



## CITY COUNCIL AGENDA ITEM

DATE: July 20, 2011

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager  
Peggy Sears, Human Resources Director

SUBJECT: **AGENDA ITEM** – Ratification of 2011-2013 Contract and Approval of Early Retirement Incentive Program – Troy Communications Supervisors Association (TCSA)

### RECOMMENDATION

City management recommends approval of the tentative agreement between the City of Troy and the Troy Communications Supervisors Association (TCSA) for a 2011-2013 collective bargaining agreement. This is the first contract for this bargaining unit which was certified in April, 2009. City management further supports and recommends approval to offer the Early Retirement Incentive Program (ERIP) to TCSA employees.

### BACKGROUND

On July 18, 2011, the Troy Communications Supervisors Association ratified a tentative agreement for a two year contract between the City of Troy and TCSA. This agreement is effective July 1, 2011 through June 30, 2013. A copy of this agreement is attached.

As directed by City Council, this agreement achieves a 10% savings calculated on payroll costs that include base pay, pension, workers compensation and FICA. This tentative agreement incorporates a 4.5% savings in health insurance costs, the equivalent of a 2.5% wage decrease in the form of reduced paid leave time, 5.3% savings in the elimination of shift prep time, and additional savings in training officer premium pay and reduced overtime costs. Thus, a 13.28% savings is achieved.

The last component of the tentative agreement is the offering of an Early Retirement Incentive Program (ERIP). A description of the program recommended by city Agenda Item-Ratification of 2011-2013 Contract and Approval of Early Retirement Incentive Program - TCSA

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administration and the actuarial valuation are attached. The proposed program is consistent with the ERIP previously offered to the AFSCME, MAP, TCOA, TFSOA, TPOA and Classified and Exempt employees. Two options would be offered: a cash incentive of \$1,000 per complete year of credited retirement service with the City of Troy, or the option to convert from a Defined Contribution Pension Plan to a Defined Benefit Pension Plan. This Early Retirement Incentive Program must be cost neutral. The DC to DB Program would be funded directly from the members' DC accounts. The cost associated with the cash incentive program will be covered by the department.

PES/

Attachments

cc: Gary Mayer, Police Chief

*PROPOSED*

COLLECTIVE BARGAINING AGREEMENT

CITY OF TROY, MICHIGAN

and

TROY COMMUNICATIONS SUPERVISORS ASSOCIATION

July 1, 2011 to June 30, 2013

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## 1. AGREEMENT

THIS AGREEMENT is hereby entered into July \_\_\_\_, 2011, by and between the City of Troy, a Michigan Municipal Corporation (hereinafter referred to as the City or the Employer), and the Troy Communications Supervisor's Association existing under the laws of the State of Michigan (hereinafter referred to as the Association).

## 2. PURPOSE AND INTENT

The general purpose of this Agreement is to set forth terms with respect to rates of pay, wages, hours of employment, and other conditions of employment, and to promote orderly and peaceful labor relations for the mutual interest of the City of Troy in its capacity as an Employer, its employees, the Association, and the citizens of the City of Troy, Michigan.

## 3. RECOGNITION

A. Pursuant to and in accordance with all applicable provisions of Act 366 of the Public Acts of 1947, as amended by Act 379 of the Public Acts of 1965, as amended, the Employer does hereby recognize the Association and the Command Officer's Association of Michigan (hereinafter referred to as the Union) as the exclusive bargaining representatives for all employees with the rank of Communications Supervisor and Communications Manager for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, and other conditions of employment for the term of this Agreement.

B. Employees shall have the right to join the Association to engage in lawful concerted activities for the purpose of collective negotiations or bargaining or other mutual aid and protection.

## 4. NON-DISCRIMINATION

The Employer and the Association agree that the provisions of this Agreement shall be applied equally to all employees without discrimination as to sex, marital status, race, color, creed, national origin, religious, or political affiliations.

## 5. AGENCY SHOP

A. Employees covered by this Agreement at the time it becomes effective and who are members of the Association at that time shall be required, as a condition of continued employment, to continue membership in the Association for the duration of this Agreement.

B. Employees covered by this Agreement who are not members at the time it becomes effective, but who join after the effective date of this Agreement shall, as a condition of continued employment, continue membership in the Association for the duration of this Agreement.

