

**BEFORE
JAMES R. COX
INTEREST ARBITRATOR**

VILLAGE OF DEERFIELD, ILLINOIS

**INTEREST ARBITRATION
2002 LABOR AGREEMENT**

ILLINOIS FOP LABOR COUNCIL

DECISION AND AWARD

The Hearing in this matter was conducted at the Deerfield Village Hall June 24, 2003. General Council Thomas Sonneborn represented the Union and A. Lynn Himes, Esq. together with John E. Fester, Esq. presented the Village case. Following the close of the Hearing and receipt of Transcript, each Party submitted a well-written Post-Hearing Brief received September 19, 2003.

All procedural prerequisites for Interest Arbitration have been met¹ and this matter is properly before me for final and binding determination.² My findings in this matter are based upon applicable factors set forth in Section 14(h) of the Illinois Labor Relations Act.

There have been a number of Tentative Agreements reached in the course of negotiations which commenced in March 2002. Despite efforts to reach final agreement, which included a May 8, 2003 mediation session before this Arbitrator, the Parties remain at impasse on five economic issues. All Tentative Agreements have been incorporated by reference into this Award and shall become a part of the 2002 Labor Agreement.

¹ The Section 14(d) of the Illinois Public Labor Relations Act requirement that the Hearing commence within 15 days of an Arbitrator's appointment has been waived as have the requirements of Section 14(b). This dispute is to be heard by a single Arbitrator

² Each party made it clear that, by their reference to the Arbitrator's authority to award retroactivity, they did not intend to predetermine whether any award of increased wages or other forms of compensation should in fact be made retroactive.

IMPASSE ISSUES

The following separate issues remain in dispute.

1. Term of Agreement
2. Wages
3. Health Insurance benefits
4. Health Insurance benefits for the disabled and retired
5. Career Development Program

COMPARATIVES

Village Comparables.

Deerfield's 13 comparables are Buffalo Grove, Glenview, Highland Park, Lake Bluff, Lake Forest, Lincolnshire, Northbrook, Northfield, Skokie, Vernon Hills, Wheeling, Wilmette, and Winnetka.³ These “.. *historically are the communities we use for all of our different types of surveys that we do..*” and had been used prior to this Interest Arbitration for wage analysis, benefit reviews and surveys to determine fees and taxes other communities charge. The Village states that Vernon Hills, Winnetka and Wilmette along with the bordering towns of Lake Forest, Lincolnshire and Highland Park most closely compare to Deerfield in terms of Police Department size, number of sworn officers (51, 45, 28, 45,23 and 60 compared to Deerfield's 40) and per capita income. Unlike Union comparables, the average per capita income of the Village group approximated that in Deerfield. However, all comparables the Village used have a much larger Police Department employment level - an average of 75 - in contrast to the stated 55 total Department employees in Deerfield. Three compared Departments are very large - 179 in Skokie, 103 in Glenview and 106 in Buffalo Grove. Sworn Officers in these three Villages number 88, 76, and 74 respectively in contrast to Deerfield where there was, as of June 2003, 40 authorized Sworn Officers. Of that number, 28 were Patrol Officers in this bargaining unit. Averages cited in support of the Village case are derived from all 13 Communities.

In selecting comparables, the Village explained that they had started with communities closest to Deerfield. There is geographic proximity⁴ (an average 7 mile Village Hall to Deerfield Village Hall distance) closer than within the Union comparative

³ The three underlined municipalities were also selected by the Union.

⁴The Village chose municipalities in their group for several reasons. They said that Morton Grove, although more proximate than Skokie, had been excluded because it did not fall in the per capita income range – almost half of Deerfield's. However, Wheeling was included although their per capita income was less than Morton Grove's. Population was not a determining factor as the Village included Lincolnshire and Northfield who meet their proximity test but have only about a third of Deerfield's population. There was no explanation why Lake Zurich or nearby Lincolnwood was not included. Morton Grove (46 total sworn Officers), Libertyville (44) and Lake Zurich (37) have similarly sized Departments but were not put on the list. Lake Bluff, Lincolnshire and Northfield are in the group although they have about a third of the Deerfield population. Winnetka has about a third fewer inhabitants.

group. However, all communities selected by both parties are fairly proximate to Deerfield and within the same general labor market.⁵ There are wide ranges in various factors among the selected communities.

