

**ILLINOIS LABOR RELATIONS BOARD**  
**PETER R. MEYERS, Arbitrator**

In the Matter of the Interest  
Arbitration between:

**ILLINOIS FRATERNAL ORDER  
OF POLICE LABOR COUNCIL,**

Union

And

**THE CITY OF DEKALB,**

Employer.

Case No. **S-MA-10-366**  
**110614-03042-A**

**DECISION AND AWARD**

**Appearances on behalf of the Union**

Jeffery Burke—Attorney  
Richard Stomper—Union Representative  
Kevin Ferriga—Lodge President

**Appearances on behalf of the Employer**

Benjamin E. Gehrt—Attorney  
Robert J. Smith, Jr.—Attorney  
Rudy Espiritu—Assistant City Manager  
Mark Biernacki—City Manager

This matter came to be heard before Peter R. Meyers as Mediator on the 12<sup>th</sup> day of January 2012 and continued before Peter R. Meyers as Arbitrator on the 13<sup>th</sup> day of February 2012 at the DeKalb City Hall located at 200 South 4<sup>th</sup> Street, DeKalb, Illinois. Mr. Jeffery Burke presented on behalf of the Union, and Messrs. Benjamin E. Gehrt and Robert J. Smith, Jr., presented on behalf of the Employer.

## **Introduction**

Beginning in April 2010, the City of DeKalb, Illinois (hereinafter “the City”), and the Illinois Fraternal Order of Police Labor Council (hereinafter “the Union”) entered into negotiations over a successor collective bargaining agreement to the contract scheduled to expire as of June 30, 2010. The Union represents a bargaining unit composed of all the full-time patrol officers, corporals, and sergeants employed within the City’s Police Department (hereinafter “the Department”). Although the parties were able to resolve and agree upon many of the provisions that will make up their new collective bargaining agreement, there nevertheless are unresolved issues remaining between them.

Pursuant to the Illinois Public Labor Relations Act, 5 ILCS 315/1 *et seq.*, this matter was submitted for Compulsory Interest Arbitration. On January 12, 2010, prior to any interest arbitration hearing, the parties participated in a mediation session with Neutral Arbitrator Peter R. Meyers. When issues remain unresolved between them after that mediation session, this matter came to be heard by Neutral Arbitrator Peter R. Meyers on February 13, 2012, in DeKalb, Illinois. The parties submitted written, post-hearing briefs in support of their respective positions on the issues remaining in dispute; the City’s post-hearing brief was received on or about April 12, 2012, while the Union’s was received on or about April 19, 2012.

## **Relevant Statutory Provisions**

### **ILLINOIS PUBLIC LABOR RELATIONS ACT 5 ILCS 315/1 *et seq.***

**Section 14(h)** Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking

to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

- (1) The lawful authority of the employer.
- (2) Stipulations of the parties.
- (3) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (4) Comparisons of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
  - (A) In public employment in comparable communities.
  - (B) In private employment in comparable communities.
- (5) The average consumer prices for goods and services, commonly known as the cost of living.
- (6) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.
- (7) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (8) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

### **Issues Submitted for Arbitration**

The parties agree that the following issues that remain in dispute between them are economic in nature:

1. Salary Increases;
2. Salary Schedule;
3. Employee Contribution for Dependent Health Insurance Coverage;
4. Level of Insurance Benefits; and
5. Elimination of Retiree Health Insurance Benefits.

The parties agree that the following issue that remains in dispute between them is non-economic in nature:

1. Duration of Agreement.

The parties do not agree as to whether the following issue that remains in dispute between them is economic or non-economic in nature:

1. Vacation Scheduling.

### **Discussion and Decision**

The City of DeKalb, Illinois, with a population of about 44,000, is located about sixty-five miles west of Chicago. DeKalb is home to Northern Illinois University Champaign-Urbana, Illinois, which sets it apart from the mostly rural areas that surround it. The record reveals that there are three groups of City employees represented by unions. The bargaining unit in question, represented by the Union, consists of a total of fifty-two sworn police officers. Thirty-nine of these sworn officers are patrol officers, four hold the rank of corporal, and nine hold the rank of sergeant.

The record in this matter establishes that the parties' most recent collective bargaining agreement had an effective term of eighteen months, and it expired on June 30, 2010. As noted in the Introduction above, the parties began their negotiations over a

successor collective bargaining agreement in April 2010. When they were unable to resolve all of the outstanding issues in their negotiations, the parties ultimately submitted this matter to binding interest arbitration.

Of the seven remaining impasse issues in dispute here, the parties have agreed that five are economic in nature and that one is not. As for the remaining issue, vacation scheduling, the parties have been unable to agree whether this should be deemed economic or non-economic. This is an important dispute because, under Section 14(g) of the Illinois Public Labor Relations Act, 5 ILCS 315/14(g) (hereinafter "the Act"), an interest arbitrator is without authority to devise a compromise resolution different from the parties' final offers in connection with economic issues. As for non-economic issues, an interest arbitrator may select either of the parties' final offers or may fashion a compromise resolution of his own.

The City maintains that the vacation scheduling issue is economic in nature, while the Union asserts that it is non-economic. The resolution of this particular dispute derives from the City's own description of the impact that its proposed change to vacation scheduling would have on the employees in the bargaining unit. The City argues that its proposed change would not cause any employee to suffer a loss of benefits. If this is in fact true about the City's proposal, and because the Union proposes no change to vacation scheduling, then there will be no economic impact resulting from the resolution of this particular issue. Under these circumstances, the vacation scheduling issue must be deemed non-economic in nature, and it shall be treated as such in this proceeding.

Section 14(h) of the Act, 5 ILCS 315/14(h), sets forth the statutory factors that guide the analysis and evaluation of the parties' competing final proposals in interest arbitration proceedings. Not all of the listed statutory factors apply with equal weight and relevance to every proceeding. In fact, one or more of these factors may not apply here at all. It therefore is necessary to determine which of the statutory factors are relevant and applicable to the instant proceeding and which are not particularly relevant.

A review of Section 14(h) of the Act reveals that some of the statutory factors have little or no applicability to this matter. The lawful authority of the City, for example, does not appear to be at issue, and the evidentiary record contains no suggestion of any change in either party's circumstances during the pendency of this matter that would affect its outcome. The parties' stipulations relate more to the process involved in this matter, so they do not have a substantive impact upon the resolution of the outstanding issues.

The parties have not agreed on a complete list of communities that represent appropriate external comparables. Both parties do agree that Belvidere, Carpentersville, and Woodstock are appropriate external comparables. The City proposes adding Glendale Heights, Hanover Park, and Streamwood to this list, while the Union proposes the addition of Crystal Lake. The differences in the parties' proposed external comparables results, at least in part, from the fact that the Union has suggested that any external comparables should be located within thirty miles of the City, while the City asserts that a radius of thirty-five miles is appropriate.

