PUBLIC EMPLOYMENT RELATIONS BOARD

STATE OF NEW YORK

In the Matter of the Interest Arbitration between VILLAGE OF CANTON and CANTON POLICE ASSOCIATION	AWARD PERB Nos. IA80-29; M79-531

On August 21, 1980 the New York State Public Employment Relations Board appointed Dale S. Beach to serve as the arbitrator in a voluntary interest arbitration proceeding between the Village of Canton, hereinafter referred to as the "Village", and the Canton Police Association, hereinafter referred to as the "Association". Later, as a result of a clarification, it was determined that both parties wanted the arbitration proceeding to be compulsary interest arbitration with a three member arbitration panel in accordance with Section 209.4 of the Public Employees' Fair Employment Act (The Taylor Law). This change to compulsory interest arbitration has been verified and approved by the Public Employment Relations Board.

The Public Arbitration Panel is composed of the following persons:

Dale S. Beach, Public Panel Member and Chairman

Arthur Grisham, Employer Panel Member

H. Styles Bridges, Employee Organization Panel Member

The arbitration hearing was held on November 6, 1980 in the Municipal Building at Canton, New York. At the hearing both parties were afforded full opportunity to present testimony, exhibits, and arguments in support of their positions and to cross-examine opposing witnesses. Witnesses were sworn. At the hearing the Village submitted into evidence 11 exhibits, the Association submitted 10 exhibits, and one exhibit was submitted jointly.

The arbitration panel met in executive session in Lake Placid, New York on November 11, 1980.

Appearances

For the Village

Richard Lobdell, Village Trustee and Spokesperson

For the Association

Ronald Houle, Police Sergeant and Spokesperson
Roger Hill, Police Officer
Robert Camp, Police Officer

BACKGROUND

The last agreement between the parties covers the period from June 1, 1978 through May 31, 1980. There are 10 police officers in the bargaining unit.

On February 6, 1980 the Association and the Village reached a tentative agreement in contract negotiations for a new contract to cover the two-year period starting June 1, 1980. The first year of this tentative agreement provided for an 8 1/2% wage increase and several improved benefits including a term life insurance policy for each individual in the amount of $10,000. The second year of the agreement contained a reopener for wages and retirement benefits only.

On February 9 the membership of the Association ratified the tentative agreement by a unanimous vote. But on February 29 the

Village informed the Association that the Village Board had decided it would not go along with the life insurance in the first year nor the reopener for retirement benefits in the second year.

An impasse was declared and PERB Mediator Paul B. Curry was appointed to enter the dispute.

As a result of mediation the parties drew-up a memorandum of agreement on April 2, 1980. This stated that in lieu of a wage increase in the second year of the agreement, the Police Unit would receive, effective June 1, 1981, the special 20-year retirement plan (Section 384-d). Except for life insurance which was dropped, the elements for the first year were those agreed to on February 6.

Later in the day of April 2 the Village Board met in executive session and approved the 20-year retirement plan (Section 384-d) and the other items in the package. However sometime later the Board reconsidered its position regarding the 20-year retirement plan. It rejected this part of the agreement because of the cost of the plan.

On August 6, 1980 the Village and the Association jointly wrote to PERB requesting interest arbitration in accordance with Section 205-4 of the Rules of Procedure of PERB.

The basic cause for this impasse is that the parties did not possess the correct information, at the time of contract negotiations and of mediation, regarding the cost of the 20-year retirement plan. Both parties believed that to change from the current 25 year plan to the 20-year plan the cost for Tier 1 members would not increase from the current 29% of wages. They did know however that the rate for Tier 2 members would increase from about 19% to 29%.

ISSUES TO BE DECIDED

At the Hearing the Village and the Association agreed that the issues to be decided by this interest arbitration panel are as follows:

1. Which retirement plan:
   the current 25-year plan (Section 384) or the proposed 20-year plan (Section 3840-d)?
2. Wage increase

Both of the above matters are to apply to the second year of a two year contract. The contract period is from June 1, 1980 through May 31, 1982. The content of the first year of the contract has already been agreed by the parties.

POSITION OF ASSOCIATION

The Association members strongly want the right to retire on pension at the end of 20 years of employment. The Association advances several arguments in support of its position.

Because the Canton Police Department is small there is little chance for promotion. There are no special assignments such as forensic, narcotics, or detective. More opportunities for promotion into sergeant positions would open up if the 20-year retirement plan were adopted because the older sergeants could retire five years sooner.

Both patrolemen and sergeants are required to perform routine patrol duties. When a partrolman has been on the streets for twenty years, he often suffers from "burn-out".

The adoption of a 20-year retirement plan would enable the Village to hire more of the young, college-trained personnel for this work. This would enhance the quality of performance. Furthermore, the younger police officer is better able to deal with the problems of the street.