Examination of factor averages within the Village 13 town comparable group shows a \$982,993,764 2001 total EAV (Deerfield's is \$737,589,929), \$12,965,654 in Sales Tax Revenue and Property Tax Revenue (Deerfield's total is \$5,678,176), \$51,245 per capita income in 2000 (\$50,664 in Deerfield) and an average population of 26,564 (Deerfield's is 18,420). Smaller communities such as Lake Bluff with 6,000 inhabitants, Lincolnshire with a 6,108 population, Northfield with 5,389, and Winnetka with 12,419 residents were included in the list of comparables. Sales tax revenue in Skokie is substantially above any of the other Village comparables, roughly \$16,000,000 with the next highest being Vernon Hills at \$9,000,000.00. Skokie and Lake Forest rank highest in property tax revenue within their group.

FOP Comparatives

The FOP relies upon nine comparable jurisdictions - Barrington, Lake Zurich, Libertyville, Lincolnwood, Morton Grove, Rolling Meadows, Vernon Hills, Wilmette, and Winnetka. Their comparables had been selected primarily based upon population, median home value and per capita income. Their group shows an average population very close to Deerfield's 18,420, a median home value about 9% less than Deerfield's at \$342,000 and per capita income \$10,000.00 less than Deerfield's \$50,664.00. As in the Village comparables, there is some skewing considering that Winnetka and Barrington have only 12,419 and 10,168 residents respectively.⁶

Deerfield, census wise, ranks in the middle of FOP comparables, third in per-capita income and median home value, second in 2001 equalized assessment valuations, lowest in total General Fund revenue and second behind Vernon Hills in unreserved ending General Fund balance for fiscal year 2001. Deerfield 2001 police spending at \$4,468,846.00 is toward the middle of the comparative jurisdictions listed by the FOP. I did not find figures which would reveal the proportion of spending that went toward bargaining unit salaries and benefits.

As of 2001, according to a Union Exhibit, there were 37 full-time Sworn Officers in the Deerfield Department, about in line with the average of 39 in their comparative communities.⁷ Indexed crime in Deerfield was 256 as against an average of 553.⁸

⁵ One Deerfield witness testified that, of various criteria used, per capita income for 2000 had been given the greatest weight and population the least.

⁶ Rolling Meadows which has a \$176,000 median home value and Winnetka at \$756,500.00 are at the ends of that range. In per capita income, Winnetka's \$84,134.00 and Morton Grove's \$26,973.00 are the outside parameters and Rolling Meadows has much lower per capita income and property values.

⁷ There is a substantial range between the 55 in Rolling Meadows and 19 in Barrington.

⁸ The crime index was 452 in Libertyville, 534 in Wilmette, 491 in Lake Zurich and 864 in Lincolnwood with 44, 37, 37 and 34 Sworn Officers respectively in those communities.

ISSUE ANALYSIS

Term of Agreement

The Parties most recent Contract ran from May 1, 2000 through April 30, 2002. The Union seeks a two-year Agreement commencing May 1, 2002 and ending April 30, 2004. The Village final offer is for a three-year contract expiring April 30, 2005.

There have been, without exception, two year Agreements since April 1992, when the Deerfield Patrolmen's Association was Bargaining Unit Representative. The FOP was certified in 1998. The 1998-2000 Contract was the first negotiated by that bargaining representative.

As a consequence of the lengthy negotiations for this 2002 Contract, as the Village correctly notes, a two-year term would mean that negotiations for the 2004 Agreement would commence shortly after the finalization of this Contract. It is unlikely, however, there would be many new issues.

One of the primary considerations in deciding upon term length in a Labor Agreement is whether there is volatility in the labor market – such as the inflationary factors that prevailed in the 1970s. Presently the major unstable element of employment cost is insurance, a concern addressed with my award on that issue. In addition, within this bargaining relationship, there is currently significant concern over the terms of the Career Development Program – from each party's prospective. There is no question that this Program has historically constituted a substantial part of almost every Officer's annual income.

As mentioned in the discussion of the Program below, significant changes are presently being sought by the Employer in an effort to control projected accelerated cost compounding. Deerfield also seeks to bring the Plan under the Contract in these negotiations. However, as both parties recognize, they have not completed discussion of several aspects of this issue. During 2004 negotiations the parties will have an opportunity to finalize their on going discussions and be able to relate the consequences of any changes in the Career Development Program to the overall compensation package - including insurance cost sharing changes which will become effective in July of that year.