The problem with the Union's more limited proposal on the matter of external

comparables is that a short list of four communities will not provide as useful a range of data as will a longer list of external communities. Quite simply, four external comparables will not provide a sufficient data range to allow for a meaningful comparison of the proposals at issue in this matter with contractual provisions in effect in other similar communities. Moreover, if there is a data outlier in connection with one or more relevant contractual provisions, then such an outlier would have a greater impact on the overall analysis of the numbers. With a larger data set, the effect of an outlier would be diminished, thereby allowing for a more reasonable and equitable resolution of the impasse issues that remain in dispute here.

In the particular case of DeKalb, Illinois, an expansion of the geographical area from which external comparables may be drawn makes even more sense because the City is located in a largely rural part of the State. Many of the communities within the Union's thirty-mile limit are significantly smaller in population than the City, which undercuts the reasonableness and validity of any comparison that they might offer to the City. Expanding the applicable geographical area by only five miles allows for a useful and reasonable increase in the list of external comparables.

A review of the demographic, economic, crime, and other data in the record on all of the proposed external comparables establishes that the inclusion of all of them would yield a full and meaningful range of data that would offer a truly illuminating picture of the types and levels of wages, benefits, and other conditions of employment that exist in communities similar to the City. This more extensive range of data is exactly what is needed to sensibly evaluate the parties' competing proposals on the issues that remain in

dispute between them.

Focusing specifically upon the communities that each party wishes to add to the list of the three agreed-upon external comparables, the data in the record submitted by the City demonstrates that all of them fall within fifty percent of DeKalb's data on eight or more of thirteen data measures. On certain of these measures, one or the other of the proposed external comparables may fall outside of that fifty percent range, while those same proposed comparables may be closer to the City on another measure than any of the communities on the list of comparables. Crystal Lake provides an example of this. In terms of equalized assessed value of real property, Crystal Lake's total EAV is almost double that of the next highest total EAV on the list and more than five times that of the City's total EAV. In terms of sales tax revenue, however, Crystal Lake is closer, by far, to the City's figure on this particular measurement than any of the other communities in question. On this measurement, Crystal Lake is slightly more than fifteen percent above DeKalb, while all of the other communities in question range from nearly thirty-three percent to more than seventy-six percent below DeKalb.

The case of Streamwood also demonstrates the importance of looking at a broad range of demographic and financial data. After eliminating communities outside of the thirty-mile radius that it chose to apply, the Union went on to eliminate communities from consideration that were significantly different in terms of population. After that, the Union evaluated possible comparables based on seven data measures, as opposed to the thirteen data measures that the City used to evaluate possible comparables. Pursuant to the Union's seven measures, Streamwood just misses the cut in that it is within fifty

percent of the City on three, rather than four, of the measures. By contrast, Streamwood is within fifty percent of the City as to nine of the thirteen data measures cited by the City, well within the number necessary to be considered an appropriate comparable. I find that the City's more extensive range of demographic and financial data yields a more complete demonstration as to which of the possible communities are sufficiently similar to the City as to be deemed appropriate comparable communities.

In light of these considerations and based upon a careful review of the demographic, economic, crime, and other data in the record, this Arbitrator finds that all of the proposed external comparables are, in fact, appropriate for use in this proceeding. Accordingly, the communities of Belvidere, Carpentersville, Woodstock, Glendale Heights, Hanover Park, Streamwood, and Crystal Lake hereby are accepted as appropriate external comparables in this proceeding.

As important as these external comparables are, internal comparisons with other City employee groups also can be quite helpful in resolving economic and non-economic issues alike. In this proceeding, the matter of internal comparison is a bit more complex than it often is in interest arbitrations. The record establishes that two other unions currently represent units of City employees, with the International Association of Firefighters representing fifty full-time firefighters, and the American Federation of State, County and Municipal Employees representing all other full-time non-supervisory employees. In its post-hearing brief, the Union has asserted that there are no valid internal comparisons because the City does not bargain with any other bargaining unit of employees but instead unilaterally imposes the terms and conditions of employment for

these other employee groups. The City, however, has pointed to the wages, benefits, terms and conditions of employment available to its other employee groups as valid internal comparisons.

It must be noted that although the Union has argued that neither of the other two internal bargaining units constitute appropriate comparisons, the Union nevertheless did present information on the firefighters' medical insurance plan as a comparison to the police officers' medical plan. In discussing other of the impasse issues in dispute, the Union also has referenced the firefighters' contract, and the Union even stated in its post-hearing brief that the City does bargain collectively with its firefighters. The fact is that there is not much evidence in the record about the negotiations that went on between the City and the two unions that represent the other bargaining units, so it is not possible to determine how much of what appears in the other units' contracts was "imposed" upon the employees by the City. The record does establish, however, that the current contracts governing these units were ratified by the members of each unit. In fact, the City does apparently bargain with both AFSCME and IAFF, so the record does not support the Union's off-hand assertion that the City "does not internally bargaining with any unit other than that involved in the instant matter, therefore, it is able to unilaterally set those employees' terms and conditions of employment." Moreover, the very same concerns and issues surrounded the City's negotiations with these other unions as are relevant here, so the manner in which these other parties constructed their collective bargaining agreements to address these matters constitutes a useful and instructive reference for the resolution of the impasse issues in this proceeding.

Aside from the internal and external comparables, certain other statutory factors are particularly important to the resolution of the remaining the economic issues, especially those involving consumer price data and evidence relating to overall compensation. The record contains sufficient evidence relating to these two factors to allow them to be utilized in a meaningful way in the analysis of the outstanding issues that follows.

Section 14(h) of the Act also includes factors emphasizing the interests and welfare of the public and the financial ability of the City to meet the costs of the proposals in question. The interests and welfare of the public, the first part of Section 14(h)(3) of the Act, always must be given considerable weight as an important consideration in an interest arbitration proceeding, but this particular factor must be viewed and applied in a very careful manner. DeKalb's citizens have an obvious interest in restraining the cost of their local government through such means as operational and administrative efficiencies, and this interest includes maintaining careful oversight and curbs on operational, administrative, and personnel costs. The public also has an obvious interest, however, in attracting and retaining skilled, experienced, and capable employees, particularly those who fill first-responder safety positions. Reaching this goal generally requires that an employer offer competitive, even attractive, salary and benefit packages.

As for the second part of Section 14(h)(3) of the Act, the City's financial ability to pay the costs of the various proposals at issue here, the City has not expressly argued that it is unable to pay the costs of any or all of the proposals in question. In fact, the City unambiguously has acknowledged that it is not asserting a financial inability to pay such

costs. Instead, the City has emphasized the many economic challenges that it currently faces, and its need to carefully manage its operations, costs, and expenses. It must be noted that even if the City has not presented sufficient evidence to establish an inability to pay under Section 14(h)(3) of the Act, the City nevertheless does face financial challenges due to the impact of current and wide-ranging economic difficulties. As this Arbitrator has found in other interest arbitration proceedings, these financial challenges do constitute one factor that “normally or traditionally” should be taken into account when considering wages, hours, and conditions of employment, pursuant to Section 14(h)(8) of the Act. Evidence relating to the current economic slowdown and its impact on the City’s finances therefore must be given appropriate weight and consideration here.