If police officers can retire five years earlier, they have a greater possibility of developing a meaningful second career.

Seventy-two villages in New York State already have the 20-year retirement plan. State-wide figures show that the overwhelming majority of police officers do retire at the stated number of years of their retirement plan even though they have a right to work longer.

The Association's Exhibit 5 provides detailed cost figures for the proposed 20-year plan compared with the present 25-year plan. This analysis is divided into three parts as follows:

1. Immediate cost difference (contribution rates) each Tier Group--

	Tier 1 Members	Tier 2 Members
Proposed 20-year plan	42.7%	29.3%
Present 25-year plan	29.4%	19.8%
additional costs	13.3%	9.5%

The additional costs would be partially offset by foregoing any wage increase for the period June 1, 1981 through May 31, 1982.

2. Cost of converting Tier 1 members to a 20-year plan as compared with keeping these members an additional 5 years under the present plan. Depending upon the person involved the additional cost would range from a minimum of 5.8% to a maximum of 8.5% of wages.

3. Cost of maintaining the 20-year plan for Tier 2 members after all Tier 1 members have retired. When the savings from hiring a new person at the bottom of the salary schedule are taken into account, the Association computed the overall average increase in retirement contribution to be 3.8% of wages. Note: At the arbitration hearing the Village stated that health insurance is paid for retirees. When this is included, the overall average increase in contribution is about 4.8% of wages.

POSITION OF VILLAGE

Upon learning the true cost of the 20-year retirement plan the Village Board decided that it could not afford the high cost. For the six officers in Tier 1 plus the four officers in Tier 2 the Village calculated that the first year cost for the present 25-year plan is $40,450 and the first year cost for the proposed 20-year plan would be $59,708. Thus the additional first year cost would be $19,258. (This would be partially offset by the foregoing of a wage increase for that year). At the time of mediation both parties believed that the additional one-year cost would be only $10,000.

If a person decides to continue working beyond the 20th year, the Village would have to continue paying the higher percentage contributions of the 20-year plan.

By projecting the costs at the current wage scale for a 10-person work force (starting with the people presently employed) from June 1, 1981 to June 1, 1998, the Village calculates that the total cost under the 20-year plan would aggregate to $919,291 and the total cost of the current 25-year plan would aggregate to $667,180. The excess of $252,111 amounts to $14,006 extra per year.

In regard to comparability the Village submitted survey data for Ogdensburg, Massena, Potsdam, Saranac Lake, Malone, and Gouverneur. Gouverneur has just adopted the 20-year retirement plan. All the others have the 25-year plan.

The Village pays the health insurance premium for retirees. If the 20-year plan were adopted, officers would presumably retire 5 years earlier. A new officer would have to be hired to replace the retiree. This means that the Village would be paying the health insurance for two persons for the 5-year period and would only receive the services of one person.

The Village claims that Canton police, by and large, are not exposed to the crimes of violence that face officers in big cities. Therefore the argument that police officers should be granted the 20-year plan as a reward for their service (instead of the present 25-year plan) isn't a valid argument. Also the Village does not agree with the Association's contention that officers who are five years older are less effective than the somewhat younger officers.

In regard to salaries the Village supplied salary data for the City of Ogdensburg and the villages of Massena, Potsdam, Saranac Lake, Malone and Gouverneur. (These will be given later in this report.)

ANALYSIS AND DISCUSSION

At the present time Canton's financial situation is sound. For the period June 1, 1980 through May 31, 1981 the Village has an unappropriated surplus of $158,090.

Comparability with other communities is an important criterion to be evaluated in interest arbitration. Municipalities within 150 miles of Canton that have the 20-year retirement plan are Gouverneur, Watertown, Plattsburgh, and Rouses Point. From the information presented by the parties it is not certain whether Malone has the 20-or 25-year plan. The heaviest concentrations of communities having the 20-year plan are in the lower Hudson Valley and Long Island. In addition several communities in the areas of Buffalo, Rochester, and the Capital District have the plan. But, the 20-year plan is uncommon in northern New York State.

Let us now examine the additional cost of the 20-year plan over the present 25-year plan for both the short run and the long run. The Village and the Association each computed the added costs somewhat differently. But based upon their assumptions and the span of years projected, it appears that both parties' computations are essentially correct.

According to Village Exhibit 2 the total 1981-82 salary payroll including longevity for the 10 members of the bargaining unit would be $155,507 (assuming the salary schedule of 1979-80). The average per year extra cost of the 20-year plan to June 1, 1998 would be $14,006. This represents 9% of the 1979-80 payroll.

