

STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
ACT 312 ARBITRATION

In the Matter of the arbitration arising
Pursuant to Act 312, Public Acts of 1969,
As Amended, Between:

MERC Case No. L11 G-0844

AWARD

POLICE OFFICERS ASSOCIATION
OF MICHIGAN,
Labor Organization,

-and-

KENT COUNTY and KENT COUNTY
SHERIFF
Co-Public Employers.

PANEL:

C. Barry Ott, Panel Chairman
Peter H. Peterson, Public Employer Delegate
James DeVries, Union Delegate

For the Employer:
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For the Labor Organization:
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EMPLOYMENT RELATIONS COMM.
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PROCEEDINGS

This compulsory arbitration case arises pursuant to petitions filed by both the Employer and the Union with the Michigan Employment Relations Commission (MERC), under Act 312, PA of 1969, as amended, being MCL 423.231, *et seq.* The Chairman of the Arbitration Panel was selected by the parties and appointed by MERC on January 18, 2012. Initially, the Employer appointed Mr. James C. Coward as its Panel Delegate and the Union appointed Mr. James DeVries as its Panel Delegate. During a phone conference held on February 2, 2012, the parties agreed to a pre-hearing conference meeting to identify and discuss the issues in dispute. The pre-hearing meeting took place on February 9, 2012. The parties were unable to resolve their differences and hearings were schedule to begin on April 19, 2012. The hearing schedule was canceled in view of a change in the Employer's representative. Mr. Peterson was appointed by the Employer to serve as it Panel Delegate and representative. Subsequently, at a pre-hearing phone conference held on March 9, 2012, the parties agreed to reschedule the hearing. The Parties exchanged their last best offers of settlement by May 17, 2012, and the hearing was held on May 22, 2012. Post-hearing briefs were submitted and exchanged by the Panel Chairman in a timely fashion.

DECISION MAKING CRITERIA

The basis for an Arbitration Panel's Findings, Opinion, and Orders are factors, as applicable, contained in Section 9 of Act 312, which provides:

Sec. 9. (1) If the parties have no collective bargaining agreement or the parties have an agreement and 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:

- (a) The financial ability of the unit of government to pay all of the following shall apply to the arbitration panel's determination of the ability of the unit of government to pay:
 - (i) The financial impact on the community of any award made by the arbitration panel.*
 - (ii) The interest and welfare of the public.*
 - (iii) All liabilities, whether or not they appear on the balance sheet of the unit of government.*
 - (iv) Any law of this state or any directive issued under the local Government and School District Fiscal Accountability Act., 2011 PA 4, MCL 141. 1501 to 141.1531, that places limitations on a unit of government's expenditures or revenue collection.**
- (b) The lawful authority of the employer.*
- (c) Stipulation of the parties.*
- (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 generally in both of the following:
 - (i) Public employment in comparable communities*
 - (ii) Private employment in comparable communities**
- (e) Comparison of the wages, hours and conditions of employment of other employees of the unit of government outside of the bargaining unit in question.*
- (f) The average consumer prices for goods and services, commonly known as the cost of living.*
- (g) The overall compensation presently received by the employees, including direct wage compensation, vacations, holiday and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.*
- (h) Changes in any of the foregoing circumstances while the arbitration proceedings are pending.*
- (i) Other factors that 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.*
- (2) The arbitration panel shall give the financial ability of the unit of government to pay the most significance, if the determination is supported by competent, material, and substantial evidence.*

COMPARABLES

During the preliminary discussions, the parties agreed to utilize the following counties as the external comparables: Genesee, Ingham, Kalamazoo, Macomb, Oakland and Ottawa. The record evidence includes the collective bargaining agreements for the external comparables together with specific exhibits related to the disputed issues.

The record also includes evidence for the internal comparables consisting of some ten additional bargaining units representing other county employees as well as non-represented employees, appointed and elected employees.

ISSUES IN DISPUTE

The last labor agreement between the parties covered the period of March 25, 2010 through December 31, 2011. The parties have stipulated the new collective bargaining agreement will cover the period of January 1, 2012 through December 31, 2014.

There following six general categories represent the issues in dispute:

1. Wages, for each year of the term to the contract.
2. Health Care Premium sharing.
3. Health Care – Insurance Plan Design
4. Dental Insurance
5. Employee Pension Contribution
6. Pension – Age and Service

BACKGROUND FACTS

Kent County has approximately 1,750 employees, most of who are represented by labor organizations representing some 13 separate bargaining units, covered by 11 collective bargaining agreements. The POAM represents a bargaining unit of approximately 180 employees engaged in law enforcement activities and emergency communications as defined

by the recognition clause of the labor agreement. (EX 5, Tab 24, P.2.) Of the 11 CBAs covering the 13 bargaining units, only two units are not under a CBA or settlement agreement. (EX 5, Tab 2) In dealing with multiple bargaining units and negotiating with the various labor organizations the Employer asserts that it has followed an established philosophy of attempting to keep wage and benefit changes as uniform as possible among all of the employee groups.

ABILITY TO PAY

Under the Section 9 evaluative criteria of Act 312 upon which the arbitration panel must base its award, the foremost consideration is the financial ability of the unit of government to pay. The Act requires that the following factors apply to a panel's determination of a government unit's ability to pay: 1) the financial impact on the community of any award made by the arbitration panel; 2) the interests and welfare of the public; 3) all liabilities, whether or not they appear on the balance sheet of the unit of government; and 4) any state law that places limitations on a unit of government's expenditures or revenue collection. Finally, of all the Section 9 criteria, the provisions of MCL 423.239(2) require the arbitration panel to give the financial ability of the unit of government to pay "the most significance".