The Village proposal on the Career Development issue contains a significant cost stabilization change which they seek to incorporate into the 2002 Contract. The Union would maintain the status quo until a Joint Study Committee explores a resolution of differences and suggests a March 15, 2004 deadline for a recommendation from that group. To the extent reflected in their proposals, both parties recognize that further discussions would be beneficial. It is obvious that the scope of the Committees' study would be significantly restricted were the Village's Career Development proposal adopted and such major terms of this important benefit made part of the 2002 Agreement prior to their final deliberations.

Considering (1) the desirability of immediate discussions on the Career Development Program issue and the urgency for both sides of a prompt and complete resolution of that dispute and (2) the unbroken pattern of two year agreements⁹, I find the final position of the Union to be the most reasonable on this issue.

The term of the 2002 Agreement shall be for two years as proposed by the FOP.

WAGES

The Union seeks a 4% increase each year of a two-year Agreement.

The Village proposes that Salary Schedule Steps be increased.

May 1, 2002 – April 30, 2003	3.75% increase over 2001 – 2002 rates.
May 1, 2003 – April 30, 2004	3.5% increase over 2002 – 2003 rates.
May 1, 2004 – April 30, 2005	3.5 % increase over 2003 – 2004 rates.

In making my determination on this issue, the following factors had special significance.

1. While there are differences in the composition of the groups used by the Parties, Deerfield Police are paid above the averages in each comparable group. At most points on the salary schedule, they rank at or toward the top among Departments selected. Since Deerfield has generally higher salaries throughout the salary schedule than other Departments, even if the percentage increases sought here were the same as in other comparables, their relative position dollar wise would increase. With the same percentage increase, their relative rank position would be maintained.
2. Starting pay in the Deerfield Unit is remarkably higher than start averages in each comparable. Statistics also establish that, as of 2001, top salary was reached sooner in Deerfield than in all comparable Departments except one and that salary is supplemented thereafter with Career Development Program pay outs rather than longevity as elsewhere.¹⁰ Neither of the proposals before me was designed to modify the existing salary curve in Deerfield (as was the proposal in Vernon Hills negotiations).

⁹ The Village asserts that a three year 2002 Agreement, because of the delay in instituting that contract, would, from a practical standpoint, put a Contract into effect for almost two years and would essentially *“be the same type of agreement going forward that we have had at all times as in the past.”*

¹⁰ According to Village fiscal 2001-2002 figures which include Career Development Benefits (but not Specialty Pay), at year 5 a Deerfield Officer receives \$62,745.54 and at Year 10, \$65,182.26 – higher at both levels than Officers working in any other Comparable. Unlike in many comparable jurisdictions, longevity is not part of the wage package¹⁰.

3. There is neither an inability to pay contention nor any evidence of Village financial constrictions.¹¹ Moreover, there is no evidence that the relatively high salary rank for this Unit is a recent phenomenon or that there are reasons to change that rank. There is no evidence of any internal salary disparity or that, in the past, settlements in this Unit have matched and/or been tied to increases granted non-union Village employees. There is no contention that the present relative salary rank of this Unit among other Departments should be reduced. Deerfield phrases the question, “...*will the Village’s proposal maintain the Officers as the highest paid Officers in the area?*”. A major reason for the degree of advantage in overall income is not salary but the Career Development Program.

The dispute here focuses upon the amount of the general increases and their effect on the Unit’s relative salary position. I have looked at this issue from the perspective of both comparative group averages and Deerfield’s rank and salary relationship among comparable Departments. As has been seen from the review of comparables and their lack of uniform characteristics, using averages here results in imperfect comparisons.

