

STATE OF NEW JERSEY
PUBLIC EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Interest Arbitration Between

TOWNSHIP OF LOGAN

and

LOGAN TOWNSHIP POLICE ASSOCIATION, PBA LOCAL 122

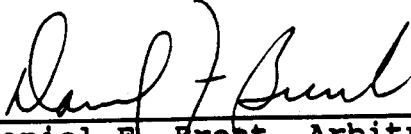
Docket No. IA-97-55

AWARD OF INTEREST ARBITRATOR

The undersigned Arbitrator, having been designated in accordance with the arbitration agreement entered into by the above-named parties, and having been duly sworn, and having duly heard the proofs and allegations of the parties, AWARDS as follows:

Based on the evidence submitted, the Township's proposal regarding health care coverage, as set forth at length in the accompanying Opinion, is hereby awarded.

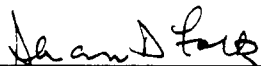
September 9, 1998



Daniel F. Brent, Arbitrator

State of New Jersey
County of Mercer

On this 9th day of September, 1998 before me personally came and appeared Daniel F. Brent, to me known and known to me to be the individual described in the foregoing instrument, and he acknowledged to me that he executed the same.



Sharon D. Foltz
Notary Public of New Jersey

My commission expires on
November 27, 2000

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A hearing was held in the above-entitled matter on August 31, 1998 at the Logan Township Hall in Logan Township, New Jersey before Daniel F. Brent, duly designated as Arbitrator. Both parties attended this hearing, were represented by counsel and were afforded full and equal opportunity to offer testimony under oath, to cross-examine witnesses, and to present evidence and arguments. The record was declared closed on August 31, 1998.

The parties granted the Arbitrator an extension of time within which to render his Award until October 1, 1998.

APPEARANCES

FOR THE TOWNSHIP

Stephen E. Trimboli, Esq. of Courter, Kobert, Laufert &
Cohen, Esqs.

John C. Wright, Mayor

Blair Nixon, Councilman

Robert Best, Chief Municipal Finance Officer

FOR THE UNION

Thomas M. Barron, Esq. of Barron & Gillespie, Esqs.

James Schmidt, President

Sam Lombard

Mike Smith

ISSUE SUBMITTED

What shall be the health care insurance benefit for the
successor collective bargaining agreement between the
parties?

FINAL OFFERS OF THE PARTIESUNION POSITION

The Union proposed continuing the current health care benefit, which is a health care indemnity plan provided by Guardian Insurance.

TOWNSHIP POSITION

The Township proposed substituting for the current health care coverage a point of service preferred provider organization plan from AmeriHealth New Jersey. The plan is known as "Personal Choice 5." The Township expressed its intent that no bargaining unit employee be deprived of any major benefit. To this end, the Township offered to supplement the AmeriHealth Personal Choice 5 plan by paying any difference between the applicable deductibles under the AmeriHealth plan (AmeriHealth) and the current deductibles in the Guardian plan (Guardian).

The Township proposed paying the difference in the out-of-network "stop loss" provisions under the AmeriHealth plan and the uncovered co-pay percentage in-network or out-of-network under AmeriHealth to the extent that such co-payments exceed the amount of co-payments under the Guardian

plan. The Township also offered to pay the AmeriHealth emergency room co-payment fee of \$25.00 and any co-payments applicable to preventive care above the \$100/\$300 deductible or co-payment level of the Guardian plan. In addition, the Township proposed to pay bargaining unit employees' additional out-of-pocket expenses for co-payment of prescription drugs under the AmeriHealth plan.

The Township further proposed to change the dental insurance carrier to US Life Tru-Dent Dental Plan and to increase the life insurance base coverage from \$25,000 to \$50,000 per bargaining unit employee. Finally, the Township proposed establishing a joint Union-Management committee to resolve disputes invoking any unforeseen consequences of changing from the Guardian plan to the AmeriHealth plan.

APPLICABLE STATUTORY CRITERIA

The Police and Fire Public Interest Arbitration Reform Act, N.J.S.A. 34:13A-16(d)(2), requires an Interest Arbitrator to separately determine whether the total net annual economic changes for each year of the agreement are reasonable under the eight statutory criteria in subsection (g) of this section.

N.J.S.A. 34:13A-16(g) directs the arbitrator or panel of arbitrators to decide the dispute based on a reasonable

determination of the issues, giving due weight to those factors listed below that are judged relevant for the resolution of the specific dispute. The arbitrator or panel of arbitrators shall indicate in the Award which of the factors are deemed relevant, satisfactorily explain why the others are not relevant, and provide an analysis of the evidence on each relevant factor. The factors are:

(1) The interests and welfare of the public. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the Township by P.L.1976, c.68 (C.40A:4-45.1 et seq.).