Kent County's primary source of revenue for the general fund is the property tax levied against real and personal property in Kent County. Taxable valuation for the County declined from \$21.007 billion in tax year 2010 to \$20.506 billion in tax year 2011 and is estimated to decline to \$19.989 billion in tax year 2012. Consequently, property tax revenue will decline from \$108.7 million in FY 2011 to \$105.6 million in FY 2012. The total general

operating levy is estimated to decline from \$85.9 million in FY 2011 to \$83.5 million in FY 2012. (EX 6, Tab 2, p 73; EX 6, Tab 2, p. 75)

State revenue sharing is also on the decline. It is estimated that the 2012 FY revenue sharing payment will be at 75% of full its allocation. (EX 6, Tab 2, p.3)

The 2012 budget indicates there will be \$347.1 million in expenditures, down from \$353.7 million for FY 2011, against \$343.7 million in total revenue for FY 2012. (EX 6, Tab 2, p.6) Faced with declining revenue, the Employer has had to adopt cost cutting measures to bring expenses in line with revenue. The record indicates that for the past nine years the County has had a moratorium on any additional positions that required a general fund appropriation unless it could be demonstrated the new position would save money or increase revenue. In addition, the Employer has initiated a hiring freeze with a review process to consider departmental request to fill vacated positions. The 2012 budget is programmed to eliminate 21 positions, of which 16.4 are vacant and since 2008 the County workforce has been reduced from 1,966 to 1,775 positions a reduction of some 9.7%. (EX 6, Tab 2, p. 4; EX 6, Tab 3, p.B-26)

The County is also faced with the uncertain prospects for the future as to whether property values will continue to decline and what if anything will be left of statutory revenue sharing. Moreover, there is a real possibility of additional lost revenue if the state legislature eliminates the personal property tax, which produces \$9.9 million annually. There are other potential cost factors that at this time remain uncertain that could have a negative impact on the County's general fund. It isn't necessary to recite each and every detail of potential for lost revenue and cost increases. The record evidence is sufficient to support the conclusion

that the County is face with very real financial challenges both now and into the foreseeable future. It is also clear that the County has met that challenge in recent years by reducing the work force and pursuing cost cutting concessions in the health care and pension programs. Despite the lost of revenue, the County has been able to maintain a health general fund balance of 10% of the subsequent years operating budget. (EX 6, Tab 1, p. 37, A-2-A-13; Tab 2, p. 10) The question for this arbitration panel is whether the Employer has the ability to pay the costs associated with this Award. A majority of the panel is of the opinion that the Award costs are within the County's ability to pay and are consistent with the Section 9 factor of Act 312.

ISSUES

WAGES – Last best offers of settlement

COUNTY: Wages – 2012. Amend the CBA as necessary to reflect no across the board increase.

Wages – 2013. Amend the CBA as necessary to reflect a 1.25% across the board increase effective January 1, 2013.

Wages – 2014. Amend the CBA as necessary to reflect a 1.5% across the board increase effective January 1, 2014.

UNION: Wages – 2012. Wage freeze for all steps contained in the Collective Bargaining Agreement.

Wages – 2013. A 1.5% increase for all steps contained in the Collective Bargaining Agreement.

Wages – 2014. A 1.5% increase for all steps contained in the Collective Bargaining Agreement.

DISCUSSION AND AWARD

The only difference between the last best offers of the parties is that of the wage increases proposed for the year 2013, where they are separated by .25%. The County argues that the employees represented by the POAM already enjoy a substantial advantage in annual wage compensation relative to their peers in the comparable counties. The record indicates that in 2011, Kent County Deputies' annual maximum base wage together with the maximum longevity payment possible at 30 years service (\$65,478), ranked second among the seven comparable counties. Compensation for Kent County Deputies of \$65,478 was 6.4% above the average of \$49,142. At the rank of Sergeant, Kent County at \$75,296 was 2.7% above the average of \$73,287. For Dispatchers, Kent County at \$52,125 was 6.1% above the average of \$49,142 (EX 5, Tabs 5-7, 15-16).

The record evidence on wage increases granted among the comparables for the year 2012 is not very helpful since only one of the comparable counties, Ottawa, reports an increase of 1% while negotiated settlements at Kalamazoo and Oakland produced 0% increases. There are no reported settlements available for the years 2013 and 2014 for any of the comparable counties.

Among the internal comparables, EX 5, Tab 4, provides a compilation of wage increases granted to the other County bargaining units and non-represented employees since 2010. The County argues that their last best offer is consistent with the wage adjustments applicable to the other County employee groups. The record indicates that the County's offer would result in a cumulative wage increase of 7% from 2010 – 2014 for the POAM

unit and none of the nine employee groups with a contract in place or settlement through 2014 will receive more than 6.75 over the same time period.

The County asserts that it has consistently, over time, followed the philosophy of keeping wage and benefit changes as uniform as possible among the various employee groups and it cannot afford to deviate from this prudent and equitable approach. The Employer contends that it would not be in the public interest and would harm the public welfare, to disturb this balance by treating one employee group more favorably than another, thereby creating a ripple or snowballing effect among the bargaining units doing damage to employee morale, and future labor relations.

The philosophy of attempting to keep wage and benefit adjustments as uniform as possible among a diverse group of employees represented in multiple bargaining units is widely recognized as “pattern bargaining”. Absent extenuating circumstances such an approach is certainly a reasonable approach to the bargaining process where there are multiple bargaining units. In many instances, however, circumstances imposed by special regulations such as Act 312 make it difficult to achieve a “one size fits all” approach.