4. In making salary comparisons from year 5 forward, the Village considers Career Development Money. When this pay supplement is considered the relative income differential is substantial. There is a relationship and integration between the Career Development Program and the salary structure but both are separate parts of the compensation package. Moreover that Program which currently provides annual benefit payouts to 17 of the 28 bargaining unit members is currently under review with changes to be discussed during 2004 negotiations. While it may be a longstanding benefit, it is not salary and, unlike longevity, involves a degree of discretion.
5. In 2001, Morton Grove paid Officers a starting salary of \$45,137, Wilmette paid \$44,499 and Skokie \$44,334 – all higher than the Deerfield start rate. Northfield was paying \$44,086– just above the Deerfield rate. It is the salary schedule acceleration in the first 4 steps that gives Officers in Deerfield a significant pay advantage over those in most other Departments. At year 4, as of 2001, Deerfield Officers had the highest salary of all comparables. That salary differential remains until a few years after their top out and then begins to decline. The Village points out that the decline is insignificant considering earnings derived from the Career Development program. They make their comparisons using dollar earnings with Development Program payouts, not only salaries.

Examining the top salary rank of the Deerfield Police Department among the six communities deemed most representative by Deerfield we find the following. In 2001, while the Deerfield salary top was \$60,918 in step 4 (after 4 years), Winnetka Officers also reached their \$57,787 top salary in

¹¹ I note the decline in the ending fund balance for FY 2002 attributed in part to a transfer from the General Fund. Both revenues and expenditures declined . Revenues continued to be more than a million and one half above spending that year. There is limited reliance upon State funds.

year 4. Wilmette and Lake Forest Officers reached their tops of \$57,946 and \$59,296 in year 5. Vernon Hills' \$60,075 and Highland Park's \$58,999 tops were reached in 6 years. Lincolnshire's top of \$59,085 was not reached until year 8,

6. Are the Village's 3.75% and 3.5% Offers representative among comparable Departments? They maintain that they are and that, at Year 4, Year 10 and considering the maximum rates, their offers would maintain the officers as the highest paid in the area. Their figures, however, contain Career Development payouts projected from their proposal to incorporate some terms of that benefit into the Contract.

Ten of the 18 Police Departments within the comparative groups who have reported settlements¹² - Lake Zurich (20%), Buffalo Grove, Lake Forest, Lincolnshire, Northbrook, Northfield, Wheeling, Rolling Meadows, Barrington (4.75%) and Vernon Hills (4.70% except less in middle steps) - have agreed to at least 4% increases for 2002. One agreed to a 3.75% increase and seven settled for less than 3.75%. Nine of the 18 communities have agreed to increases of at least 4% for 2003 - Barrington (4.75%), Lake Zurich, Rolling Meadows, Vernon Hills. Glenview, Lake Bluff, Lake Forest, Lincolnshire and Skokie. Of all reporting Comparables, over the two-year term, only 4 have settled for or less than the 7.25% or less offered by Deerfield. 7 have settled for the 8% proposed by the FOP over this two-year term or more.

With respect to 2003, not only is the Deerfield proposal less than the average settlement that year within their comparables but, while the Village has proposed a 3.5% increase for that year, only six of the 18 Departments settled for that percentage or less.

Looking at past settlements, while there had been a consistent run of 3.5% settlements in this Unit from 1994 through 1999, the negotiated salary increases for both 2000 and 2001 was 3.75%.

7. Comparing 2002 increases within their comparable group and excluding Lake Zurich 2002 results (they had a one-time, unusually large increase in 2002 of 20%) from the *averages*, Union figures show an average negotiated percentage increase of 4.13% for 2002 and 3.88% in 2003 approximating their 8% over 2 years offer.¹³ With Lake Zurich included, the 2002 average of the comparables would become 5.7%. Average increases within the Employer group are calculated at 3.84% in 2002 and 3.70% for 2003 – in both 2002 and 2003 there would be larger raises on average within their comparables than the 3.75% and the 3.50% Deerfield final offers here..

¹² Lincolnwood was reported to be in arbitration.

¹³ 2003 increases shown thus far were 4.75%, 4%, 4%, 3.25%, 4.03%, 4% 3.25%, 3.75% No outcome is shown for Libertyville and Winnetka negotiations in the Union figures. I included the 3.25 reported by the Village for Winnetka. Barrington settled for 4.75% for each of these two years.

There are economic consequences which have resulted from bargaining beyond the termination date and making such a large proportion of the May 1, 2002 and May 1, 2003 increases retroactive.¹⁴ Retroactive back pay here will cover about a year and a half of a two-year Agreement. Such a deferred payment means less cost for the Village and less benefit for the Officers during this period than if Deerfield had begun to pay the increases on the effective dates.

