, there are disadvantages to a Defined Contribution Plan. As I indicated above, when the market is down, asset value, and hence retirement benefits, are down and retirement income may be adversely affected by poor investment choices. Depending on the status of the funding, a Defined Contribution Plan may require an employer to make contributions greater than a Defined Benefit Plan. I suspect that doesn't happen very often.

In examining the Defined Benefit Plans, it is apparent that good returns and actuarial gains may very well reduce future required employer contributions. Further, a Defined Benefit Plan will provide employees with a dependable lifetime retirement benefit. In a Defined Benefit Plan the employer bears the risk and responsibilities for insuring that promised benefits will be paid. Furthermore, generally there is no opportunity for an employee to increase benefits since it is fixed by the formula contained in the Defined Benefit Plan.

Keeping the above in mind, it is noted that the Union has made some very probative and insightful arguments supporting its position that the current Defined Contribution Plan should be converted, or at least frozen, and a new Defined Benefit Plan with no prior service liability established. Relying on the general

nature of police work, the difficulty for an individual officer to secure high returns, the absence of social security for officers and penalties regarding withdrawal of pension funds from a Defined Contribution Plan before age 59½, the Union has outlined some very interesting concerns and touched upon valid considerations.

There is evidence suggesting that individuals in a Defined Contribution Plan, at least those who have a significant influence over the investment of the funds, can, if they take the proper steps to educate themselves and perhaps employ professional guidance, gain substantial returns. Of course, what is absent from such a plan is the guaranteed benefit at retirement. Furthermore, as pointed out by the Employer, there are certain aspects of police work, such as early retirement and other benefits and provisions in the relationship, which favorably impact on members of the unit.

There are elements of the Union's Last Offer of Settlement which seemed to address the Employer's concerns of costs and escalating costs. For instance, the language confines the annual contribution due from the Employer to 10% of an employee's base pay. An employee's contribution will be at least 5%, but no benefit plan can be selected that requires an employee's contribution greater than 8%. Future costs are to be covered by the employee. It is a "unit benefit" plan with a minimum of 25 years of service or age 59½. There would be no unfunded accrued liability and benefits will begin accruing over the participant's years in the plan beginning with the date of the award. There is a provision that allows employees the ability to transfer their

current "401(k)" plan account balance to purchase past service credits. Of course, everything is subject to actuarial analysis.

What is apparent about the Union's Last Offer of Settlement is that it lays out some general and some specific terms. No plan has been presented. Other costs, such as actuarial expenses, etc., were not explained.

It must be remembered that this panel is not writing on a clean slate. The current Defined Contribution Plan was the result of an arbitration award by a panel chaired by Arbitrator Barry Brown. The award was issued on December 10, 1998. Just as significant is the evidence establishing that following the institution of a Defined Contribution Plan for new hires in both Police, Patrol and Command Units after February 1, 1999, other units, including the Firefighters, Dispatchers and AFSCME, also agreed to a Defined Contribution Plan. Thus, it could reasonably be concluded that if this arbitration panel were to abandon the award issued by the Brown panel, other units employed by the City would attempt to secure the same benefit change.

Given the nature of this benefit and the complexity and far-reaching ramifications of pension plans, this panel is very reluctant to accept the Union's Last Offer of Settlement. There are a number of reasons why the status quo should continue.

First, it is understood that the parties have negotiated over this issue for some time and couldn't resolve it. Nonetheless, the Collective Bargaining Agreement, which would be impacted by the award of this panel, has already terminated. That isn't a

significant consideration except that it does present the observation that the parties should and can engage in negotiations very quickly. This type of issue under these circumstances is best dealt with in negotiations.

Second, while certainly the Union's general outline of the Defined Benefit Plan it contemplates in its Last Offer of Settlement expresses some important specifics of the proposed plan, the plan hasn't been devised and there are important considerations to be dealt with. Thus, in essence, an award adopting the Union's Last Offer of Settlement would be an award that would lead to further negotiations rather than settling the issue.

Third, the evidence doesn't convincingly establish that given the number of individuals involved that there is certainty that adoption of the Union's Last Offer of Settlement would improve an officer's retirement benefit. Certainly the evidence suggests, along with experience and common sense, that the Defined Benefit Plan proposed by the Union would enhance retirement benefits beyond that provided by the Defined Contribution Plan. However, that's not a certainty and I am not even sure it would be fair to consider it a probability. It seems it is a stepping stone to further activity.

Fourth, the problems related by the Union's evidence regarding investment and the return individual investors receive when investing pursuant to their Defined Contribution Plan can be addressed if employees seek professional assistance.

Given the totality of the record, the panel finds that the evidence supports the finding that the Employer's Last Offer of Settlement, and hence the status quo, should be continued.

