

The following is an excerpt from July 14, 1997 MERC case # L 96 A 4009 in the matter of Fraternal Order of Police (FOP) Capital City Lodge #141 and County of Ingham and the Ingham County Sheriff. The entire record is here: <http://archive.lib.msu.edu/LIR/awards/r373.pdf>. The site for all PA 312 arbitration records is here: <http://www.lib.msu.edu/branches/bus/act312/>.

UNION ISSUE #8

Retirement

The Union proposes that a new Section 9 should be added to Article 35 dealing with retirement. The proposed section shall read as follows:

"Effective January 1, 1997 (or the next earliest first of a quarter), the employees shall be provided with a retirement benefit upgrade of a 3.2 multiplier (retaining the FAC-3 and all prior age waivers F50/25, F55/15, 25 years of service with no age requirement). The employees shall pay 9.16% for the 3.2 multiplier through payroll deduction. All start up and/or administrative costs, if any, shall be paid by the Employer".

Position of the Parties

The Union proposal contemplates that the only cost to the County would be the administrative fees charged by the Municipal Employee's Retirement System and that the employees alone shall pay the 9.16% for the 3.2 multiplier associated with the proposal. The County questions the Union's claim that the costs will be limited to \$6,000.00 for the start up fee and \$2,000.00 annual administrative fee. The County also asserts that the Union employees already have the best plan that the Municipal Employees Retirement System currently offers and that those employees are the only ones in the comparable communities or in the internal bargaining units which have the "25 and out" benefit. The County also disputes the Union's claim that the County has little to lose by adopting the proposal. It asserts that it has a critical interest in being able to attract and keep good employees and that new hires of high quality may turn away from Ingham County if they are required to pay the increased cost of the multiplier which would amount to nearly 20% of an employee's salary. The County also claims that the 9.16 multiplier [did he mean the 3.2 multiplier?] is subject to future adjustments which increases would appear to be a burden on the County since the language of the proposal seems to limit the employee's responsibility to 9.16%.

The Panel is influenced by the Union's representations that its proposal will establish a strong retirement program for the benefit of the employees and also to provide a vehicle for the employer to

have a young and vibrant police force. In order for both to occur, a good retirement program for the officers should be put in place.

The Union's commitment to this goal is exemplified by its willingness to have the employees pay for this benefit improvement even though they now pay, and with this increase will be paying, more than any other employment group of the county and/or the comparables listed in the Union Exhibits.

Not only will the employer benefit because of the rotation of younger officers into the law enforcement program, but also, the employer will experience a financial savings that will far out distance the administrative fees, the \$6,000.00 start up fee and the \$1,000.00 annual fee, that it will be paying if the panel adopts the Lodge's retirement proposal.

The improved retirement benefit of 80% of the employee's final average compensation will undoubtedly encourage many employees of this bargaining unit, that would not have otherwise retired under the current plan, to now do so. To the extent that persons that did not expect to retire will now do so because of the lure of this improvement in the retirement benefit, the County will save substantial sums of employment costs. This savings is related to the lower cost the employer will endure when those that retire from this unit are replaced by new employees in the non-supervisory unit, as all promotions to the current bargaining unit are made from the non-supervisory unit. These savings are translated from lower earning rates for new hires for vacations and wages. Furthermore, as new persons are promoted into this unit, i.e. promoted to the rank of sergeant, they will replace higher paid retiring incumbents at the beginning rates and it will take several years before they will obtain the same rates earned by the retiree. The same circumstances also occur with regard to promotions to the vacancies in the lieutenant and captain's ranks that will undoubtedly occur, as the positions will be filled by candidates from within the bargaining unit. Until the newly promoted bargaining unit employee proceeds through the steps of the compensation scale for the new rank, a savings will indeed occur, as the retiring employee being replaced will have been at the highest rate within that rank.

The Panel is of the opinion that the County's fears are misplaced and that the administrative costs and the multiplier fees were subject to future upward adjustments which will result in additional costs to it. The Union shall be held bound by its admissions and sworn testimony on the record that,

except for the \$6,000.00 start up fee and \$1,000 annual administrative fees, the County will be free from any further costs of this improvement. In addition, the multiplier was calculated by MERS upon which both parties rely for the calculations.

Award

Applying the Section 9 factors, and weighing all the competent, material and substantial evidence admitted on this issue, the Panel concludes that the Union's proposal on this issue be adopted.

Accept: John B. Kiefer

Accept: Denise Barowicz

Reject: Harold Hailer