Considering all of the circumstances, I find the Union final proposal on this issue to be most reasonable. There shall be a 4% increase each year of the two-year Agreement as proposed by the FOP.

Health Insurance

Deerfield currently provides a Health Insurance Program for the bargaining unit with two options, a PPO and an HMO.

Section 18.1 of the current Agreement reads:

Deerfield will provide group medical insurance for all Officers and their dependents. Deerfield will pay 100% of the premium for Employees. Employees who opt for dependent coverage will pay \$50.00 monthly for the period January 1, 1999 through April 30, 2002. The deductible for a single person will be at \$200.00 and for a family will be at \$400.00 for the period of January 1, 1999 through April 30, 2002.

According to the evidence, in the case of dependent HMO coverage, the \$50.00 monthly payment is not being assessed. Both single and dependent HMO coverage is being provided without charge to the employee. There are no deductibles under the HMO but more co-pay cost sharing than in the PPO.

The Union asserts that, under current language, the Village may make changes in the Insurance package with a consequence that, by changing co pay, out of pocket maximums, deductibles or coverage, they have shifted a share of medical insurance costs to Officers since 2000 negotiations concluded.

The Union proposes a new Section 18.1, which would modify the effective dates to correspond with the new Contract term and expressly require that Deerfield *maintain substantially the same coverage and benefits.* Such language is found in Police Contracts at Lake Zurich, Libertyville, Lincolnwood, Morton Grove, Rolling Meadows, Wilmette and Winnetka.

Their proposal reads:

¹⁴ Deerfield points out that the delay has caused them to miss "any benefits of any new bargaining for one entire year and two months into the second year" such as the contributory insurance feature. On the other hand they have deferred expenditures and had an opportunity to invest money during this period which they would have otherwise paid in wage increases.

*Deerfield will provide Group Medical Insurance for all Officers and their dependents. Deerfield will pay 100% of the premium for Employees. Employees who opt for dependent coverage will pay \$50.00 monthly. The deductible for a single person will be at \$200.00 and for a family will be at \$400.00. The Employer shall maintain the same or substantially the same insurance coverage and benefits as existed on June 24, 2003.*¹⁵

The Village of Deerfield would substantially rewrite Article 18 with new wording for 18.1 and 18.2 and by adding language for a new Section 18.3. The proposals they make and identify as new Sections 18.1 and 18.2 principally address matters covered in the current 18.1 – the type of insurance coverage and contributory features. 18.4 involves the Retiree issue in this Arbitration.

Changes in the provisions of the current Section 18.1 sought by the Village, read as follows:

18.1

Deerfield will provide Group Medical Insurance for all Officers and their dependents as set forth herein. Notwithstanding the foregoing, the Village retains the right to change carriers or to self-insure, or to adopt additional coverage alternatives or join a health insurance pool for the provision of medical benefits, dental benefits, or life insurance. The Village further reserves its right to institute, maintain and change cost containment, benefit and other medical provisions of the Medical Plan provided that such changes are made in the Plan for all other eligible Village Employees and provided that the changes made shall only take effect on the Plan anniversary date, currently July 1. (Underlining mine)

18.2

Deerfield will pay 100% of the premium for employee coverage. Employees who opt for dependent coverage under the PPO Plan shall pay \$50.00 monthly until June 30, 2004 and 6% of the total cost of the coverage for the period July 1, 2004 through June 30, 2005. Employees who opt for dependent coverage under any HMO Plan shall pay 5% of the total cost of coverage beginning July 1, 2004. For the term of this Agreement, deductibles shall remain unchanged at \$200.00 for single coverage and \$400.00 for dependent coverage.

18.3

¹⁵ Changes the Village has made following the expiration of the 1998 Contract and up to that date would remain such as the move to a three-tier drug plan and the reduction of the lifetime benefit from 3 million to 2 million.

In recognition of the desirability of maintaining a uniform policy Village wide with respect to insurance benefits and notwithstanding the foregoing provisions contained in this Article, the Parties agree that, if the Village makes any changes, modifications, or improvements with respect to any of the Village's Life, Medical, Dental, or other insurance Programs that are applicable to all other Village Employees, then such changes, modifications, or improvements, (including costs, sharing arrangements between the Village and Employees, except as provided in Section 18.2) shall likewise be applicable to the Employees covered by this Agreement and on the same date that they are applicable to all other Village Employees. The Village and the Officers agree that, before any changes are made to the level of insurance benefits that currently exist for eligible Village Employees, the Village will meet and discuss such changes and seek the input and suggestions of the Union before implementing such a change. It is agreed that such changes shall only take effect on the Plan anniversary Date, currently July 1.