SOCIAL SECURITY OFFSET PLAN/ESTABLISHMENT
OF THE NEW DEFINED CONTRIBUTION PLAN

The Employer seeks a continuation of the status quo which does not provide for a matching plan, while the Union's offer contains a proposal that the Employer shall match, dollar for dollar, the first 6.2% of compensation contributed by an employee.

The ramifications to members of this unit not being covered by social security are multiple and considerably important. The social security benefits and protections available to participants are not available to officers in this unit. At least they are not available while the officers are members of the bargaining unit and are severely curtailed by federal law if an officer retires and engages in employment covered by social security. The so-called loophole was plugged many years ago.

It is noteworthy to recognize that officers in this unit are able to contribute to a 457 Deferred Compensation Plan. The evidence does establish that as of February 11, 2005 90% of the individuals in the unit were contributing to the 457 Plan with the average dollar contribution being \$115.73 on a bi-weekly basis. The average was \$3,009.04 on an annual basis. While some officers contributed nothing, the highest contribution rate was \$275.00 for an annual rate of \$7,150.00.

The evidence regarding the comparable communities indicates that officers in Ecorse, Gibraltar, Grosse Ile, Lincoln Park,

Melvindale, River Rouge, Southgate, Taylor and Trenton are not covered by social security. That leaves Brownstown Township, Flat Rock, Riverview, Rockwood, Romulus and Woodhaven where officers are covered by social security. So certainly the evidence suggests that most of the comparable communities do not provide social security coverage for their police officers.

The Employer has estimated the total cost of providing the 6.2% contribution for all non-social security eligible employees in the City as of February 1, 2006, assuming all contributed the maximum and including several of the benefits in addition to wages, to be approximately \$280,775.07 per year. Of course, that figure represents the most that would be paid as of that year. However, as wages increase so would the Employer's financial responsibility.

Keeping in mind the various pension plans existing in the comparable communities, the evidence nonetheless establishes that none of the communities provides a matching Deferred Compensation Plan like that sought by the Union.

Considering the potential cost increase, as well as the evidence relating to the comparable communities, the availability of the 457 Plan, etc., the panel finds that it must continue the status quo and, thus, accept the Employer's Last Offer of Settlement.

AWARDS

1. Regarding Issue #1, the adoption of a Defined Benefit Plan, the panel adopts the Employer's Last Offer of Settlement.

Mario Chiesa
Mario Chiesa, Chairperson

(S) accept
Employer Delegate

DISSENT 5/31/07
Union Delegate

2. In relation to the issue regarding the proposed establishment of a new Defined Contribution Plan/Social Security Offset, the panel adopts the Employer's Last Offer of Settlement.

Mario Chiesa
Mario Chiesa, Chairperson

(S) accept
Employer Delegate

DISSENT 5/31/07
Union Delegate

Dated: June 4, 2007

AWARDS

1. Regarding Issue #1, the adoption of a Defined Benefit Plan, the panel adopts the Employer's Last Offer of Settlement.

Mario Chiesa
Mario Chiesa, Chairperson

ACCEPT
Employer Delegate

(S) RESIST
Union Delegate

2. In relation to the issue regarding the proposed establishment of a new Defined Contribution Plan/Social Security Offset, the panel adopts the Employer's Last Offer of Settlement.

Mario Chiesa
Mario Chiesa, Chairperson

ACCEPT
Employer Delegate

(S) RESIST
Union Delegate

Dated: 5/30/07
7-4-07 - m-c.

EXHIBIT 1

MICHIGAN EMPLOYMENT RELATIONS COMMISSION

ACT 312 ARBITRATION

CITY OF WYANDOTTE,

Respondent,

- and -

MERC Case No. D04 C-0543
Arb. Mario Chiesa

POLICE OFFICERS
ASSOCIATION OF MICHIGAN,

Petitioner.

CITY OF WYANDOTTE'S LAST BEST OFFER

City of Wyandotte, by its attorneys, Steven H. Schwartz & Associates, P.L.C.,
submits its Last Best Offer.

- 1) Article XXXV - Defined Benefit plan for employees hired after February 1,
1999: Status quo (see attached).
- 2) Article XXXV - Establishment of new Defined Contribution plan for all
employees: Status quo (see attached).