The Union argues that there is no pattern of bargaining for the internal comparables within Kent County. When the historical data is reviewed it is apparent that the variance in wage increases among the different groups has more to do with the different expiration of contract dates than a variance in total wage increases grant over time. The record does indicate that the County has attempted and for the most part succeeded in maintaining wage increase parity among the various employee groups.

A majority of the panel is of the opinion that the internal wage increase data for the other County employee groups tends to support the last best offer of the Employer, particularly since there is no wage increase data available the period in question among the external comparable counties. In addition, the record evidence indicates that the employees in question are nearly the highest paid among the comparable counties.

WAGES – AWARD

The Panel hereby adopts the County's last best offer of settlement as follows:

WAGES – 2012

The Employer's last best offer of settlement on this issue is to modify the CBA as necessary to reflect no across-the-board wage increase for 2012.

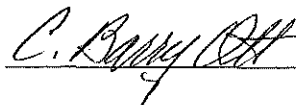
WAGES – 2013

The Employer's last best offer of settlement on this issue is to modify the CBA as necessary to reflect a 1.25% across-the-board wage increase for 2013.

WAGES – 2014

The Employer's last best offer of settlement on this issue is to modify the CBA as necessary to reflect a 1.5% across-the-board wage increase for 2014.

C. BARRY OTT, PANEL CHAIR



PETER H. PETERSON, EMPLOYER DELEGATE



JAMES DeVRIES, UNION DELEGATE



HEALTH INSURANCE – PREMIUM SHARING

Employee Contribution.

The Employer's last best offer of settlement on this issue is to modify Section 12.1 by adding the following and revising Attachment "B" to the CBA accordingly:

Effective January 1, 2013.

Employee premium contributions for Medical and Prescription Drugs shall increase to 17.5% and the wellness incentives of up to 5 % will remain in effect.

The 2.5% wellness credit will require an annual preventative physical examination including biometric testing. The Employer strongly encourages employee and family participation in the PPO and GVHMO Health Risk Assessment (HRA) Programs.

The Union's last best offer of settlement is as follows:

Effective January 1, 2013.

The Union 's offer is to increase the employee's premium share to 17.5%
The Wellness incentives of up to 5% shall remain in effect.

Effective January 1, 2014.

The Union's offer is to increase the employee's premium share for any premium increases in excess of 5% above the 2013 premium rates. The employee's premium share shall not exceed 20% of the premium rates. The Wellness incentives of up to 5% shall remain in effect.

DISCUSSION AND AWARD

The only difference between the parties' last best offers for the year 2013 is that the County proposes to add language stating that the 2.5% wellness credit will require an annual preventative physical examination including biometric testing. Both parties propose to increase the employee premium contribution for medical and prescription drug coverage from 15% to 17.5% effective January 1, 2013, subject to the 5% wellness incentive presently in effect.

Effective January 1, 2014 the Union seeks to effectively limit their exposure to additional premium rate increases by limiting employee contribution increases to the excess of 5% above 2013 premium rates, not to exceed a total of 20% of the premium.

The Union points out that employees presently pay \$155.84 per month for the Kent County Wellness PPO (BC&BS) family plan. Assuming no increase in premium rates in the year 2013, the employee would be required to pay \$210.20 per month and it is unlikely that rates will not increase, resulting in even greater cost to the employee.

The Union argues that their proposal for the year 2014 is more generous than the employer's because the Employer's proposals may or may not have any economic impact since the changes are only effected by use whereas the Union's proposal offers a clear savings to the Employer whether or not the benefits are utilized. This argument may or may not be accurate, under the Union proposal if premiums increase in 2014 by 5% or less the entire cost is assumed by the Employer and future employee cost exposure is limited to not more than 20% of the premium, while under the Employer's offer, employees would assume

17.5%, less the wellness incentives, of the cost of the premium regardless of the rate of increase.

The data for the comparable counties reveals a wide range of employee participation in health care insurance costs, including employer caps, flat dollar amount and percentage employee contributions, but none have a feature such as the 5% employee exemption from rate increases proposed by the Union.

The data for the other Kent County employee groups indicates that ten of the other 13 groups of County employees have the employee contribution plans consistent with that offered to the deputies.

As previously indicated a pattern of settlement among multiple bargaining units presents issues of equity and fairness that are important to employee morale and community welfare. Absent evidence that the employees of a particular unit are lagging behind that of their peers in comparable jurisdictions or some other circumstance unique to a particular unit, and such has not been demonstrated in this case, it is difficult to rationalize any significant variance in settlement levels. The Employer has demonstrated that it is trying to offset rising costs by seeking cost sharing concessions from the various employee groups on a uniform and equitable basis. The resulting costs shifts to employees can obviously have significant and real economic impact on the employees and their families, but given the circumstances of a declining economy and resultant revenue losses to the County such cost sharing measures are necessary if these benefit programs are to be continued.

A majority of the panel is of the opinion that the record evidence is sufficient to support the adoption of the Employer's last and best offer as consistent with the Section 9 factors.

AWARD – HEALTH INSURANCE –PREMIUM SHARING

The Panel hereby adopts the last best offer of the Employer as follows:

Employee contribution

The Employer's last best offer of settlement is to modify Section 12.1 by adding the following and revising Attachment "B" to the CBA accordingly:

Effective January 1, 2013

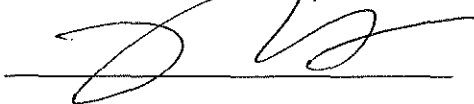
Employee premium contributions for Medical and Prescription Drugs shall increase to 17.5% and the wellness incentives of up to 5% will remain in effect.