Association Exhibit 5 shows that the immediate additional cost would be 13.3% of wages for Tier 1 members and 9.5% of wages for Tier 2 members. With 6 Tier 1 members and 4 Tier 2 members the weighted average increase would be 11.8%. For the period June 1, 1981 through May 31, 1982 this would be largely reduced by the omission of a wage increase.

The extra cost of converting Tier 1 members to the 20-year plan would range from 5.8% to 8.5% of their wages, depending upon how many years of service they would have remaining to reach their 25th year. This calculation by the Association assumes new people are hired to work the last 5 years and these new people would be in Tier 2.

The extra cost to go to the 20-year plan for Tier 2 members, projected to 25 years, would be about 4.8% of wages. This calculation by the Association takes advantage of the savings realized by replacing a person at the end of his 20th year with a new officer who starts at the bottom of the pay schedule.

It must be noted that the kinds of savings from the initial high costs of the 20-year plan that are depicted in the two foregoing paragraphs would also be realized with the present 25-year plan if a projection is made far into the future. Regardless of whether a community has the 20-year or the 25-year plan, there is a saving in costs when Tier 1 members retire and are replaced by Tier 2 members and when members at the top of the pay schedule retire and are replaced by people at the bottom of the pay scale.

After evaluating all the evidence and all the considerations, this arbitration panel feels that the adoption of the 20-year retirement plan (Section 384-d) is not justified at this time for the following reasons:

1. The additional cost of the 20-year plan compared with the 25-year plan is quite heavy. We feel this cost would be too great a burden upon the Village.

2. If this arbitration panel were to award the 20-year plan, the Village would have to bear the cost of this most expensive of retirement plans in perpetuity. Unlike other employee benefits this retirement benefit could not be changed in future contract negotiations even if both parties mutually agreed to do so.

3. A main thrust of the Association's argument is that the members want to retire 5 years earlier because interest and challenge are lacking after many years on the job and because opportunities for promotion are limited. Further, the members think it would be easier to enter upon other careers if they retire 5 years earlier.

But job satisfaction, or lack of it, is dependent somewhat upon each individual's personal perspective. The choice between a 20-and a 25-year retirement plan does not really get to the root of the claimed job dissatisfaction problems. The arguments regarding job satisfaction and second careers advanced by the Association are not sufficiently strong to warrant the substantial added cost to the Village of the 20-year plan.

4. No documentary data was supplied to show that police officers in their late 40's are any less effective in the performance of their duties than these same individuals were in their early 40's.

5. There are insufficient other communities in northern New York State that have the 20-year plan to support a decision in favor of it on the basis of comparability.

Salaries

The second issue to be decided by this arbitration panel is the amount of the salary increase for the second year of the projected 2-year agreement (specifically for the period June 1, 1981 through May 31, 1982).

Village Exhibit 1 provides comparative salary data for Ogdensburg, Massena, Potsdam, Saranac Lake, Malone, Gouverneur, and Canton. The top salaries for patrolman (excluding longevity) are as follows for the year 1980:

Potsdam	$15,588
Canton	15,038
Massena	14,360
Ogdensburg	13,945
Gouverneur	12,904
Malone	11,600

The 1980 starting salaries for patrolman are as follows:

Potsdam	$13,062
Canton	12,977
Massena	12,424
Ogdensburg	11,495
Malone	10,900
Gouverneur	9,812

Note: Saranac Lake is not listed above because the data supplied is for 1979.

The Consumer Price Index for urban wage earners and clerical workers has shown an increase compared with the corresponding period of a year earlier of between 12 and 13% for the past several months. Salary increases in the public and private sectors over the past year have lagged a few percentage points behind the CPI.

This arbitration panel determines that the salaries shall be increased 9.0% for the period June 1, 1981 through May 31, 1982 over those in effect for the period June 1, 1980 through May 31, 1981.

AWARD

1. The proposal of the Association to adopt the 20-year retirement plan (Section 384-d), to take effect starting in the second year of a two year agreement (specifically June 1, 1981 through May 31, 1982) is denied.

2. The salaries shall be increased 9.0% for the period June 1, 1981 through May 31, 1982 over those in effect for the period June 1, 1980 through May 31, 1981. This increase shall be calculated the same way as the parties have done for the increase for the first year of the agreement.

3. The salary and benefits agreed to previously by the Village and the Association for the first year of the agreement (June 1, 1980 through May 31, 1981) are confirmed. These items are described on page 2 of the Association Exhibit 1, which is a copy of the joint request to PERB for interest arbitration dated August 6, 1980.

Dale S. Beach

Dale S. Beach, Chairman
and Public Panel Member

STATE OF New York)
) ss.:
COUNTY OF Rensselaer)

On this 30th day of January, 1981, before me personally came and appeared DALE S. BEACH to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same..