Respectfully submitted,

By: 

Steven H. Schwartz (P41721)
Attorney for Wyandotte
31600 W. 13 Mile Road, Suite 125
Farmington Hills, MI 48334
(248) 626-7500

Date: June 9, 2006

Steven\Wyandotte\Act312\lbo

11. No member of the bargaining unit shall be required to take a polygraph examination. However, an employee may voluntarily request to take a polygraph examination or may voluntarily agree to participate in a polygraph examination.
12. In the event the Police Officers Association of Michigan concludes that a member was unjustly disciplined or dismissed, it may, within ten (10) calendar days after receipt of the judgment, appeal said judgment through the grievance procedure, section 11.1 (arbitration).
13. Whenever employees have been subject to interrogation or have been required to provide any information which causes the possibility of disciplinary action for that employee, he/she shall be provided with the current information as to the status of said investigation upon request, and notified in writing upon completion.
14. Members accused of violating department rules, regulations, policies or procedures shall have the presumption of innocence until such time as the accused pleads guilty or is found guilty by a trial board which is upheld by arbitration (if so appealed).
15. Time limits for the use of prior disciplinary action in supporting new discipline in the grievance procedure, including arbitration, shall be as follows:
 - a) verbal reprimand 2 years from date of offense
 - b) written reprimand 2 years from date of offense
 - c) suspension 3 years from date of offense.

~~All discipline shall remain in the employee's personnel file.~~

ARTICLE XXXV
PENSION

35.1: It is mutually agreed that pension benefits is a recognized subject of bargaining.

Pension Ordinance Chapter 31, Amended, is hereby adopted by reference and made part of this contract.

1. Requests for disability retirement must meet eligibility requirements of the retirement system ordinance. In cases of dispute between the employee's attending physician and the City's physician the City and Union will select a third physician for final review and determination.

The City reserves the right to waive, maintain or alter the requirements of section 2-224, Disability Eligibility Requirements; Section 2-225, Disability Retirement Allowance; and Section 2-226, Re-examination of Disability Retirees of the Retirement System Ordinance. In no event will the pension benefits payable be less than the normal calculation of benefits for the applicable service credit.

2. The City reserves the right to offer to employees an early retirement and waive, maintain or alter the provisions of Section 2-206 Definitions; Section 2-209, Credit Service Computations; and section 2-214, Police and Fire Member Retirement Allowance of the Retirement System Ordinance.
3. The City agrees to allow retirement on a voluntary basis at twenty-five (25) years of credited service without regard to age, or age fifty-five (55) with ten (10) or more years of credited service.
4. City shall become a reciprocal Community under Act 88, Public Acts of 1961, as amended, the Reciprocal Retirement Act.
5. City shall offer a pension provision typically called the "Pop-up Provision". This provision allows for the pension benefit under options 2 or 3 "pop-up" to the straight life benefit in the event of the death of, or divorce from, the beneficiary.
6. The City amends the definition of final average compensation as follows:

For Police Members "Final Average Compensation" means the best twelve (12) consecutive months of compensation, as defined by ordinance, and shall also include holiday pay for the three hundred sixty-five (365) day period preceding the effective date of retirement effective October 5, 1981. Notwithstanding, anything herein to the contrary, effective February 1, 1990, for Police Members, final average compensation (except in the case of deferred retirement, a member's resignation or a member's discharge) shall also include a member's accrued vacation and sick leave paid on retirement, provided however, that said accrued vacation and sick leave amounts shall in no event increase member's final average compensation more than twenty-five (25) percent.

Effective February 1, 1999:

For police patrol members hired after 10/01/82, "Final Average Compensation" means the average of the highest three (3), out of the last ten (10) consecutive years, and includes all: base

wages, shift differential, overtime, annual payments for accrued compensatory time, longevity pay, holiday pay and accrued sick and vacation time paid on retirement. The accrued sick and vacation amounts shall not increase a member's FAC by more than 25%. For police patrol members active on 10/01/82, the final average compensation is unchanged.

Subject to section 2-229, police patrol members hired after 10/01/82, retroactive to date of hire, shall receive a straight life pension and shall have the right to elect a pension under an option provided in section 2-221 in lieu of a straight life pension. The straight life pension shall equal the sum of the number of years and months of credited service, or to exceed twenty-five (25) years, multiplied by 2.50%, times the final average compensation, plus the number of years and months of credited service in excess of twenty-five (25) years, if any, multiplied by 1.0%, times the final average compensation. Maximum benefit is 75% of final average compensation. Members will make pretax contributions of 5% from all income included in the final average compensation.

For police patrol members active on 10/01/82, the retirement allowance, hypothetical annuity and member contribution is unchanged.

7. In no event shall benefits set forth in the pension ordinance be lessened or reduced as a result of waiving, maintaining or altering any provisions, thereof.
8. The Union's representative to the Retirement Commission shall receive his/her regular hourly wage for all time spent attending Retirement Commission meetings which are held in City Hall; provided the representative was scheduled to be on-duty during the Retirement Commission meeting.

The Union's representative to the Retirement Commission shall receive his/her regular hourly wage while in attendance at an out-of-town MAPERS seminar approved by the Retirement Commission, provided the representative was scheduled to be on-duty during the seminar. This payment shall be limited to one seminar per calendar year and shall only be paid for the hours he/she was otherwise scheduled to work and shall not exceed three (3) days per year.