The 2.5% wellness credit will require an annual preventative physical examination including biometric testing. The Employer strongly encourages employee and family participation; in the PPO and GVHMO Health Risk Assessment (HRA) Programs.

C. BARRY OTT, PANEL CHAIR



PETER H. PETERSON, EMPLOYER DELEGATE



JAMES DeVRIES, UNION DELEGATE



HEALTH/DENTAL INSURANCE – PLAN DESIGN CHANGES

The Employer proposes to make several health and dental insurance plan design changes over the course of the term of the CBA as follows:

1. Effective July 1, 2012 - Elective abortions will no longer be a covered benefit under the Kent County Wellness PPO health insurance plan.
2. Effective January 1, 2013 – Prescription Drug benefits and co-pay amounts will remain the same with the exception of the following wellness provisions:
 - + Generic drugs and supplies, requiring a prescription, used for the treatment of diabetes will be provided without the generic co-pay. Additionally, insulin available under the brand name formulary benefit schedule will be provided at the generic co-pay.
 - + Generic drugs requiring a prescription, used for the treatment of hypertension will be provided without the generic co-pay.
3. Effective January 1, 2014 – PPO plan changes:
 - + The in-network medical deductible will increase from \$250/\$500 to \$300/\$600 and the out-of-pocket maximum will increase from \$750/\$1500 to \$900/\$1800.
 - + The out-of-network medical deductible will increase from \$500/\$1000 to \$600/\$1200 and out-of-pocket maximum will increase from \$1500/\$3000 to \$1800/\$3600.
 - + In-network employer/employee co-insurance from 90%/10% to 85%/15%.
 - + Out-of-network co-insurance for all services reduced to 65%/35%.

Grand Valley HMO – Move to Essential Care HMO program that currently includes the following benefit schedule:

- + No deductible.
- + Office visit co-pay.
 - \$0 – Preventative
 - \$20 – Routine Office Visit
 - \$40 – Specialist Office Visit
- + Advanced Imaging co-pay of \$150
- + Emergency Room co-pay of \$100
- + Urgent Care - \$50
- + 90% co-insurance for all services not subject to co-pay
- + Annual Out of Pocket Maximum of \$1500/Individual and \$3000/Family
- + Remove the SVS vision coverage from the GVHMO contract, or employees choosing to participate in the GVHMO will not be included as eligible participants in the VSP vision program.

2) Add a new section to Article XII reading as follows:

12. (?) Health Insurance – Spouse Coverage

Effective January 1, 2013, and thereafter, if an employee’s spouse is employed full time and eligible for other group coverage through another employer, and does not elect the employer’s plan, the employee will be required to pay an additional premium contribution of \$25 per pay period as a spousal surcharge. The surcharge will be waived if:

- + The spouse enrolls for coverage under his or her own employer plan.
- + The spouse’s employer does not provide medical coverage or the spouse is excluded from coverage due to other eligibility provisions.
- + The spouse works for Kent County and is included in a family plan option.
- + The spouse is not employed.

3) Modify Section 12.8 by adding the following:

Effective January 1, 2013, only one annual family maximum will apply where a married couple are both eligible to participate as employees under the County dental plan.

+ Effective January 1, 2014, the maximum for all benefits shall be Two Thousand Four Hundred Dollars (\$2,400).

The Employer argues that all but three of the other County employee groups contain the same, or nearly so, except for a few small variations concerning timing, plan design changes being proposed in this case. The exceptions being the POAM unit involved in this case and the KCDSA unit, presently involve in fact finding proceedings, and the Captains/Lieutenants unit and Court Reporters unit that have CBA in effect until the end of 2012. The data for the comparable counties indicates a wide variety of deductibles and co-pays.

The Employer maintains that it has attempted to provide a good benefit that is affordable to the County and the employees. It contends that by making small plan changes on a regular basis is preferable to having to make more drastic changes as some employers have had to make. By adjusting the deductibles and co-pays periodically the County has managed to keep the employee premium contribution, presently at 12.5% after the wellness credits, and that is significantly lower than many employers who are compelled by PA 152 of 2011 to force to require employee contributions of 20%.

The Employer argues that the proposed addition of a Spousal Surcharge is intended to act as a deterrent that arises out a concern that a number of employees have spouses employed in the public sector, including the educational system, and due to large benefit changes driven by legislation and other factors the County has become concerned over the potential migration of families and spouses into its health care plan.

The Union's last best offer separates Health Care Plan Changes and the Dental Plan – Annual Maximum into two separate issues. Regarding the Health Care Plan Changes, effective January 1, 2012, the Union proposes to maintain the status quo with the single exception that elective abortions will no longer be covered under the Kent County Wellness PPO Health Insurance Plan. As a separate issue, the Union's last best offer on the dental insurance plan proposes to make the same changes as the Employer except both changes are to be effective January 1, 2014.

The Union argues that the Employer's proposal to increase out-of-pocket deductibles would, under a worst case situation, impose an additional \$100 out-of-pocket deductible to an employee and increase the out-of-pocket maximum for co-insurance by \$300, resulting in a bargaining unit member being exposed to a net increase of \$400 and that equates to 6/10s of 1% of a deputy's wage ant the top step in year 2012.

The Union objects to the proposed Spousal Surcharge and argues that it penalizes a bargaining unit member whose spouse works for another employer that provides health care insurance, with regard to the level of care or the cost to the employee towards the premiums.