There have been dramatic health insurance cost increases over the past 10 years and it is unusual to find what is essentially non-contributory medical insurance coverage as in Deerfield. While Deerfield is basically self-insured, the costs of providing the benefit have risen substantially – 10 to 33 percent annually – during recent years and have not shown any tendency toward becoming stable. The Program is provided all Deerfield employees and there was no evidence to what extent use of the Plan by the bargaining unit has contributed to those cost increases. Nonetheless, there is general acknowledgement that inflationary insurance costs are out of control. In response to such circumstances contributory features have been introduced into the great majority of group employee medical insurance plans. Almost all premium sharing for dependent coverage among both Union and Village comparables is made on a percentage basis.

As shown by the language above, the Village proposal would retain the non-contributory feature for single coverage but would make coverage under both the PPO and HMO contributory. Their proposal would require employees to contribute 6 per cent of the total cost of coverage under the PPO and 5 per cent of total cost of coverage under the HMO. There would be two tiers of dependent coverage – employee plus one and employee plus family.

Of the 8 unionized Departments in the Village group¹⁶, 4 do not require contributions for employee coverage and, as of June 2003, 4 had contribution rates toward family coverage which exceeded 6%. In 7 of the 8 such departments, contributions for family coverage were being made. Employees in 5 of the 9 Union comparables were contributing greater than 10% of the premium for dependent coverage and, except for Vernon Hills where no

¹⁶ Contributions in the other 5 departments were not shown.

information was provided. In all their listed Departments employees were making a contribution toward dependent coverage.

Based upon current year rates – fiscal 2003- 2004 – the Village PPO contribution for an employee each month is \$379.00, for employee plus one it is \$918.07 and for the employee plus Deerfield pays \$1222.50. Projections for the period July 1, 2004 to June 30, 2005 were made with a not unreasonable 15% rate increase assumption. Applying the new percentage contributions, the employee contribution for PPO coverage would be \$1000 per year for an employee plus family coverage instead of the \$600.00 they now pay on the fixed \$50.00 a month rate. For an Officer with 4 years service, the \$400 increase in the contribution would constitute about 2/3 of a percent of salary. Calculations show that the Village, who pay the greater percentage of any costs would, in the event of expected additional increases, pay an increasingly larger dollar amount of such increases. As noted, an employee would be contributing 6% and the Village 94% for this level of coverage under the PPO. As shown, HMO contributions would also be required..

Testimony established that the Village intends to implement any changes including the contributory factor on a Village wide basis – there are about 105 full time Village employees.

Considering all these factors, I find the proposal of Deerfield to be most reasonable. Deerfield has lagged behind in addressing insurance costs in this manner. The new Contract will contain the provisions of Article 18 as proposed by the Employer in connection with the Health Insurance Benefit Issue numbered as new Sections 18.1, 18.2 and 18.3.

There is a separate issue dealing with Health Insurance for Retirees and those who receive a disability pension. That issue involves a change in what is now Section 18.2.

Health Insurance for Retirees

Section 18.2 of the current Agreement reads:

Officers who retire or receive a disability pension from Deerfield will continue to be covered by the Deerfield Group Policy, including Dental but excluding Life Insurance, provided they had worked for Deerfield for a minimum of 10 years and receive a pension from Deerfield. Retirees who opt for this benefit must participate in Deerfield's Health Insurance Program without interruption. Following their date of retirement, until they are eligible for Medicare, Deerfield shall pay 50% (up to a maximum of \$50.00 per month) of the premium for Health Insurance for the retired Officers or disability pensioners.