Andrea J. Grozzo
Notary Public
Mechanicville, N.Y. 12118

ANDREA J. GROZZO
Notary Public, State of New York
Residing in Saratoga County
My Commission Expires Mar. 30, 1982

Arthur P. Grisham

Arthur Grisham
Employer Panel Member

STATE OF New York)
COUNTY OF St. Lawrence) ss.:

On this 9th day of January, 1981, before me personally came and appeared ARTHUR GRISHAM to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.

Judy M. Brothers

JUDY M. BROTHERS, NOTARY PUBLIC
IN THE STATE OF NEW YORK
MY COMMISSION EXPIRES
MARCH 30, 1982

DISSENTING

H. Styles Bridges
Employee Organization Parc.
Member

STATE OF New York)
COUNTY OF St. Lawrence } ss.:

On this 9th day of January ,19 81 , before me personally came and appeared H. STYLES BRIDGES to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.

Judy M. Brothers

JUDY H. BROTHERS, NOTARY PUBLIC
IN THE STATE OF NEW YORK
MY COMMISSION EXPIRES
MARCH 30, 19 82

DESSENT REPORT

My dessent over the 20 year retirement and the 9% pay increase are based on the following reasons:

20 Year Retirement

In our "closed door session", November 4, 1980, we immediately focused our attentions on the maximum salary increase. The municipal representative stated 9% would be the maximum allowed by the village. This established the criterion to make a cost comparison between a 9% salary increase and the 20 year retirement.

In order to evaluate the true cost of a salary increase, one must add on the additional social security contributions and retirement contributions. Other factors such as New York State Disability Insurance and Workmans Compensation will be deleted from our comparison.

The additional costs are:

9.00%	Maximum Salary Increase - 1982
2.25%	Average Pension Contribution (25% x 9%)
.59%	Social Security Contribution (6.65% x 9%)
11.84%	Total

11.84% represents the true cost to the village of a 9% salary increase. Referring to page 9, the first paragraph of the "Award Report", it is indicated that the average cost of converting to the 20 year retirement would be 11.84% overall. Moreover, the 11.8% reduces to 4.8% assuming all Tier #1 members retire at the end of their 20 years service. This is in direct contrast to the 11.84% cost of a salary increase which would remain constant throughout the years.

The argument was raised that once a 20 year program was instituted, there would be no provisions to rescind it. In contrast, it was pointed out, that in no case was it apparent to this panel member, that a salary increase has historically ever been rescinded.

Further points were conceded by the Police Association. At the bargaining table, it was agreed that the police would give up a salary increase the second contract year (9% awarded - 11.84% actual cost) and give up any fringe benefits the second and third year. Fringe benefits have averaged 3% each year. Therefore, the cumulative savings assumed by the village would total 6%. (Refer to Police Exhibit #5 - page 2A) This equates the first year cost of the new retirement program. The second and third year costs would subsequently be reduced from 11.84% to 8.84%. (11.84% minus 3%) Again, these figures reflect a cost which is significantly less than the 11.8% salary increase.

On page 9, paragraph 4 of the "Award Report", reference is made to the savings incurred by retiring an employee after 25 years of service. It must be pointed out that there are definite savings effectuated in both cases, but carrying a senior member at the pinnacle of the salary schedule for an additional 5 years, certainly over shadows the cost savings generated by retiring that same member 5 years sooner.

This is evidenced by the highest and lowest paid employee.

An argument was introduced in our "closed door session" concerning future bargaining. It was noted that if the 20 year plan was awarded, in future negotiations, the additional costs incurred would not be reflected as plainly as a salary increase. To this panel member, this argument is invalid and irrelevant. It served only as an indictment against future negotiators abilities to deal with the total cost picture.

9% Salary Increase

In the later portion of our session, it became apparent that the neutral member was not in favor of the retirement option. Attention was then focused on salary increase as an alternative. This member now found himself the target of a bargaining session. In an attempt to achieve unanimity, percentage increases above the 9% standard were discussed. It was my position that regardless of the percentage amount, a cash award that provided no obvious return for the village other than a "give-away", was not satisfactory. The 20 year retirement plan would have been a true benefit for all parties concerned.

By retiring senior members five years earlier, a more dynamic police department would emerge. Younger officers, with college education, would be replacing the older "burnouts". In a job that is demmanding both emotionally and physically, the quality of performance would be significantly upgraded. Because the department generally adheres to a policy of promotions based on seniority, it would provide more opportunity for younger members to excel up the ranks. Ultimately, the quality of personnel and administration would be elevated.

It is for the forementioned reasons that I respectfully submit my dessent for the denial of the 20 year retirement and the 9% salary increase award.