DISCUSSION AND AWARD

The plan design changes proposed by the Employer follow the pattern of changes secured through the collective bargaining process with other County employees. The changes are relatively minor and the cost consequences to the employees are modest. The Union's worst-case scenario is illustrative of that fact and it is noted that in most instances it is unlikely that employees would reach the out-of-pocket maximums.

The internal comparables indicate that some 10 of the 13 groups of County employees have accepted or agreed to the changes being proposed by the Employer. The data for the comparable counties is inconclusive to the extent that it does not reveal any glaring evidence that the employees of this unit are lagging behind that of their peers. Again, as noted earlier, the pattern of settlement established through the collective bargaining process with other County employees is very persuasive absent compelling evidence among the comparable counties that the employees in question are lagging behind their peers on a particular benefit.

The Panel Chair notes that the Employer's proposal regarding the spousal surcharge of \$25 per pay period constitutes a penalty for not enrolling in the insurance plan offered by the employer of the spouse without any individual analysis of the benefit levels or costs. The Employer attempts to justify the addition of the surcharge as a deterrent to potential employee families and spouses migrating into the County's plan. In the opinion of the Panel Chair, there is only anecdotal evidence to support the expressed concern of an in-migration of employee spouses into the County health plan. In reviewing the available data for the comparable counties such a penalty clause does not appear to be in effect in any of the comparable counties. Based upon these facts, the Panel Chair would be inclined to delete that particular plan change, internal settlements notwithstanding. However, the Employer's proposal is an economic issue and as such the Panel is without authority to modify the proposal and the Union last best offer did not seek to separate this proposal from the other plan design changes. Standing alone, the spousal surcharge is not sufficient to cause a

majority of the panel to set aside the balance of the plan design changes advanced by the Employer.

The Union's last best offer treats the Dental Plan as a separate issue from that of the proposed design changes to the Health Care Plan, while the Employer's last best offer treats changes to the Health Care Plan and the Dental Plan as one issue. In the opinion of a majority of the panel, it is appropriate to separate the proposed changes to the dental plan as a separate and distinct issue from the proposed changes to the Health Care Plan.

Therefore, the panel will adopt the Employer's last best offer concerning the proposed changes to the Health Care Plan with the exception of those changes related to the Dental Plan, which will be treated as a separate issue.

AWARD – HEALTH CARE – DESIGN CHANGES

The Panel hereby adopts the last best offer of the Employer as follows:

1. Effective July 1, 2012 – Elective abortions will no longer be a covered benefit under the Kent County Wellness PPO health insurance plan.
2. Effective January 1, 2013 – Prescription Drug benefits and co-pay amounts will remain the same with the exception of the following wellness provisions:
 - + Generic drugs and supplies, requiring a prescription, used for the treatment of diabetes will be provided without the generic co-pay. Additionally, insulin available under the brand name formulary benefit schedule will be provided at the generic co-pay.
 - + Generic drugs requiring a prescription, used for the treatment of hypertension will be provided without the generic co-pay.
3. Effective January 1, 2014 – PPO plan changes:
 - + The in-network medical deductible will increase from \$250/\$500 to \$300/\$600 and the out-of-pocket maximum will increase from \$750/\$1500 to \$900/\$1800.

- + The out-of-network medical deductible will increase from \$500/\$1000 to \$600/\$1200 and out –of-pocket maximum will increase from \$1500/\$3000 to \$1800/\$3600.
- + In-network employer/employee co-insurance from 90%/10% to 85%/15%.
- +Out-of-network co-insurance for all services reduced to 65%/35%.

Grand Valley HMO – Move to Essential Care HMO program that currently includes the following benefit schedule:

- + No deductible.
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 - \$0 – Preventative
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- + Advanced Imaging co-pay of \$150
- + Emergency Room co-pay \$100
- + Urgent Care - \$50
- + 90% co-insurance for all services not subject to co-pay
- + Annual Out of Pocket Maximum of \$1500/Individual and \$3000/Family
- + Remove the SVS vision coverage from the GVHMO contract, or employees choosing to participate in the GVHMO will not be included as eligible participants in the VSP vision program.

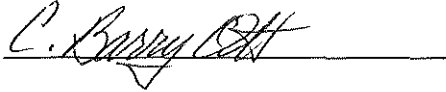
2) Add a new section to Article XII reading as follows:

12.(?) Health Insurance – Spouse Coverage

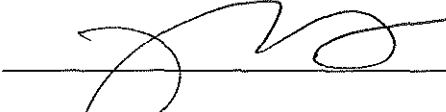
Effective January 1, 2013, and thereafter, if an employee’s spouse is employed full time and eligible for other group coverage through another employer, and does not elect the employer’s plan, the employee will be required to pay an additional premium contribution of \$25 per pay period as a spousal surcharge. The surcharge will be waived if:

- + The spouse enrolls for coverage under his or her own employer plan.
- + The spouse’s employer does not provide medical coverage or the spouse is excluded from coverage due to other eligibility provisions.
- + The spouse works for Kent County and is included in a family plan option.
- + The spouse is not employed.

C. BARRY OTT, PANEL CHAIR



PETER H. PETERSON, EMPLOYER DELEGATE



JAMES DeVRIES, UNION DELEGATE



DENTAL PLAN – ANNUAL MAXIMUM

As noted above, the Employer proposes to modify Section 12.8 by adding the following:

Effective January 1, 2013, only one annual family maximum will apply where a married couple are both eligible to participate as employees under the County dental plan.

Effective January 1, 2014, the maximum for all benefits shall be Two Thousand Four Hundred Dollars (\$2400).