(2) Comparison of the wages, salaries, compensation, hours, and conditions of employment of the employees involved in the arbitration proceedings with the wages, hours, and conditions of employment of other employees performing the same or similar services and with other employees generally:

(a) In private employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

(b) In public employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

(c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L.1995, c.425 (C.34:13A-16.2); provided, however, that each party shall have the right to submit additional evidence concerning the comparability of jurisdictions for the arbitrator's consideration.

(3) The overall compensation presently received by the employees, inclusive of direct wages, salary, vacations, holidays, excused leaves, insurance and pensions, medical and hospitalization benefits, and all other economic benefits received.

(4) Stipulations of the parties.

(5) The lawful authority of the Township. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the Township (by P.L.1976, c.68 (C.40A:4-45.1 et seq.)).

(6) The financial impact on the governing unit, its residents and taxpayers. When considering this factor in a dispute in which the public Township is a county or a municipality, the arbitrator or panel of arbitrators shall take into account, to the extent that evidence is introduced, how the award will affect the municipal or county purposes element, as the case may be, of the local property tax; a comparison of the percentage of the municipal purposes element or, in the case of a county, the county purposes element, required to fund the employees' contract in the preceding local budget year with that required under the award for the current local budget year; the impact of the award for each income sector of the property taxpayers of the local unit; the impact of the award on the ability of the governing body to (a) maintain existing local programs and services, (b) expand existing local programs and services for which public moneys have been designated by the governing body in a proposed local budget, or (c) initiate any new programs and services for which public moneys have been designated by the governing body in a proposed local budget.

(7) The cost of living.

(8) The continuity and stability of employment including seniority rights and such other factors not confined to the foregoing which are ordinarily or traditionally considered in the determination of wages, hours, and conditions of employment through collective negotiations and collective bargaining between the parties in the public service and in private employment.

OPINION

According to the Township, switching health insurance plans will create a savings of approximately \$133,000 per year for the bargaining unit, less the co-insurance payments and other payments to bargaining unit employees to offset any potential additional out-of-pocket expenses caused by switching to the AmeriHealth plan. The Township asserted that a 22% increase in premium charged by Guardian between October 1996 and October 1997 created a potential savings of \$11,600 per month.

Furthermore, it was undisputed that the Guardian health insurance plan currently in effect has significantly fewer participating physicians located in the South Jersey area near Logan Township than does the AmeriHealth plan.

The Township's proposal will result in a wider selection of physicians compared to the Guardian coverage currently in effect without diminishing either coverage or freedom to choose doctors within or outside the AmeriHealth network. The Township's proposal not only increases the amount of life insurance coverage per employee, but also creates a mechanism to enforce the Township's promise to reimburse bargaining unit employees for out-of-pocket expenses attributable to the change in plan. These two factors, combined with the documented saving of at least \$100,000 per year in insurance premiums, mandates a finding that the Township's position is more reasonable under the statutory criteria which govern the arbitration of police and fire interest disputes.

NJSA 34:13A-16 g. provides that:

The arbitrator or panel of arbitrators shall decide the dispute based on a reasonable determination of the issues, giving due weight to those factors listed below that are judged relevant for the resolution of the specific dispute. In the award, the arbitrator or panel of arbitrators shall indicate which of the factors are deemed relevant, satisfactorily explain why the others are not relevant, and provide an analysis of the evidence on each relevant factor.

Each of these factors shall be analyzed below.

(1) The interests and welfare of the public are best served by the provision of competent professional police services at a reasonable cost to the taxpayers. The current collective bargaining agreement has been previously amended regarding many issues by amicable agreement of the parties during the course of this interest arbitration proceeding. These amendments, which are to be incorporated into the new collective bargaining agreement, provide a reasonable balance of the interests of the bargaining unit and the municipality. At issue in the instant case is whether the adjustment to the health benefits proposed by the Township would unduly disrupt the balance achieved by the parties, thereby creating a situation that is adverse to the public interest.

The equivalence of health care insurance benefits to be provided to the bargaining unit, coupled with the Township's announced intent not to deprive any bargaining unit employee of a material health care benefit, is sufficient evidence to establish that the public interest will not be ill served by granting either party's position. Moreover, the additional expenditures necessary to retain the coverage afforded by Guardian Insurance Company does not violate any limitation imposed upon the Township by applicable statutes, such as NJSA 40A:4-54.1 et seq.

(2) The second statutory factor requires a comparison of the wages, salaries, hours, and conditions of employment of the employees involved in the arbitration proceedings with the wages, hours, and conditions of employment of other employees performing the same or similar services and with other employees generally:

(a) In private employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

(b) In public employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

(c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L.1995, c. 425 (C.34:13A-16.2); provided, however, that each party shall have the right to submit additional evidence concerning the comparability of jurisdiction for the arbitrator's consideration.