Time paid under this section shall be considered time worked for purposes of calculating the representative's entitlement for overtime compensation.

9. All new hires hired on or after February 1, 1999, shall not be covered by the City's Defined Benefit program. These employees shall be enrolled in a Defined Contribution plan which shall be mutually selected by the City and the Union. The City shall make an annual contribution of 10% of the employee's base salary which he or she actually received in the prior calendar year. The employee shall be required to contribute five percent (5%) base salary to the plan. Vesting in the plan shall occur after five years.

ARTICLE XXXVI
EDUCATION BENEFITS

36.1: The City shall pay up to \$400.00 annually (effective 6/1/01, \$900.00) for tuition and all required books for members of this bargaining unit who take Police-related curriculum pertaining to courses offered in local schools and colleges. Reimbursement for tuition and required books shall be made to anyone where a passing grade is attained, provided prior approval to attend has been received from the Police and Fire Commission, and is so budgeted.

ARTICLE XXXVII
DRUG TESTING

37.1: Purpose. The City of Wyandotte and the Union have established a drug free program covering members of the Police Department. The main focus of this program is to have employees with drug addiction volunteer for treatment and rehabilitation, and provide all employees with notice of the provisions of the Department drug testing program. The City shall request members of the Police and Fire Commission to submit to comparable drug testing.

37.2: Policy. It is the policy of this Department that the critical mission of providing police protection justifies maintenance of a drug-free work environment through the use of a reasonable employee drug testing program.

The law enforcement profession has several uniquely compelling interests that justify the use of employee drug testing. The public has a right to expect that those who are sworn to protect them are at all times both physically and mentally prepared to assume these duties. There is sufficient evidence to conclude that the use of controlled substances and other forms of drug abuse will seriously impair a Police Officer's physical and mental health, and thus, job performance.

IN THE MATTER OF
ARBITRATION UNDER ACT 312
PUBLIC ACTS OF 1969
AS AMENDED

BEFORE: MARIO CHIESA, ESQ., IMPARTIAL CHAIRMAN

CITY OF WYANDOTTE

- and -

MERC Case No: D04 C-0543

POLICE OFFICERS ASSOCIATION
OF MICHIGAN

UNION'S FINAL
OFFER OF SETTLEMENT

ARBITRATION ISSUES

1. Defined Benefit Plan - Hired After 2-1-99.
2. Social Security Offset Plan - All Employees.

Issue No. 1

Defined Benefit - Hired After 2-1-99

PRESENT:

Article XXXV, Section 35.1, (9)

9. All new hires hired on or after February 1, 1999 shall not be covered by the City's Defined Benefit program. These employees shall be enrolled in a Defined Contribution plan which shall be mutually selected by the City and the Union. The City shall make an annual contribution of 10% of the employee's base salary which he or she actually received in the prior calendar year. The employee shall be required to contribute five percent (5%) base salary to the plan. Vesting in the plan shall occur after five years.

UNION'S FINAL OFFER OF SETTLEMENT:

Replace Section 35.1, (9) with:

35.2: Effective [date of award], all employees hired after February 1, 1999 shall be covered by a defined benefit program. The benefit provider will be selected mutually by the City and the Union. The aggregate cost of the benefits selected shall be no more than 18% and no less than 15% of covered compensation.

The City shall make an annual contribution of 10% of the employees' base pay. The employees shall be required to contribute at least 5% of covered compensation to said plan, however no benefit plan may be selected that requires an employee contribution greater than 8% of covered compensation. The future cost of any annual increases or decreases as determined by an actuary after adoption of the plan shall be the responsibility of the employees.

The design of the plan will provide for a "unit benefit" formula with a minimum 25 years of service or age 59-1/2. In no case will the benefit formula selection include any unfunded accrued liability. Benefits will accrue over the participants' years of participation in the plan beginning the date of the award, with the exception that eligible employees shall have the ability to transfer their current 401(k) plan account balance to purchase past service credits, as determined by an actuary.

Issue No. 2

Social Security Offset - All Employees

PRESENT:

No language currently exists.

UNION'S FINAL OFFER OF SETTLEMENT:

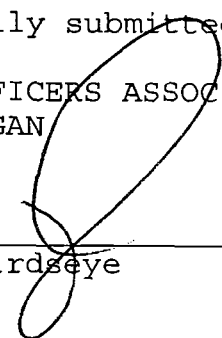
Add Section 35.3:

Effective [date of award], the current 457 plan shall be amended to provide that the employer shall match, dollar for dollar, the first 6.2% of compensation contributed by the employee.

Wherefore, the Final Offer of Settlement of the Union is
tendered in good faith and upon careful consideration.

Respectfully submitted,

POLICE OFFICERS ASSOCIATION
OF MICHIGAN



William Birdseye
Advocate

Dated: June 9, 2006