The Union proposes to modify Section 12.8 as follows:

Effective January 1, 2014, the maximum for all benefits shall be two thousand four hundred dollars, (\$2400).

Effective January 1, 2014: Only one (1) family maximum shall apply where a married couple are both eligible to participate as employees under the County Dental Plan.

DISCUSSION AND AWARD – DENTAL PLAN – ANNUAL MAXIMUM

The only areas of dispute on this issue are the effective dates. The Employer proposes to apply the limitation of one family maximum benefit for married employees effective January 1, 2013 and to increase the maximum benefit effective January 1, 2014, while the Union would have both changes effective on January 1, 2014.

The Union would prefer to apply the single-family maximum at the same time the benefit is raised to \$2400, thereby softening the impact of the overall reduction in benefit. The apparent reason for the different effective dates proposed by the Employer is they would realize a savings, if any, one year before the new maximum takes effect and the other bargaining units that are settled accepted the Employer's proposal.

There was no cost data entered into the record by the parties concerning this issue and there is virtually no data available regarding these benefits among the comparable counties. The cost difference is likely to be small and the Union's proposal would soften the impact of the overall benefit reduction to some small extent and is a reasonable approach. Therefore, a majority of the panel is of the opinion that the adoption of the Union's last best offer of settlement would best meet the Section 9 factors of Act 312.

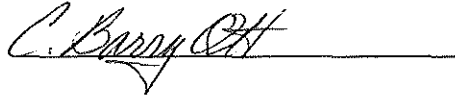
AWARD – DENTAL PLAN – ANNUAL MAXIMUM

The Panel hereby adopts the last best offer of the Union as follows:

Effective January 1, 2014: The maximum for all benefits shall be two thousand four hundred dollars, (\$2400).

Only one (1) family maximum shall apply where a married couple are both eligible to participate as employees under the County Dental Plan.

C. BARRY OTT, PANEL CHAIR



PETER H. PETERSON, EMPLOYER DELEGATE



JAMES DeVRIES, UNION DELEGATE



PENSION – EMPLOYEE CONTRIBUTION

The Employer's last best offer of settlement on this issue is to modify the last paragraph of Section 12.6 to read as follows:

The employee's pension contribution shall be one-half (1/2) of the annual amortized, actuarial valuation not to exceed 6.5% of the employee's annual compensation.

Effective (Date of Award), 2012, the pension contribution shall be one-half (1/2) of the annual amortized, actuarial valuation not to exceed 7.5% of the employee's annual compensation. Effective January 1, 2014, the pension contribution shall be one-half (1/2) of the annual amortized actuarial valuation not to exceed 8.5% of the employee's annual compensation. The annual amortized actuarial valuation shall be based on the actuarial assumptions and amortization periods established by the Board of Trustees of the Kent County Retirement Plan and the Kent County Board of Commissioners in their sole discretion.

The Union proposes to maintain the status quo for all three years of the contract term.

DISCUSSION AND AWARD

The Union raises a threshold question concerning the Panel's authority to issue an award regarding the Employer's proposal on the grounds that the Employer failed to obtain a supplemental evaluation on their proposal to increase employee pension fund contributions as required by MCL 38.1140h(3). According to the Union, the statute requires that a supplemental evaluation must be performed before any changes can occur to the pension plan. The Employer asserts that the Union's argument is without merit and maintains that the statute is clearly aimed at improvements to pensions benefits, not reductions. The Employer contends that the proposed changes would save the plan money and as such they have no long-term costs. Moreover, the Employer maintains that the statute relates only to a public employer's approval and adoption of proposed pension benefit changes and does not cover a change ordered by an Act 312 arbitration panel and consequently, MCL 38.1140h is inapplicable here.

For purposes of the application of MCL 38.1140h to the issue of employee pension contributions only and the panel's authority to issue an award regarding same, the panel makes the following observations and conclusions.

A majority of the panel is of the opinion that the Union's argument is without merit as it relates to the issue of employee contributions to the pension plan. Section (3) of MCL 38.1140h does not, as the Union contends, require that supplemental evaluation must be performed before any changes in a pension plan are made. Section 3 defines a "proposed

pension benefit change” to mean a proposal to change the amount of pension benefits received by persons entitled to pension benefits under a system.

MCL 38.1140h(3):

A system shall provide a supplemental actuarial analysis before adoption of pension benefit changes. The supplemental actuarial analysis shall be provided by the system’s actuary and shall include an analysis of the long –term costs associated with any proposed pension benefit change. The supplemental actuarial analysis shall be provided to the board of the particular system and to; the decision-making body that will approve the proposed pension benefit change at least 7 days before the proposed pension benefit change is adopted. For purposes of this subsection, “proposed pension benefit change” means a proposal to change the amount of pension benefits received by persons entitled to pension benefits under a system. Proposed pension benefit change does not include a proposed change to a health care plan or health benefits.

In the instance of the proposed change in employee contributions to the pension plan, no change in pension benefits are involved, only who is required to pay what toward the cost of the plan. Consequently, a majority of the panel is of the opinion that MCL 38.1140h has no application to this particular issue or the panel’s authority to make an award. We need not address the Employer’s contention regarding the application of the provisions of MCL 38.1140h to a change ordered by an Act 312 panel. In passing, the panel notes that neither party has cited any case law in support of their respective assertions.