This discussion now moves to an individual analysis and resolution of each of the impasse issues that remain in dispute between the parties, in accordance with the statutory factors set forth in Section 14(h) of the Act and with the competent and credible evidence in the record.

**Decision**

**A. Economic Issues**

**1. Salary Increases**

On the impasse issue of salary increases, the Union’s final proposal is as follows:

	<b>Current</b>	<b>7/1/2010</b> <b>2.50%</b>	<b>7/1/2011</b> <b>2.50%</b>	<b>7/1/2012</b> <b>2.50%</b>
<b>Patrolman</b>				
<b>A</b>	27.49	28.18	28.88	29.60
<b>B</b>	29.95	30.70	31.47	32.25
<b>C</b>	31.35	32.13	32.94	33.76

<b>D</b>	32.97	33.79	34.64	35.51
<b>E</b>	34.62	35.49	36.37	37.28
<b>Corporals</b>	36.35	37.26	38.19	39.14
<b>Sergeants</b>	40.05	41.05	42.08	43.13

On the impasse issue of salary schedule, the City's final proposal is as follows:

January 1, 2011	1.75% increase
January 1, 2012	2.25% increase
January 1, 2013	2.50% increase

(if the Arbitrator selects a three-year duration for the parties' Agreement)

The wage issue often is the most contentious one between parties involved in interest arbitration proceedings. It also may be said that if parties can agree on wages during their own negotiations, then interest arbitration rarely is necessary to resolve other issues.

The competing final wage proposals submitted here are somewhat typical in that they demonstrate how far apart the parties really are on the various economic issues that remain in dispute between them. Not only are the parties unable to agree on what percentage of increases should be granted to the employees during each year of their new contract, but they even disagree as to when in the year any such increases should be granted.

An appropriate starting point for the analysis of the parties' competing wage proposals is to review the impact of those proposals relative to the wages that are and will be paid to police officers in the external comparable communities. In setting forth data about its own wage proposal, the City acknowledges that although its starting wages would be at or near the top of the range established by the external comparables, that

changes quite significantly as officers move through the wage scale. The City's own data show that at each five-year interval, its officers will fall further behind their professional colleagues working for the external comparables. Significantly, the evidence shows that at each five-year interval in the wage scale, the City will pay salaries below the average of the external comparables included in the City's calculations. This is even more significant than it initially appears because the City did not include any wage data from Crystal Lake in its data on wages. If Crystal Lake's wage data were included in the City's analysis, then the City's proposed wage scale under the parties' new contract would place its police officers even further behind the average wages paid to their colleagues in the external comparables.

The Union's wage proposal will keep the City's police officers nearer the middle of the salary range established across the external comparables. This is important not only for reasons of parity, but also because these employees already have contributed significantly toward the City's efforts to reduce its personnel costs. In the parties' previous collective bargaining agreement, these employees agreed to forego any wage increase as of January 1, 2010. As the Union has pointed out, the last time that these employees received a wage increase was January 1, 2009. Under the City's proposal, the employees would receive a raise as of January 1, 2011, while the Union's proposal calls for a raise as of July 1, 2010, the effective date of the parties' new collective bargaining agreement. The two-year effective wait between raises that would apply if the City's proposal is accepted is a great deal to ask of employees, especially employees who work in critical, dangerous, first-responder positions.

As for internal comparables, each of the four basic employees groups will follow a different schedule of increases than the rest. Those of the City's employees who are represented by AFSCME received a 1.5% increase effective January 1, 2011, followed by another 1.5% increase effective January 1, 2012. The City firefighters represented by IAFF received a 4.00% increase on July 1, 2011, with no increase during 2012. Those City employees who are not represented by any union did not receive an increase during 2011, but they will receive a 1.33% increase on July 11, 2012.

In many interest arbitration proceedings involving police units, the most relevant internal comparison is to the corresponding firefighter unit. In this particular case, however, there is little in common between the single 4.00% salary increase that the City's firefighters received in 2011 and the increases that either party has proposed here. In fact, the City's proposal of a 1.75% increase effective January 1, 2011, followed by a 2.25% raise on January 1, 2012, and a 2.5% increase on January 1, 2013, bears a relationship to the firefighter increase only in the sense that both units will receive a total 4% increase over the 2011 and 2012 fiscal years. From this, it is evident that the internal comparisons do not particularly support the City's proposal, nor do they support the Union's proposed 2.5% increase as of July 1 in each year of the new Agreement's effective term.

The parties have submitted a wealth of information relating to the Consumer Price Index, which typically is an important statutory factor in resolving a dispute over wages. Because part of the ultimate resolution on this issue will be retroactive, this Arbitrator has the advantage of knowing precisely how the CPI changed during that retroactive period.

The record shows that for the twelve-month period ending with December 2011, the CPI-U for the Chicago-Gary-Kenosha area (which includes DeKalb County) was 2.1 percent for all items. For energy, which is calculated separately, the CPI-U stood at 6.0 percent. One interesting aspect of these numbers is that the only expenditure category showing an overall decrease during that period was recreation, which dropped by 5.5 percent year over year. All other categories – food, housing, apparel, transportation, medical care, education, communication, energy – increased over that same time period. Because recreation arguably is one of the few, if not the only one, of these categories in which spending significantly can be reduced without risk of harm, the real impact of rising prices probably was greater than the 2.1 percent CPI-U for all items excluding energy.

As the City has suggested, it is impossible to accurately forecast what will happen to consumer prices over the coming months and years. Consumer price data and assumptions about future inflation that is based on that data, however, nevertheless is a useful component of any analysis of competing wage proposals. In this particular case, the consumer price data in the evidentiary record argues in favor of the higher wage increases proposed by the Union, especially in light of the fact that the wages earned by the City's officers already lag behind the wages earned by their colleagues in the external comparable communities.

Not only did the City's police officers forego any raise after January 1, 2009, under their most recent contract, which subjected them to the full impact of consumer price rises during that time period, but they likely will continue to face the effects of inflation on consumer prices going forward under either party's wage proposal. It is

quite possible that inflation going forward will eat up a significant portion of the higher 2.5% annual increases sought by the Union. Under the circumstances, I find that the consumer price index also favors adoption of the Union's proposal on wages.

Of the remaining statutory factors, the interests and welfare of the public presents, as previously noted, a mixed impact on this analysis. In light of the resolution of the insurance issues discussed below, however, the public's interest in attracting and retaining its quality employees deserves greater weight on this issue of wages. The public's interest in controlling the personnel costs associated with its public servants, as discussed below, wins out in connection with the three impasse issues involving health insurance. Similarly, and principally because of the resolution of the impasse issues involving health insurance, I find that the overall compensation received by the employees also favors adoption of the higher wage increases proposed by the Union.