In view of my adoption of the Village Proposal modifying Section 18.1 with new Sections 18.1, 18.2 and 18.3, the Section dealing with the Health Insurance for Retirees shall become a new Section 18.4

The Union proposal would modify the old 18.2 language to read:

Officers who retire or are receiving a Disability pension from Deerfield will continue to be covered by the Deerfield Group Policy, including Dental but excluding Life Insurance, provided they had worked for Deerfield for a minimum of 10 years and receive a pension from Deerfield. Retirees who opt for this benefit must participate in Deerfield's Health Insurance Program without interruption. Following their date of retirement, until they are eligible for Medicare, Deerfield shall pay 50% (up to a maximum of \$50.00 per month) of the premium for Health Insurance for the retired Officers or disability pensioners. The foregoing shall not limit the rights of Officers set forth in the Public Safety Employee Benefits Act, Chapter 820, Section 320/10.

The FOP refers the Arbitrator to provisions of the 1998 Public Safety Employee Benefits Act which provide, subject to certain conditions, that should an Officer receive a catastrophic injury or be killed in line of duty, the health insurance premium is paid and coverage provided without cost to the injured employee, his spouse and each dependent child until the child reaches majority. They seek to incorporate that legislation into the Agreement by reference so that contract language will not be construed to jeopardize any statutory rights. The Union explained that their proposal was intended to guarantee officers rights under the law but “*would not change the bargain that had been negotiated in the past except as to those people who are catastrophically injured or killed in the line of duty.*”

Currently Deerfield makes a \$50.00 contribution toward Retiree coverage¹⁷ and the retiree pays the balance of the premium. Under the Village proposal they would put their share of contributions toward Retiree Insurance on a percentage basis and contribute 11% of the cost of single coverage for the retiree. Retirees in most other comparables are paying in full for their coverage.

Deerfield proposes the following language.

Officers who retire or receive a Disability Pension from Deerfield will continue to be covered by the Deerfield Group Policy including Dental but excluding Life Insurance, provided they have worked for Deerfield for a minimum of 10 years and receive a pension from Deerfield upon their separation from service. Retirees and their dependents, if applicable, who opt for this benefit must participate in Deerfield's Health Insurance Program without interruption. The Village will pay \$50.00 per month toward the cost of such coverage. Effective July 1, 2004 following their

¹⁷ Under Illinois Law (Section 3.7 of the Insurance Code) police officers are given the right to continue to continue to participate in the insurance plan.

date of retirement, Deerfield shall pay 11% of the premium for individual health insurance for the retiree or disability pensioner, subject to provisions of state statutes. Interpretation of the applicability of state statutes to this section shall not be subject to the contractual Grievance procedure.

The Village would exclude interpretation of the applicability of unidentified state statutes from the arbitration process in construing Section 18.4. The Arbitrator cannot measure or assess the scope of such an exclusion and accordingly finds it to be improperly broad. Article 24 deals with provisions of the Contract that may be declared unenforceable or invalid by state legislation. The Village contribution limit is already “*subject to the provisions of state statutes*”.

The most reasonable last position on this issue is that of the Union which specifically states that the contract language will have no limiting effect on the rights of Officers under the Public Safety Employee Benefits Act – that it should not be given any weight in deciding employee rights provided under the Act. Furthermore, there was no reason presented why the interpretation of the applicability of all state statutes to 18.4 should be excluded from the Grievance procedure.

Career Development Program

The Career Development Program as described in Deerfield Police Department General Order No. 123 was last modified in December 5, 2002 – after the May 2002 expiration date of the 2000 Contract and during contract negotiations. There is no evidence of such a Plan in any of the comparable communities identified by the Union and the Village. Six of the thirteen in the Village group and four of the nine Union comparables do provide longevity benefits.

While the Union seeks that the present Program remain in effect pending a joint study as suggested by their proposal, the Village would make changes in the present Program and incorporate the modified Program into the Contract. There have been representatives from the Village and Union studying and advising Deerfield on the Program but the Union stresses that they have not had a right to designate any of those members. All have been selected by Deerfield.

The Village Career Development Program allows eligible Officers to earn additional compensation for completing activities as determined by the Chief of Police. Officers are eligible to participate in the Career Development Plan after completing four consecutive years of full-time service. Under the present Plan there are three levels of achievement – Advanced, First Class, and Master. Officers spend at least two years at each level. Annual compensation payable in December is awarded Officers who meet the goals or standards established by the Department.