Section 12.6 of the CBA presently requires a contribution of 6.5% of annual compensation, and an additional 3.32% for the C.O.L.A. clause. The base employee pension contribution for all 14 Kent County employee groups is 50% of the annual amortized actuarial valuation. For all but four of the groups, the base employee contribution is capped at 7.5% of wages, which will increase to 8.5% effective January 1, 2014 and represents the

entire employee contribution. The KCDSA group has a 6.5% cap, and pays an additional 3.43% for an enhanced COLA. The Court Reporters present pay 7.5% under a contract that expires at the end of 2012. The Captains/Lieutenants group pays a total of 9.5% cap, of which 3.5% is for an enhanced COLA, which means their base is 6%. Since this group has reached their cap of 9.5%, that results in a circumstance where the other County employees could end up paying some of the cost of the Captains/Lieutenants enhanced COLA if they are not at their caps. This anomaly is the subject of negotiations wherein the County is attempting to eliminate this potential inequity.

The Employers proposal is consistent with ten of the other 13 groups of County employees. The Employer asserts that it has been trying to maintain the defined benefit pension plan for all employees and to avoid the trend to defined contribution plans. Cost sharing of pension plan costs with the employees is an important part of the effort to stay with a defined benefit plan. Despite the County's efforts, the pension plan costs have increased in recent years. Pension plan funding levels have declined from 111.5% in 2007 to 94.6% in 2011, due in large part to the economic downturn since 2007. This decline in fund assets has resulted in increased employer contribution from 5.12% in 2007 to 10.5% in 2011. According to the Employer, the increase in employee contributions is necessary to meet increasing costs of the defined benefit plan.

The data for the comparable counties indicates that only two of the six, Ingham and Macomb have a defined benefit plan for all deputies, dispatchers and sergeants. Three of the remaining four has a defined benefit plan for employees hired before a certain date and a defined contribution plan for employees hired on or after that date. Ottawa County has a

defined benefit plan for all deputies, and sergeants, but reserves the right to implement a defined contribution plan for sergeants hired after the date of implementation. Regardless of the type of plan, Union EX 4 and Employer Ex 5, Tab 10, lists the current contributions for the employer and employees. The data indicates that Kent County's employee rate of contribution at 9.82%, and the Employer pays 10.57%. Genesee County employees hired prior to 1/1/2000 pay 2% and 6.5% for those hired after that date and the Employer pays 40.58%. Ingham County employees pay 10.96% and the Employer pays 12.12%. Kalamazoo County employees have a defined contribution plan and pay nothing, while the Employer pays 16%. Macomb County employees pay 4% and the Employer pays 14.99%. Oakland County employees have a defined contribution plan and pay 3% and the Employer pays 10.0%. Ottawa County employees pay 3% and the Employer pays 14.99%. The data isn't very meaningful without an analysis of the various factors that make up these rates. For example, four of the six counties do not have COLA provisions in their plan and Genesee County doesn't have COLA for the employees under the defined contribution plan. Kent County does have a COLA provision that costs the employees 3.32% of the current contribution rate of 9.82%. Ingham County doesn't have a COLA provision but has a higher pension multiplier and as a result has a higher employee contribution rate. The rate for Kent County employees appears to be competitive and not out of line with the comparable counties when adjusted for the COLA provision. Those Counties that have extremely high employer contribution rates reflect very low fund assets, such as Ingham County where the plan for deputies is only 78% funded and 52% funded for sergeants compared to Kent County where the plan is 94.6% funded as of 2011.

A majority of the panel is of the opinion that the last best offer of the Employer more near comports with the Section 9 criteria of Act 312. The data for the internal comparables outweighs the data for the comparable counties. The Employee contribution rate required of the bargaining unit members is competitive with that of their peers in other counties, particularly so when evaluated on a benefit comparable basis as discussed above.

AWARD-PENSION-EMPLOYEE

CONTRIBUTION

The Panel hereby adopts the last best offer of the Employer as follows:

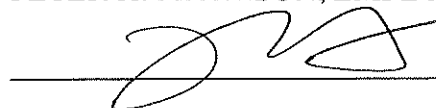
Modify the last paragraph of Section 12.6 to read as follows:

The employee's pension contribution shall be one-half (1/2) of the annual amortized actuarial valuation not to exceed 6.5% of the employee's annual compensation. Effective (Date Of Award), 2012, the pension contribution shall be one-half (1/2) of the annual amortized, actuarial valuation not to exceed 7.5% of the employee's annual compensation. Effective January 1, 2014, the pension contribution shall be one-half (1/2) of the annual amortized actuarial valuation not to exceed 8.5% of the employee's annual compensation. The annual amortized actuarial valuation shall be based on the actuarial assumptions and amortization periods established by the Board of Trustees of the Kent County Retirement Plan and the Kent County Board of Commissioners in their sole discretion.

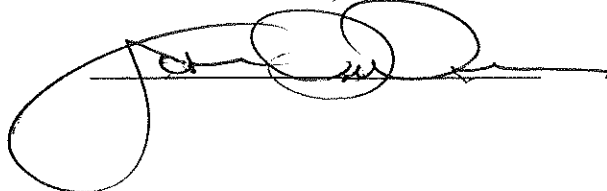
C. BARRY OTT, PANEL CHAIR



PETER H. PETERSON, EMPLOYER DELEGATE



JAMES DeVRIES, UNION DELEGATE



PENSION-AGE/SERVICE REQUIREMENTS FOR
REGULAR RETIREMENT

The Employer's last best offer of settlement on this issue is to add a new section to Article XII reading as follows:

12. (?) Retirement Eligibility

Employee hired prior to (Date of Award), 2012 shall be eligible for retirement under any of the following:

1. 25 years of credited service at any age.
2. 5 years of credited service and age 60.
3. 15 years of credited service and age 55. (Early retirement)

Employees hired on or after (Date of Award), 2012, shall be eligible for retirement under any of the following:

1. 25 years of credited service and age 52.
2. 5 years of credited service and age 62.
3. 15 years of credited service and age 55. (Early retirement)

The existing Plan provisions for early retirement, including benefit reduction, will not be changed.