One last element that must be considered here is the City's financial condition. The City, as noted, is not claiming a financial inability to meet the costs of the Union's higher wage proposal, or the costs of any of the other Union proposals here. Instead, the City has pointed to the need for restraint and careful control over its personnel and other costs during these challenging economic times. The evidentiary record establishes that the City has taken a number of steps to rein in its costs and to manage its expenses within the constraints of its revenues. Beginning in fiscal year 2008, the City has taken such steps as eliminating positions through attrition, instituting a hiring freeze, implementing furloughs, increasing the sales tax rate, instituting a new motor fuel tax, hiring a consultant to develop a long-term financial strategy, and seeking and receiving

agreements to pay freezes from its employee groups (including the police officers represented by the FOP). This last item shows that the City's employees have stepped up to share the sacrifices that have been necessary to improve the City's finances.

The record also demonstrates that all of these many efforts have started to bear fruit. The City's financial situation has improved to the point that it had a general fund balance of about \$2.7 million at the end of fiscal year 2011. With continued watchfulness and restraint, the City's finances should continue to improve. This improvement, though, also suggests that it is time for the City to share the benefit of that improvement with its police employees, who have materially helped the City make the changes that were necessary to create that improved financial picture.

While it is neither reasonable nor prudent to require the City to accept all of the Union's economic demands, I find that the City's current financial condition absolutely is strong enough to allow it to handle the cost of the Union's wage proposal. This is particularly true because the City will be able to realize other significant cost savings as a result of the resolution of the insurance-related issues discussed below. For all of these reasons, the City's current financial condition supports the adoption of the Union's proposal on salary increases.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the Union's final proposal on the impasse issue of salary increases is more reasonable. Accordingly, the Union's proposal on this issue shall be adopted and included within the parties' new collective bargaining agreement, and it is set forth in the Appendix attached hereto.

## 2. Salary Schedule

On the impasse issue of salary schedule, the Union's final offer is to maintain the *status quo*.

On the impasse issue of salary schedule, the City's final offer is as follows:

Add three new steps to the salary step schedule, which will apply only to employees hired on or after February 13, 2012

Step A-2 halfway between Steps A and B  
Step B-2 halfway between Steps B and C  
Step C-2 halfway between Steps C and D

Many of the same considerations and factors that applied to the above analysis of the parties' wage proposals apply with equal force and effect to this issue of the salary schedule. Because it is the party proposing a change to an existing contractual provision, the City bears the burden of establishing through clear and convincing evidence that there is a need for the proposed change.

In its post-hearing brief the City has argued that its proposed addition of three new steps to the contractual salary step schedule is supported by both the external and internal comparables. Interestingly, the City's brief does not explain precisely why the City is proposing this change to the contractual salary step schedule. This presents a very serious problem for the City in its attempt to justify its proposed change. Quite simply, the City cannot meet its burden of establishing the need for this proposed change through clear and convincing evidence if it does not articulate what that need might be.

Leaving this very basic problem aside for the moment and turning to the relevant statutory factors, it is evident that the City's proposal would extend the number of years

that it would take for the members of the bargaining unit to reach the top of the salary scale. By inserting new steps in between each pair of existing salary steps, employees would receive half the salary increase each year as they move from step to step than they do under the existing salary step schedule. The obvious impact on the employees would be that their annual and career earnings would be depressed as they move through the salary schedule. In addition to the fact that, as previously discussed, the City's police employees already earn less than many of their colleagues in the external comparable communities typically earn, the City's proposal would add an additional drag on the employees' earnings. Under the City's proposal, the longer an employee stays with the Department, the further behind that employee would be relative to the overall earnings of his or her colleagues. Such an outcome hardly is helpful to the important goal of retaining skilled, experienced, and highly trained officers. This is especially harmful to the City and its citizens where the City has invested valuable resources in training its officers.

Adding this particular concern to the general impact of the more attractive salaries available in the external comparable communities, the statutory factors relating to the external comparables and the interests of the general public both strongly support the Union's position here. Similarly, the data in the record relating to the cost of living also supports the Union's position because the wage-depressing impact of the City's proposal would make it more difficult for the employees' wages to keep pace with inflation. The overall compensation of the employees within the bargaining unit is another statutory factor that supports the Union's proposal to maintain the *status quo* on this issue,

particularly in light of the fact that the employees will have less favorable insurance benefits going forward, as discussed more completely below.

The City correctly points out that the internal comparables support its proposal to add steps to the salary schedule, but this support is muted by the fact that the City has not articulated any need, much less a compelling one supported by clear and convincing evidence, for this proposed change. Assuming that the City is seeking this particular change because of its stated need to control costs and spending during these difficult economic times, I find that this need does not overcome the impact of the relevant statutory factors that support maintaining the *status quo*, as the Union has proposed.

A change such as the one that the City proposes here is just the type of modification that should be implemented only upon careful negotiation and mutual agreement of the parties. The City really is seeking to implement quite a sweeping change in the established contractual salary step structure, which presumably came about as a result of many negotiations, and this significant a change to so basic a contractual term should not be imposed from the outside.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the Union's final proposal to maintain the *status quo* on the impasse issue of salary schedule is more reasonable. Accordingly, the Union's proposal on this issue shall be adopted, and the contractual provision on salary schedule shall remain unchanged in the parties' new collective bargaining agreement.

### **3. Employee Contribution for Dependent Health Insurance Coverage**

On the impasse issue of employee contribution for dependent health insurance coverage, the Union's final offer is to maintain the *status quo*.

On the impasse issue of employee contribution for dependent health insurance coverage, the City's final offer is as follows:

January 1, 2011:    3% of base wages, Single Coverage  
                          4%, Single +1 Coverage  
                          5%, Family Coverage

January 1, 2012:    3% of base wages, Single Coverage  
                          4%, Single +1 Coverage  
                          5%, Family Coverage

June 30, 2012, or January 1, 2013 if Arbitrator selects the Union's  
Duration proposal:

                          3.5% of base wages, Single Coverage  
                          4.5%, Single +1 Coverage  
                          5.5%, Family Coverage

With the possible exception of wages, there are very few issues in this current economic environment that have a bigger financial impact on all concerned than health insurance coverage. Because of the increasing costs of medical care and other expenses, health insurance premiums also have been increasing at a significant rate for several years, and those dramatic increases likely will continue for years to come. Employers and employees all feel the impact of these huge increases in the cost of health insurance through higher premiums, higher out-of-pocket costs, reduced benefits, and other effects.

For this reason, this impasse issue and the two impasse issues that follow are critical pieces of the parties' new collective bargaining agreement. The proper resolution

of issues involving health insurance requires a particularly delicate balancing of the parties' competing interests, as well as a careful application of the relevant statutory factors. This issue of employee contributions is very closely related to the following issue of level of insurance benefits, so much of the analysis here also will relate to the next issue.

Historically, the City's employees have paid a percentage of their base wages toward the cost of their health coverage. That percentage has been increased at different times over the past several years, and the City is seeking another increase now. Under the parties' most recent contract, employees contributed three percent of their base wages for single coverage, four percent for dependent coverage, and five percent for family coverage. One other interesting aspect of the percentage basis for the employee contributions is that employees who earn a higher salary pay more toward their health insurance than do employees at the lower end of the salary scale. It also must be noted that given the fact that the members of the bargaining unit have not received a salary increase since January 1, 2009, it is clear that the employees' contributions toward the cost of their health insurance have not kept pace with the overall increases in that cost.