C. Employees hired, rehired, reinstated, transferred, or promoted into the Police Department with the rank of Communications Supervisor or Communications Manager after the effective date of this Agreement shall be required, as a condition of continued employment, to become members of the Association for the duration of this Agreement or pay the required service fee on or before the 30<sup>th</sup> day following their appointment.

D. An employee who shall tender an initiation fee and the periodic dues or service fee uniformly required as a condition of requiring or retaining membership shall be deemed to meet the conditions of this section.

E. Employees shall be deemed to be members of the Association within the meaning of this section if they are not more than thirty (30) days in arrears in payment of their membership dues or fees.

F. The Association shall protect, indemnify, and save harmless the Employer from any and all claims, demands, suits, and other forms of liability which arise from action taken by the Employer for the purpose of complying with the language of Article 5 of this Agreement, including reasonable attorney fees.

6. ASSOCIATION DUES

A. Employees may tender the initiation fee and membership dues by signing the Authorization for Check-Off of Dues Form.

Check-Off Forms: During the life of this Agreement in accordance with terms of the form of Authorization for Check-Off Dues hereinafter set forth, and to the extent the laws of the State of Michigan permit, the Employer agrees to deduct Association membership dues levied in accordance with the Constitution and By-Laws of the Association from the pay of each employee who executes or has executed the following Authorization for Payroll Deduction.

AUTHORIZATION FOR PAYROLL DEDUCTION

By: \_\_\_\_\_  
(Please Print) Last Name First Name Middle Name

Classification: \_\_\_\_\_ SSN: \_\_\_\_\_

To: \_\_\_\_\_  
Employer

Effective \_\_\_\_\_, I hereby request and authorize you to deduct from my earnings each pay period a sufficient amount to provide for the regular payment of dues.

\_\_\_\_\_  
Signature of Employee Date

B. Deductions shall be made only in accordance with the provisions of this Agreement. The Employer shall have no responsibility for the collection of initiation fees, membership dues, special assessments, or any other deductions not in accordance with this provision. Any dispute arising as to an employee's compliance with this section, shall be reviewed by the designated representative of the Association and, if not resolved, may be decided at Step 2 of the grievance procedure.

C. A properly executed copy of such Authorization for Check-Off Dues Form for each employee for whom Association membership dues are to be deducted hereunder shall be delivered to the Employer before any payroll deductions are made. Deductions shall be made thereafter only under Authorization for Check-Off of Dues Forms which have been properly executed and are in effect. Any Authorization for Check-Off of Dues Form which is incomplete or in error will be returned to the Association Treasurer by the Employer, forthwith.

D. Check-Off deductions under all properly executed Authorization for Check-Off of Dues Forms shall become effective at the time said form is tendered to the Employer and shall be deducted from each pay period thereafter.

E. The Association will provide to the Employer any additional Authorization for Check-Off of Dues Forms under which Association membership dues are to be deducted.

F. In cases where a deduction is made that duplicates a payment that an Employee has already made to the Association, or where a deduction is not in conformity with the provisions of the Association Constitution and By-Laws, refunds to the employee will be made by the Association.

G. Deductions for any calendar month shall be remitted to the designated financial officer of the Association by the 5<sup>th</sup> day of the month following the month in which the deductions are made. The Employer shall furnish the designated financial officer of the Association with a list of employees for whom the Association has submitted signed Authorization for Check-Off of Dues Forms and for whom deductions have been made. Subsequent lists will be furnished by the Employer when changes are made in the list of employees.

H. Any dispute between the Association and the Employer which may arise as to whether or not an employee properly executed or properly revoked an Authorization for Check-Off of Dues Form shall be reviewed with the employee by a representative of the Association and a designated representative of the Employer. Should this review not dispose of the matter, the dispute may be referred to the grievance procedure whose decision shall be final and binding on the employee, the Association, and the Employer. Until this matter is resolved, any dues deductions shall be held in an escrow account.

I. The Employer shall not be liable to the Association by reason of the requirements of this agreement for the remittance or payment of any sum other than that constituting actual deductions made from wages earned by employees. The Association will protect and save

harmless the Employer from any and all claims, demands, suits, and other forms of liabilities by reason of action taken for the purposes of complying with Section 6 of this Agreement.