The Union's last best offer is to maintain the status quo.

DISCUSSION AND AWARD

The Employer's proposal seeks to change the age and service requirements of a unit member for retirement benefits for employees hired after the date of this arbitration award. Effectively, such an employee could not retire after 25 years of service regardless of age but

would have to continue to serve until age 52 to be eligible, or age 62 with 5 years service instead of age 60. The Employer argues that the change reflects a move away from the “25 and out” which is in place for 12 of the 14 County employee groups for employees hired before 1/1/11 or 1/1/12 depending on the specific labor agreement and its expiration date. Employees hired after those dates will need to attain age 62 with five years service or 60 years of age with 25 years service. The Captain/Lieutenants will need to attain age 55 and serve 25 years to be eligible for regular retirement for new hires after 1/1/12. (EX 5, Tab 8) According to the testimony of Employer witness Don Clack the change was motivated out of desire to preserve the defined benefit plan and to develop change that would generate cost savings. Mr. Clack also testified as to his recollection of possible cost savings associated with various changes to the age and service requirements for retirement: “ I’m doing this out of memory, but I think something around 1.8% and the average of those two combined to the 2.64%”. The record isn’t clear, as whether the cost savings is immediate or if it were a long ranged projection related to future employees hired after 1/1/11 and 1/1/12 since there is no benefit change for current employees, one would assume the anticipated cost savings are of a long-range nature.

The data for the comparable counties indicates that Macomb and Ingham Counties allow deputies to retire with 25 years service regardless of age. Ottawa deputies can retire after 25 years service at age 50. Oakland has a split program, employees hire before 5/27/95 are under a defined benefit plan and can retire after 25 years service regardless of age. Employees hired after 5/27/95 have a defined contribution plan for employees hired after 5/27/95 and there are no applicable age and service requirements associated with that plan.

Similarly Kalamazoo has a defined contribution plan and no age/service requirements.

Genesee also has a split program where deputies hired before 3/1/06 have a defined benefit plan and can retire after 20 years service regardless of age, for employees hired after 1/1/2000, employees can retire after 23 years service regardless of age.

The Employer's argument that it has a policy of trying to maintain uniform benefits for all employee groups is not as persuasive in the case of age /service retirement requirements. The Employer's proposal not only is different from most of the employee groups, but is different from that of the Captains/Lieutenants as well. The Employer's argument that if the POAM group were allowed to maintain the "25 and out" requirement it would be "profoundly unfair" to the other employee groups and depart from the pattern of benefit uniformity between groups is not consistent with their own proposal.

A majority of the panel is of the opinion that the data for the comparable counties and the variance in the Employer's proposal from the internal settlements tends to support the Union's proposal to maintain the status quo. The Employer's argument that maintaining the present benefit would result in an additional cost to the County is without merit. There is no record evidence that maintaining the present benefit would result in "increased" cost to the Employer. Maintaining the benefit would probably reduce the amount that could possibly be saved in the future, but even that amount is speculative based upon the recollection of witness Clack and not on any actuarial report that is in this case record. A majority of this panel has agreed with the application of the principle of the County's policy of trying to maintain a pattern of uniform benefits where the record evidence supported such an effort and was not inconsistent with the record evidence for the Section 9 factors of Act

312. On this issue a majority of the panel finds that the Section 9 factors are best served by the adoption of the Union's last best offer to maintain the status quo.

While it may not be required in view of the panel's decision on this issue, the Union's argument that the provisions of MCL 38.1140h(3) require the Employer to secure a supplemental evaluation on the proposed pension change deserves comment. Earlier in this award the panel ruled that this statute had no application to the issue since it did not require a supplemental valuation before any change in a pension plan because the statute defined a "proposed pension benefit change" to mean a proposal to change the amount of pension benefits received by a person entitled to pension benefits under a system and in that instances the proposed change did not involve any change to pension benefits. In this instance the Employer's proposal does involve a change in pension benefits since future pension beneficiaries would be required to wait longer to be eligible to draw a pension resulting in the loss of those pensions for that amount of time. Conversely, the proposed change only applied to future employees and as such they had no vested rights at the time of the changes. The Panel Chair is of the opinion that since the change could have had a real cost effect on other pension costs such as the employee cost of the COLA clause, a supplemental actuarial valuation should be done prior to implementation.

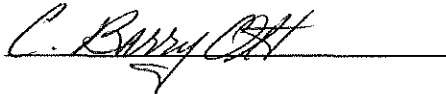
AWARD-PENSION-AGE/SERVICE REQUIREMENT

FOR REGULAR RETIREMENT

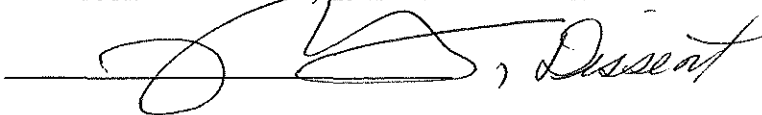
The Panel hereby adopts the last best offer of the Union as follows:

The Union proposes to maintain the status quo for the term of the contract.

C. BARRY OTT, PANEL CHAIR



PETER H. PETERSON, EMPLOYER DELEGATE



JAMES DeVRIES, UNION DELEGATE



DATED: 8-4, 2012