Although the City minimized the utility of predictions about the future moves of the consumer price index, the City has emphasized its predictions about future increases in insurance coverage costs to support its proposed increase in employee contributions toward health coverage. As is true with the consumer price index, it certainly is not possible to accurately predict what will happen to insurance premium costs, but informed estimates nevertheless are helpful in analyzing this issue.

Based on what has happened to insurance premiums over the past several years and on educated predictions about how these premiums will change in the near future, it is not unreasonable to assume that health insurance premiums will continue their upward climb. The parties' bargaining history suggests that they generally agree that the employees should assume responsibility for some portion of the cost of their health insurance coverage. Moreover, the past increases in the percentage contribution figures further show that the parties previously have been able to agree that employee contributions should increase as overall premium costs increase.

The City's proposal to increase the employee contribution rate by one-half of a percentage point for each category of coverage clearly does not, by any calculation, equal the actual increase in health insurance premiums over the past few years or the expected increase over the next few years to come. Even if the City's proposal is adopted, the City itself will continue to shoulder the bulk of the cost of insurance coverage for its police officers. Moreover, the evidentiary record shows that even with the occasional increase in contribution rates that the parties have implemented over the past several years, the employees' share of the cost of their health insurance coverage has been dropping on an annual basis. One very important aspect of the City's proposal is that there will be no increase in the percentage rate for employee contributions until June 30, 2012, or January 1, 2013, depending upon which parties' proposal on the duration of their new contract is adopted here. For the bulk of the effective term of the new Agreement, the employees' contribution rates will remain unchanged from the rates that were in place under the parties' expired contract.

Based on the City's calculations and assumptions about the future of insurance premiums, the City's proposed increase in employee contributions would mean that employees would pay about the same proportion of the total cost of their insurance coverage over the effective term of the parties' new Agreement. It is not entirely clear from the City's figures whether that is true when the Union's wage increase proposals are implemented, or whether the City's calculations are based only on its own wage proposal, which has not been adopted here. It is important to emphasize that because of the higher wage levels that will be paid under the Union's wage proposal, the employees' actual dollar contributions toward their health coverage would be higher even without the City's proposed increase in the percentage basis of their contributions. That being understood, however, I find that the relevant statutory factors nevertheless support the City's proposed increase in employee contributions toward health insurance.

With regard to the external comparables, it is a bit challenging to make a true comparison. As noted, the parties here have established a unique calculation for employee contributions, using a percentage of each employee's base pay. In the external comparable communities, employee contributions toward health insurance generally are calculated using a percentage of the cost of the premium. For those of the external comparables for which such information is readily available, employees pay around ten percent of the premium for single coverage in five communities, and around fifteen percent in one community, Woodstock. In Woodstock, moreover, employee contributions toward health insurance coverage currently are capped at \$30.00 per pay period for single coverage and \$85.00 per pay period for family coverage.

“Doing the math” in comparing the City’s proposal to the contribution rates in the external communities, it is apparent that after the increases that the City has proposed are implemented, the employees in this bargaining unit will contribute more toward their health insurance than will their colleagues in the external communities. Using the City’s projections regarding premiums and contributions as of July 1, 2012, starting employees will be picking up about twenty-two percent of the cost of single coverage, while those employees at the top of the City’s salary scale will be picking up nearly twenty-eight percent of the cost of single coverage.

This is a significant cost to the employees, but that cost would be only slightly lower under the Union’s proposal to maintain the *status quo*. Again using the City’s projections regarding premiums and contributions as of July 1, 2012, starting employees would pay about nineteen percent of the cost of single coverage under the Union’s proposal, while employees at the top of the salary scale would contribute about twenty-four percent of this cost. These figures show that the City’s police officers already contribute more toward their health insurance costs than do their colleagues. The City’s calculations also suggest, however, that the increase in the dollar amount of its employees’ contributions toward higher premiums in 2012 will be lower than the increases in the contributions paid by their colleagues in the external communities.

A straight-up internal comparison of the City’s proposal here with the employee contribution rates that currently apply to its firefighters shows that the City’s proposal precisely mirrors what now appears in the firefighters’ contract. The firefighters’ contribution rates currently are set at the 3%/4%/5% levels, and these rates will increase

to 3.5%/4.5%/5.5 % as of July 1, 2013. Significantly, the City has indicated that the firefighter unit voluntarily agreed to this increased contribution rate.

Based on all of this analysis, both the external and internal comparisons favor adoption of the City's proposal on this issue. Of the other statutory factors, the interest and welfare of the public also favors adoption of the City's proposal. On this particular issue, that public interest and welfare comes down on the side of reducing the tax burden through careful control of personnel costs.

Although it is true that adoption of the City's proposal on this issue will effectively reduce the employees' net wage increase as adopted above, the fact that employees will be receiving the larger wage increase proposed by the Union should soften that blow to some extent. Moreover, this wage increase serves, to some extent, as a *quid pro quo* balancing this increase in the employees' contributions toward their health insurance coverage. In these difficult economic times, there must be some measure of shared sacrifice between employers and their union-represented employees. It certainly is difficult to impose a higher out-of-pocket cost upon employees, but there are sound reasons for doing so in this particular case.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the City's final proposal on the impasse issue of employee contribution for dependent health insurance coverage is more reasonable. Accordingly, the City's proposal on this issue shall be adopted and included within the parties' new collective bargaining agreement, and it is set forth in the Appendix attached hereto.

#### **4. Level of Insurance Benefits**

On the impasse issue of level of insurance benefits, the Union's final offer is to maintain the *status quo*.

On the impasse issue of level of insurance benefits, the City's final offer is as follows:

If the Arbitrator selects a two-year duration for the parties' Agreement, then no change to the insurance plan design. If the Arbitrator selects a three-year duration for the parties' Agreement, then effective January 1, 2013, the insurance plan design would change to an EPI insurance plan.

As is true of the employee contribution issue discussed above, the City's proposal on the issue of level of insurance benefits, or insurance plan design, calls for a change that will take effect on January 1, 2013, and only if this Arbitrator adopts the Union's proposal for a three-year duration for the parties' new Agreement.

The City's proposal to change the design of its health insurance plan springs from recommendations made by EPI, a consultant for the City. The idea behind the proposed changes in the insurance plan is to provide more affordable healthcare benefits. Moreover, as the City correctly has emphasized, this Arbitrator previously has recognized the importance of internal comparability in connection with the selection of health insurance plans. In fact, administrative concerns generally do argue in favor of the adoption of an insurance plan that would apply to all of an employer's employees, both those who are part of different bargaining units and those who are not represented by any union. There certainly are operational and administrative efficiencies, and therefore cost savings, to be gained from administering the same type of insurance plan for all

employees, with the resulting similarity of terms, coverages, rules, exclusions, and other features.