Under the revised Plan proposed by the Village, unless modified by a contractual change, payouts which are now based upon percentages of salary would

be translated into fixed dollar amounts equivalent to the payments made in December 2002 and would be frozen thereafter. In December 2003, during the second year of this Contract, and thereafter, those who successfully complete the Career Development Plan requirements in their fifth and sixth years of employment will earn an \$1828.00 in each year of completion (rather than the 3% of 4th year salary payable under the present Plan). Officers who successfully complete the Career Development Plan requirements in their seventh and eighth years of employment will earn an additional \$3046.00 in each year of completion (rather than 5%). Officers with more than eight years of full-time consecutive service who successfully complete the Career Development Plan requirements will earn an additional \$4264.00 in each year of completion (rather than the current 7%). According to the evidence, each Officer in recent years has been receiving a payment at the maximum percentage for which he is eligible.

December 2002 total career development payments constituted 3.4% of total salaries paid to the patrol officers. The Village asserts that projecting annual salary increases of 3.5%, total career development payments would double by 2006 and would become 5.4% of salaries and, in 2008 would be 6.2%. This is a matter of serious economic concern without any parallel among the other comparables.

The Parties both agree that there shall be a joint committee consisting of an equal number of Village designees and Union designees which shall meet periodically to review the Career Development Plan and recommend changes to the Village and the Union. They would be acting in an advisory capacity. Deerfield, in their proposal, would expressly reserve the right to change the standards for qualifying for the payouts.

The Career Development Program has been structured to provide additional income to those Officers who had been in the Department more than four years – about the time that they would have reached maximum pay under the compensation schedule. It has been in effect since 1984. As the Chief commented, *“..part of the design was to give officers an opportunity to focus on areas of specialty, receive additional compensation for achieving those goals and receive recognition for that achievement.”*

The Union Proposal

Article 21 of the present Labor Agreement deals with Wages. There is no Contract language presently addressing the existing Career Development Program. Each party suggests Contract language. The Union proposes that the following new paragraph be added to Article 21:

The Parties shall jointly study the Career Development Program by establishing a Study Committee consisting of not more than three representatives of each Party. Committee members shall report their recommendations to the Parties not later than March 15, 2004. The Committee members' recommendations shall be advisory only. There shall be no changes made to the Career Development Program during the period this Agreement is in effect except by mutual agreement.

The Village proposal

The Village stresses that, from a participation standpoint, Career Development has been a success with only one Officer electing not to participate. Their proposal does not oppose the Union demand that there be a joint committee but, while they would incorporate the full Program into the Contract, they would put benefits on a fixed dollar basis rather than the current percentage of salary as discussed above. Deerfield has previously asserted a right to unilaterally discontinue the Program although there is no mention in their proposal of such an option.

Were the Village proposal adopted, there would be significant and continuing economic impact upon bargaining unit income in future years. At the time of the Arbitration Hearing, the evidence indicated that consequences of change had not been fully discussed. The scope of the Committees' study would be significantly restricted were the Village's Career Development proposal adopted and the monetary terms of such an important benefit made part of the Agreement.

The Arbitrator's determination on the Insurance Issue will bring about a dramatic change in insurance cost sharing. There will be an increasing effect on Officer take home pay. The adoption of the Village position on that issue was made considering, recognizing in part, the overall level of compensation Officer's currently enjoy – both their salary schedule and the substantial income they receive under the present Career Development Plan.

The Village would incorporate the Program into the Contract at present compensation levels and, as they explain, "*revisit the issue during the next round of negotiations*". There is only one pay out period remaining during the term of the Agreement before me. While payment would be made on a dollar basis in December 2003, those dollars as proposed would be percentage equivalents of current compensation under the Village final offer. Finally, restrictions of existing Deerfield rights to make changes in the Plan during the term of the study which concludes in March 2004 will only remain in effect as the result of the new language during the time the two year 2002 Contract remains in effect.

For these reasons, I find that a determination on this issue should be deferred until there has been additional joint study and an opportunity to consider all aspects of the compensation package. The Union's final offer on this issue is adopted and their proposed language shall become a part of the Agreement.

AWARD SUMMARY

Having considered the evidence in accordance with applicable provisions of statutory criteria, I have made the Awards set forth above on each issue. The parties' May 1, 2002 – April 30, 2004 Collective Bargaining Agreement shall be modified to incorporate these determinations as well as all tentative agreements agreed upon by the parties.

James R. Cox
Arbitrator

Issued this 18th day of October 2003