## 7. MANAGEMENT RIGHTS

A. It is recognized that the management of the City of Troy, the control of its properties, and the maintenance of order and efficiency is the sole responsibility of the Employer. Other rights and responsibilities belonging solely to the Employer are hereby recognized, prominent among which, but by no means wholly inclusive, are the right to decide the number and location of work stations, work to be performed within the unit, amount of supervision necessary, the training necessary and those employees who are to receive said training, the equipment used, methods and schedules of work, the selection, processing, designing, engineering, and control of all equipment and materials; also, to take whatever actions necessary to comply with the Americans with Disabilities Act (ADA), but that the Employer will meet with the Association President and staff representative to discuss the issues prior to taking such actions.

B. It is further recognized that it is the responsibility of the Employer, for the selection and direction of the working forces, including the right to hire, suspend or discharge for just cause, assign, promote, or transfer, to determine the amount of overtime to be worked, to relieve employees from duty because of lack of work or other legitimate reasons.

## 8. NO STRIKE

A. Under no circumstances will the Association cause, authorize, or permit its members to cause, nor allow any member of the bargaining unit to take part in the strike, sit-down, stand-in, slow down, or curtailment of work, restriction of production or interference with the operation of the Employer during the term of this Agreement or during any period of time when negotiations are in progress for the continuance or renewal of this Agreement. In the event of a work stoppage, curtailment, or interference thereof, it is recognized that the Employer shall not be required to negotiate on the merits of the dispute until all such stoppages or curtailments have ceased.

B. In the event of a work stoppage or other curtailment, the Association shall immediately instruct the involved employee in writing, with a copy to the Employer, that their conduct is in violation of the contract, and that they may be disciplined and further shall instruct all persons to immediately cease the offending conduct.

C. The Employer shall have the right to discipline any employee who instigates, participates in, and/or gives leadership to any activity herein prohibited.

D. The Association will not officially support strikes of any other labor organization by picketing or demonstrating publicly on or adjacent to City property.

## 9. ASSOCIATION BUSINESS

A. The Association shall be represented in all labor negotiations by a committee composed of the President of the Association and three other officers selected by the Association.

B. Of the four (4) employees above, any two (2) on-duty members shall be permitted to attend contract negotiation sessions without loss of pay or benefits. The remaining members shall not be paid by the City.

C. An on-duty member who is a steward or the President of the Association shall be permitted to represent employees at grievance meetings with the Employer or at arbitration hearings without loss of pay or benefits.

D. The Employer shall provide each member of the Association with an electronic copy of this Agreement.

E. The President or other officer of the Association shall be given time off not to exceed 20 hours per fiscal year to attend to matters concerning Association business. Requests for such time off shall be submitted to the Chief of Police no later than 48 hours in advance of the time requested and shall be approved provided that no additional personnel expense is incurred by the City.

F. The Employer agrees to furnish a bulletin board for the posting of notices of Association meetings and social activities. Other material may be posted if approved by the Chief of Police.

## 10. GRIEVANCE PROCEDURE

A. A grievance shall be defined as a dispute between the Employer and the Association as to the meaning or application of the specific provisions of this Agreement. Such grievance shall state which section(s) of the contract is alleged to have been violated, and how it affects the member(s) of the Association who feel aggrieved.

B. It is encouraged that any dispute be resolved as soon as possible in an informal manner. The employee shall first discuss the matter with his immediate supervisor. If an employee's immediate supervisor is not available, the matter shall be discussed with the next ranking command officer within that division and, if he is not available, then with the next ranking command officer outside the officer's division. If so desired by the employee, his steward may participate in these discussions. If the matter is not resolved, it shall be reduced to writing by the employee and submitted as a grievance.

C. A written grievance shall be signed by the grievant, submitted to the Chief of Police through the chain of command, with copies directed to the Human Resources Director and the President of the Association. The grievance shall contain a specific statement of facts as to its cause, the section of the contract which the employee believes was violated, and the remedy

sought by the grievant. Any grievance not submitted within five working days of the date the Grievant knew or should have known of the event giving rise to the grievance shall be automatically closed.

D. Procedure:

Step 1. Within fourteen (14) calendar days of receiving the grievance, the Police Chief shall hold a meeting between the employee, his steward, and the Police Chief or his designated representative. The Police Chief or his representative shall give his written decision within seven (7) calendar days after the meeting.