The internal comparison with the City's other employee groups show that at this point, the City's police officers are the only employee group that are not already enrolled, or will be enrolled, in the EPI insurance plan. The evidentiary record establishes that the City's firefighters and non-Union-represented employees already are covered by the EPI plan, and the employees represented by AFSCME will be covered by the EPI as of January 1, 2013. Under the City's proposals, the police officers would join AFSCME members in enrolling in the EPI plan as of January 1, 2013.

The information in the record about the EPI plan indicate that the City and its employees both may realize a significant level of cost savings. Not only will annual premiums be significantly lower under the EPI plan, but employee out-of-pocket expenses for deductibles also may be reduced. That possible reduction in out-of-pocket expenses, however, depends upon how each individual employee uses his or her insurance benefits. The annual maximum deductibles will increase under the EPI plan, but employees will not necessarily reach those maximums.

All of the potential cost savings derived from the proposed switch to the EPI plan, through administrative efficiencies, lower premium costs, and reduced employee out-of-pocket expenses, generally promote the interest and welfare of the public. As with the issue of employee contributions discussed above, this statutory factor comes down on the side of reducing the tax burden through careful control of personnel costs on this particular issue.

The remaining statutory factors are not particularly relevant to this issue. It must be noted that external comparisons can be a valid factor in connection with issues relating to the choice of insurance plans, but the record here does not contain sufficient evidence about the nature and terms of the insurance plans in place in the external communities to make any useful comparison possible.

The Union is correct in arguing that the City's proposal to change its employee health insurance plan to the EPI plan represents a virtually wholesale change in the contractual provisions governing employee health insurance. As indicated in connection with the salary step schedule issue discussed above, such a major change generally should be implemented only after the affected parties to negotiate and agree upon the new terms. The instant issue, however, represents an exception to that general rule. It is no secret that insurance premiums have skyrocketed in recent years, and that this trend is expected to continue for at least several more years. It therefore is critically important for both employers and employees that whatever insurance plan is chosen to cover employee health care represents as cost-effective an approach to providing high-quality coverage and care as reasonably can be found. It is important to remember that just because the parties' contracts long have included particular and detailed provisions governing the type of health insurance coverage that will be provided to the employees does not mean that these long-standing provisions adequately reflect the current realities associated with health insurance. In this particular situation and at this particular time, the exploding costs of health care coverage almost requires the City and its employees to seek out new possibilities for health insurance. The City's proposal on this issue does just that. By

proposing that the *status quo* be maintained, however, the Union has signaled that it is not willing to address the problem of sky-rocketing health coverage costs through the collective bargaining process. Under these circumstances, it is appropriate to grant what amounts to a breakthrough in this interest arbitration proceeding.

The City's proposal is framed in the alternative, depending on whether this Arbitrator adopts the City's proposal of a two-year effective term for the parties' new Agreement or the Union's proposed three-year term. Because this Arbitrator finds that the three-year term proposed by the Union is more appropriate, for reasons discussed below, the City's alternative proposal pursuant to a three-year term is the appropriate statement of resolution on this impasse issue.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the City's final proposal on the impasse issue of level of insurance benefits is more reasonable. Accordingly, the City's proposal on this issue shall be adopted and included within the parties' new collective bargaining agreement, and it is set forth in the Appendix attached hereto.

#### **5. Elimination of Retiree Health Insurance Benefits**

On the impasse issue of the elimination of retiree health insurance benefits, the Union's final offer is to maintain the *status quo*.

On the impasse issue of the elimination of retiree health insurance benefits, the City's final offer is as follows:

Gradually phase out the City's contribution to the cost of retiree health insurance using a 4-tier plan. There are no changes to the benefits of employees who have already retired or employees who retire within 60 days of the Arbitrator's award.

As part of the *quid pro quo* for these changes, the City's offer includes a \$500 signing bonus, and a no-layoff guarantee for current employees through the term of the contract.

Tier 1: Employees hired before 1986 who retire with 20+ years of service.

A) The City will pay 50% of the cost of the insurance premium from age 50-65; B) the City will pay the insurance after age 65: the City will be the secondary insurance coverage (Medicare is primary); C) the City will pay 20% of the cost of coverage for the retiree's spouse while the retiree is alive and between the ages of 50-65; D) the City will not contribute to the cost of the spouse's insurance after age 65.

Tier 2: employees hired after 1986 but before July 1, 2001, who retire with 20+ years of service. A) The City will pay 50% of the cost of the insurance premium from age 50-65; B) after age 65, the City will put \$2,000 per year, each year the retiree is alive, into a PEHP account, regardless of whether the retiree stays in the City's insurance plan or purchases insurance from another source; C) if the retiree remains in the City's insurance plan after age 65, the retiree will pay 100% of the premium; D) the City will pay 20% of the cost of coverage for the retiree's spouse while the retiree is alive and between the ages of 50-65; E) the City will not contribute to the cost of the spouse's insurance after age 65.

Tier 3: employees hired after July 1, 2001 through July 1, 2011: A) the City will match dollar-for-dollar contributions into a 457 account up to \$2,000 per year; B) if the employee elects to participate in the City's medical plan, the employee will pay 100% of the premium costs.

Tier 4: employees hired after July 1, 2011 – no retiree health insurance subsidy. If the employee elects to participate in the City's medical plan, the employee will pay 100% of the premium costs.

Because it is seeking what amounts to a "breakthrough" on the issue of retiree health insurance, the City bears the significant burden of proving that there is a substantial and compelling justification for its proposal to gradually eliminate the currently existing retiree health insurance benefit. The justification cited by the City is that an independent consultant, EPI, has characterized as "unsustainable" the current retiree health insurance benefit. The City Council has agreed with this, unanimously

stating that the City cannot afford to maintain the current retiree health insurance benefit.

It is by no means news that government entities are facing an explosion in the cost of maintaining their historic promises to provide health insurance coverage to their retirees, just as they face rapidly increasing costs in providing health insurance coverage to currently working employees. Because the City currently pays 100% of the cost of health insurance coverage for its retired employees who have reached the age of sixty, it is not surprising that the evidentiary record indicates that the City pays about \$1 million each year in costs associated with retiree health insurance. The City has described this current retiree health coverage system as “broken.”

As was true in connection with the two preceding impasse issues relating to health care coverage, the Union’s proposal to maintain the *status quo* on the issue of retiree health insurance benefits indicates that the Union so far has been unwilling to accept any changes that would address the problem of the sky-rocketing cost of this coverage. Moreover, there is little or no evidence that would suggest that the Union might be willing to change this stance in future negotiations. In such a situation, it is appropriate for an interest arbitrator to consider the adoption of such a sweeping, game-changing proposal.