The level of health care benefits afforded to the employees is consistent with that of other police officers throughout the State of New Jersey. The benefits are the same or substantially better than the quality of health care provided in private employment in general. This element of comparison, however, is not germane because the level of benefits is not being materially increased or reduced by the substitution of a different insurance carrier under the

circumstances proposed by the Township. Moreover, other public employees in Logan Township will receive coverage under similar circumstances so there is no adverse consequence in this regard.

(3) The third statutory criteria requires an evaluation of the overall compensation presently received by the employees. The level of compensation received by the bargaining unit employees will not change as a result of the substitution of a different carrier under the circumstances proposed by the Township. However, the parties have voluntarily undertaken a wage increase in the amount of 4% per year for the three year term of the agreement, plus several other items with an economic impact. Given the improvement attributable to these other increases on the overall compensation received by the bargaining unit, the Township's proposal, which will result in a savings of approximately \$100,000 per year without materially reducing the health insurance benefits received by bargaining unit employees, is more reasonable.

(4) Stipulations of the parties. The parties have stipulated the 4% wage increase per year discussed above plus the creation of a \$1400 annual stipend and a \$600 clothing allowance for an Investigator position. In addition, bargaining unit employees serving more than

fourteen days as shift leaders will receive the sergeant's rate of pay, computed retroactively to January 1, 1997.

A perfect attendance bonus of one personal day for every six months of perfect attendance was instituted, and the IRS mileage rate of reimbursement was implemented.

A meal reimbursement of \$10 for lunch and \$15 for dinner was established for bargaining unit employees attending schools or seminars on behalf of the Logan Police Department.

The maximum amount of reimbursement for purchase of uniform shoes is now \$180 per year. A limit of \$50 for replacement of watches broken in the course of duty was instituted, and bereavement leave was increased to five days for the death of a spouse or child.

In addition, the Township agreed to reimburse all tuition for bargaining unit employees achieving a grade of B or better, up to six credit hours per semester, for courses related to law enforcement. Such reimbursement will be made after the course has been completed.

(5) The lawful authority of the Township. Neither of the positions offered by the parties in any way violates the lawful authority of the Township.

(6) The financial impact on the governing unit, its residents and taxpayers. According to the Township, the net economic impact of its proposal regarding health insurance will be to effectuate a savings of at least \$100,000 and as much as approximately \$125,000 per year after the change becomes effective. No retroactive savings can be effectuated by implementing this change. Although almost all of the term of the new collective bargaining agreement has expired as of the writing of this Award, the AmeriHealth plan will remain in effect during the next collective bargaining agreement, unless the parties agree otherwise.

The net economic change for the balance of Calendar Year 1998, assuming that the change is implemented by approximately November 1, 1998, should be on the order of \$20,000. The prospective benefit, or corresponding detriment of retaining the current Guardian plan, in future years is substantial.

According to the evidence, Guardian raised its rates by 22% since October 1996 in comparison to AmeriHealth's increase of 10%. The net difference in premium rate generates a fund of approximately \$133,000, to be offset by the expense to the Township of providing equivalent out-of-pocket costs to bargaining unit employees. The corresponding negative financial impact on the governing

unit, its residents and taxpayers if Guardian is retained as the carrier for the foreseeable future will be substantial.

(7) The cost of living. Although the cost of living is relatively stable, the cost of health insurance is among the items experiencing the greatest rate of increase in recent years throughout the country. The Township's proposed AmeriHealth program protects the bargaining unit, yet minimizes the disproportionate impact on the cost of living that is attributable to medical insurance.

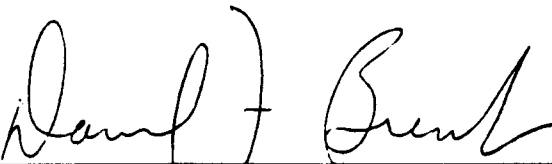
(8) There is no evidence in the record that the continuity and stability of employment for bargaining unit employees will be affected in any way by the positions of either party. Therefore, this factor has been discounted as a material determinant in selecting the Township's position.

Analysis of the net economic impact attributable to each year of the agreement, especially inferring the benefits retroactively, mandates that the Township's proposal be adopted. Even the limited actual financial benefit during the balance of the term of this collective bargaining agreement supports adoption of the Township's position. The potential for the savings in excess of \$100,000.00 annually continuing in the future is similarly attractive. When viewed in conjunction with the greater number of physicians available within the AmeriHealth

network than the Guardian network and the protection of the bargaining unit afforded by the Township's explicit agreement to keep the co-payments at a level consistent with the costs incurred to the bargaining unit under the Guardian plan, the Township's proposal is more reasonable under the statutory criteria governing the instant dispute.

Therefore, based on the evidence submitted, the Township's proposal regarding health care coverage is hereby awarded.

September 9, 1998


Daniel F. Brent, Arbitrator