The City is not suggesting that the employees must accept this substantial change in retiree health insurance benefits as a stand-alone matter. Instead, the City has included some important and valuable terms that serve as *quid pro quos* for the dramatic change that it seeks. Not only will employees receive a \$500 signing bonus if the City’s proposal is included in the parties’ new Agreement, as well as a no-layoff guarantee for the term of

the new Agreement, but the proposed four-tier system will offer new health insurance benefits to some employees and their spouses. Moreover, the plan that the City has proposed will result in savings to the City itself and potentially to some of its retirees depending upon what options they choose under the new system. The most significant of these possible sources of savings to the retirees themselves is that the City will contribute to the cost of spousal coverage for those retirees in Tiers 1 and 2. This is a completely new and valuable benefit.

As for the relevant statutory factors, it is significant that there is no evidence that any of the external communities pay the total cost of retiree health insurance as the City now does. The record indicates that only one of the external comparables, Belvidere, pays for any portion of a retiree's health insurance coverage, and that portion is being reduced.

The internal comparison with other City employee groups is of particular importance, as it was in connection with the other two insurance-related impasse issues. The City has emphasized that the IAFF worked with it to develop the very four-tier phase-out structure that the City proposes here, and the City further points out that AFSCME has agreed to a similar plan. As for those employees who are not represented by any union, the City Council passed a resolution that eliminates the retiree insurance subsidy. On this record, the internal comparison absolutely supports the City's proposal here.

As was true in connection with the other two health insurance impasse issues, the interests and welfare of the public comes down on the side of reducing the tax burden

through careful control of personnel costs on this particular issue. The fact that employees are receiving increased wages under the parties' new Agreement suggests that the employees' overall compensation offers some support for the City's proposal, although this is not determinative. The other statutory factors generally are not relevant here.

Again, it is difficult to reduce such an important benefit, particularly when it impacts retirees who may be more financially vulnerable than currently working employees. The City's proposal, however, does offer some protection to current retirees and those who will be retiring soon. Moreover, it may be better for everyone in the long run if steps are taken now to gradually phase out what may be an "unsustainable" benefit rather than do nothing and risk that the City might face such financial difficulties that will suddenly and with little warning prevent it from providing any more retiree health coverage.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the City's final proposal on the impasse issue of the elimination of retiree health insurance benefits is more reasonable. Accordingly, the City's proposal on this issue shall be adopted and included within the parties' new collective bargaining agreement, and it is set forth in the Appendix attached hereto.

## **B. Non-Economic Issues**

### **1. Duration of Agreement**

On the impasse issue of duration of the Agreement, the Union's final offer is a

three-year effective duration.

On the impasse issue of duration of the Agreement, the City's final offer is a two-year effective duration.

The parties' recent bargaining and contractual history establishes an appropriate backdrop against which these two competing proposals may be properly evaluated. The parties' most recent agreement, imposed after a prior interest arbitration proceeding, had an effective term of only eighteen months, expiring as of June 30, 2010. Beginning a few months before this prior agreement was scheduled to expire, the parties have been engaged in collective bargaining negotiations, mediation, and this interest arbitration proceeding in an effort to complete a new collective bargaining agreement.

If the City's proposal of a two-year effective duration were to be accepted, that new contract would have an effective expiration date of June 30, 2012, less than a month after the issuance of this Decision and Award. This would mean that the parties would have to immediately enter into a new round of collective bargaining negotiations in an effort to come to terms on their next contract. Given that they have been unable to resolve all outstanding issues without resorting to interest arbitration for two contract cycles in a row, there is little reason to believe that the parties will be successful in doing so on their next contract. Adopting the City's proposed two-year duration for the parties' new collective bargaining agreement essentially would consign the parties to several more consecutive years of negotiations, turmoil, and uncertainty, adding on to the many consecutive years of such strife that they already have endured. This hardly is the recipe for labor peace.

It is evident that the parties need a bit of a breather, however short that break might be. Adoption of the Union's proposed three-year duration for the parties' new Agreement would result in that new Agreement being scheduled to expire as of June 30, 2013, thereby allowing the parties at least a few months of peace before they must return to the bargaining table and negotiate their next contract. These circumstances strongly argue in favor of the Union's proposal on this issue.

The City has pointed to various uncertainties that are associated with a longer duration. It certainly is true that there have been recent fluctuations in the City's General Fund numbers, and it is not possible to predict with any certainty what will happen with the cost of living over the next several months. Fluctuations in a municipality's general fund are hardly unusual, though, and this does not support imposing the heavy costs associated with continued and protracted labor negotiations upon the parties.

One other obvious drawback associated with contracts having shorter durations is that the parties have to negotiate more contracts over time than they would if their contracts had longer effective terms. The effect of this is that the parties essentially would be involved in continuous negotiations over the course of years and years. If the City's proposed two-year duration were adopted, the parties' eighteen-month contract will be succeeded by a two-year contract, the parties would have to immediately return to negotiations for their next contract, and this next contract very likely would be of similarly short duration based on the same arguments that the City has presented here. There is a definite financial burden associated with having to negotiate three contracts in less than six years, not to mention the harm this does to what should be a productive and

cooperative relationship between labor and management. Even worse, the parties would have to follow up these three short contracts within six years by starting to work on their fourth contract before that six-year period ended. Had the parties been able to agree on contracts of the more typical three-year duration throughout this same time period, and if the parties' expired eighteen-month contract had been a three-year agreement, then that three-year agreement would have expired only a few months ago.

Certainly, the uncertainties and turmoil inevitably associated with such short-term agreements outweigh whatever certainties come with establishing wages, benefits, terms, and conditions of employment for a three-year period. It also must be noted that whenever parties negotiate a labor agreement of whatever duration, it will not be possible for them to precisely and accurately predict what will happen with the cost of living going forward. This is no reason for parties to throw up their hands and retreat from the effort.

The interests of the general public, one of the Act's statutory factors, supports adoption of a longer contract term here. The City's citizens definitely have an interest in anything that promotes a stable and cooperative working relationship between management and a bargaining unit composed of critical first-responders. Because a longer contract term will help to foster just such a relationship, this statutory factor supports the adoption of the Union's proposal on the issue of the duration of the parties' new Agreement.

The record does not suggest any particular reason for favoring a two-year agreement over a three-year agreement, while the interests of the general public, the

promotion of labor peace and a cooperative working relationship, reduction of the financial and other heavy costs associated with the negotiation process, and several other factors all support the adoption of a longer three-year term.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the Union's final proposal on the impasse issue of the duration of the agreement is more reasonable. Accordingly, the Union's proposal on this issue shall be adopted and included within the parties' new collective bargaining agreement, and it is set forth in the Appendix attached hereto.

## **2. Vacation Scheduling**

On the impasse issue of vacation scheduling, the Union's final offer is to maintain the *status quo*.

On the impasse issue of vacation scheduling, the City's final offer is to convert vacation accrual and scheduling to a calendar-year schedule with no loss of benefits to any employees.

The City has offered several justifications for its effort to change the existing contractual method of accruing and scheduling vacation to one that is based on the calendar year. All other City employees use the calendar-year vacation schedule, which means that the internal comparables support the City's proposed change. The City also points out that if its proposal is adopted, then it will be easier to administer vacation requests, which is not an insignificant point of consideration. The City has asserted that the employees will not lose any accrued vacation or vacation benefits as a result of this proposed change, which should be possible if the City properly pro-rates vacation accrual

during the shortened period used to transition to the calendar-year schedule and if the City properly handles vacation schedules during this same shortened period.

All of the City's stated reasons for seeking this change to the vacation schedule are rational and reasonable. Altogether, the City has made a compelling case for its proposal. In opposing the City's proposal and arguing to maintain the *status quo*, the Union essentially has argued that it has not received sufficient information to back up the City's claim that there will be no negative impact upon the members of the bargaining unit. The Union seeks documents demonstrating what the City's proposal would mean to individual employees, how the City would handle existing employee vacation accruals and schedules without loss of benefits, and precisely how the change would work.

This Arbitrator is not certain what sort of documents would satisfy the Union's concerns about the mechanics of implementing such a change, but the record nevertheless suggests that a relatively simple and common *pro rata* approach to handling the change would ensure that employees do not suffer any loss in vacation accrual. As far as any impact on already scheduled or soon-to-be scheduled vacations, there does not appear to be many, or any, roadblocks to ensuring that employees suffer no losses there as a result of changing to a calendar-year schedule. Given the administrative advantages that will result from having all employees on the same calendar-year system for vacation accrual and scheduling, the real positives of the City's proposed change far outweighs the theoretical negatives.

One important safeguard for the bargaining unit members expressly appears in the City's proposed language. This proposal expressly provides that this conversion to a

calendar-year system will be made “with no loss of benefits to any employees.” Should the City’s implementation of this change in the vacation accrual and benefit schedule lead to any loss of benefits, then the Union and any aggrieved employees will have recourse to the contractual grievance and arbitration process to seek a full remedy.

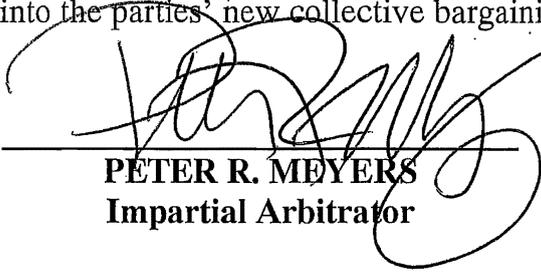
The City successfully has established a compelling and reasonable case for its proposal to change the vacation accrual and scheduling system to a calendar-year basis. The record does not contain any evidence that suggests any advantage to maintaining the *status quo*, while there are clear administrative advantages to adoption of the City’s proposal. Based on the evidentiary record, there is no reason not to adopt the City’s proposal, especially because it will not harm the employees in any while and because it will streamline and otherwise improve the City’s ability to administer vacation accrual and schedules for all of its employees.

Based on the relevant statutory factors, the evidence in the record, and the considerations set forth above, this Arbitrator finds that the City’s final proposal on the impasse issue of vacation scheduling is more reasonable. Accordingly, the City’s proposal on this issue shall be adopted and included within the parties’ new collective bargaining agreement, and it is set forth in the Appendix attached hereto.

**Award**

This Arbitrator finds that the language set forth in the attached Appendix shall be

adopted and incorporated into the parties' new collective bargaining agreement.



A large, stylized handwritten signature in black ink, appearing to read 'Peter R. Meyers', is written over a horizontal line. The signature is fluid and cursive, with the first name 'Peter' being particularly prominent.

**PETER R. MEYERS**  
**Impartial Arbitrator**

**Dated this 13<sup>th</sup> day of June 2012**  
**at Chicago, Illinois.**

## APPENDIX

### Salary Increases

	<b>Current</b>	<b>7/1/2010</b>	<b>7/1/2011</b>	<b>7/1/2012</b>
		<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>
<b>Patrolman</b>				
<b>A</b>	27.49	28.18	28.88	29.60
<b>B</b>	29.95	30.70	31.47	32.25
<b>C</b>	31.35	32.13	32.94	33.76
<b>D</b>	32.97	33.79	34.64	35.51
<b>E</b>	34.62	35.49	36.37	37.28
<b>Corporals</b>	36.35	37.26	38.19	39.14
<b>Sergeants</b>	40.05	41.05	42.08	43.13

### Employee Contribution for Dependent Health Insurance Coverage

January 1, 2011: 3% of base wages, Single Coverage  
4%, Single +1 Coverage  
5%, Family Coverage

January 1, 2012: 3% of base wages, Single Coverage  
4%, Single +1 Coverage  
5%, Family Coverage

June 30, 2012, or January 1, 2013 if Arbitrator selects the Union's  
Duration proposal:

3.5% of base wages, Single Coverage  
4.5%, Single +1 Coverage  
5.5%, Family Coverage

### Level of Insurance Benefits

If the Arbitrator selects a two-year duration for the parties' Agreement, then no change to the insurance plan design. If the Arbitrator selects a three-year duration for the parties' Agreement, then effective January 1, 2013, the insurance plan design would change to an EPI insurance plan.

## **Elimination of Retiree Health Insurance Benefits**

Gradually phase out the City's contribution to the cost of retiree health insurance using a 4-tier plan. There are no changes to the benefits of employees who have already retired or employees who retire within 60 days of the Arbitrator's award. As part of the *quid pro quo* for these changes, the City's offer includes a \$500 signing bonus, and a no-layoff guarantee for current employees through the term of the contract.

Tier 1: Employees hired before 1986 who retire with 20+ years of service. A) The City will pay 50% of the cost of the insurance premium from age 50-65; B) the City will pay the insurance after age 65; the City will be the secondary insurance coverage (Medicare is primary); C) the City will pay 20% of the cost of coverage for the retiree's spouse while the retiree is alive and between the ages of 50-65; D) the City will not contribute to the cost of the spouse's insurance after age 65.

Tier 2: employees hired after 1986 but before July 1, 2001, who retire with 20+ years of service. A) The City will pay 50% of the cost of the insurance premium from age 50-65; B) after age 65, the City will put \$2,000 per year, each year the retiree is alive, into a PEHP account, regardless of whether the retiree stays in the City's insurance plan or purchases insurance from another source; C) if the retiree remains in the City's insurance plan after age 65, the retiree will pay 100% of the premium; D) the City will pay 20% of the cost of coverage for the retiree's spouse while the retiree is alive and between the ages of 50-65; E) the City will not contribute to the cost of the spouse's insurance after age 65.

Tier 3: employees hired after July 1, 2001 through July 1, 2011: A) the City will match dollar-for-dollar contributions into a 457 account up to \$2,000 per year; B) if the employee elects to participate in the City's medical plan, the employee will pay 100% of the premium costs.

Tier 4: employees hired after July 1, 2011 – no retiree health insurance subsidy. If the employee elects to participate in the City's medical plan, the employee will pay 100% of the premium costs.

## **Duration of Agreement**

This Agreement between the parties shall be in effect for three years.

## **Vacation Scheduling**

Vacation accrual and scheduling shall be converted to a calendar-year schedule with no loss of benefits to any employees.