Step 2. Grievances not settled at Step 1 may be filed with the Human Resources Director (or any other designated representative directed by the City Manager) within fourteen (14) calendar days of receipt of the Step 1 answer. Within fourteen (14) calendar days, the Human Resources Director shall hold a meeting between the President of the Association, the Steward or Association Officer of the employee's shift, the grievant, and the Police Chief or his designated representative. The Human Resources Director shall give his written decision concerning the grievance within thirty (30) calendar days after the meeting. The Union may grant up to two, thirty (30) calendar day extensions to answer the grievance if requested by the Human Resources Director. If the written decision is not given within thirty (30) calendar days after the meeting, or within the time limits of the extensions if requested and granted, the grievance will be awarded in favor of the grievant.

Step 3. Grievances not settled at Step 2 may be filed within twenty (20) calendar days to arbitration with a copy forwarded to the Human Resources Director.

## 11. GRIEVANCE: GENERAL CONDITIONS

A. Grievances involving suspension or discharge may be entered directly at Step 2 of the grievance procedure.

B. Any grievance meeting not scheduled as required or any grievance not answered within the prescribed time limit at each step may be appealed to the next step by the Association.

C. Any grievance not appealed from one of the steps of the grievance procedure within the prescribed time limits shall be considered settled on the basis of the Employer's last answer.

D. Any agreement reached between the Association and the Employer is binding on all employees affected, and cannot be changed by or for any individual.

E. An on-duty grievant in a grievance may attend the grievance meeting without loss of pay or benefits.

F. No economic costs shall have retroactivity extending back more than 90 days from receipt of the grievance by the Chief of the Department or his designated representative.

## 12. ARBITRATION

A. If a grievance is appealed to arbitration, the parties involved shall jointly select an arbitrator or, if necessary, ask for an arbitrator from the American Arbitration Association (AAA) or the Federal Mediation and Conciliation Service (FMCS). Any grievance subject to arbitration under this contract shall be pursuant to the voluntary labor arbitration rules of the American Arbitration Association.

B. The arbitrator shall rule only on the contractual provisions set forth herein and shall have no authority to expand, modify, or alter any provisions of this Agreement or the written rules or regulations of the department, and his decision shall be limited to the application or interpretation of the above and to the specific issue presented to him.

C. The fees and approved expenses of an arbitrator will be paid by the parties equally.

D. After a grievance has been referred to arbitration, the matter may not be withdrawn by either party except by mutual consent.

E. A grievance submitted to arbitration which is withdrawn shall be withdrawn with prejudice.

F. An arbitrator's decision in any grievance shall not require a retroactive wage adjustment in any related matter.

G. All grievance settlements or arbitration awards for back wages and fringe benefits shall be limited to the amount of wages and fringe benefits which the employee would otherwise have earned, less compensation earned during the disciplinary period questioned and which would not have been otherwise earned, and in no case shall awards have retroactivity extending back more than 90 days from the date the grievance was received by the Chief of the department.

H. The decision of the arbitrator shall be final and binding on the Association, its members, the employee or employees involved, and the Employer, provided that such decision is within the arbitrator's authority.

I. In cases where either of the parties believe the arbitrator's decision exceeded his authority and jurisdiction, the arbitrator's decision may be challenged in Oakland County Circuit Court and be subject to further appellate action.

J. The challenge of an arbitrator's decision may be instituted by the City or the Association, but not by an employee(s) acting on his own behalf.

### 13. DISCIPLINE

A. No employee shall be disciplined except for just cause.

B. Discipline shall consist of the following levels:

1. Oral Reprimand: An official warning to an employee that his conduct or performance is unacceptable, a written notation of which shall be maintained in the employee's departmental file.
2. Written Reprimand: A written record of an employee's unsatisfactory conduct or performance which is included in the employee's official personnel file in the Human Resources Department. The employee shall have the option of submitting a statement of his position concerning the reprimand.
3. Loss of Time Off: The elimination of some or all of an employee's available or prospective time off.
4. Suspension: An employee is not permitted to report for work for a specific period of time and does not receive pay for the time in question.
5. Discharge: An employee is involuntarily separated from employment with the City of Troy.

C. The listing of these disciplinary levels does not preclude the starting of disciplinary action at a higher level when the seriousness of the incident warrants such discipline.

D. If, upon review, the discipline is reversed, the employee involved shall receive full pay and benefits for the time involved and all records of the incident shall be removed from his personnel file.

E. Should an employee be required to give a verbal or written account of his actions which may result in the employee receiving disciplinary action, the employee may, at his option, have a steward present while making such a statement.

F. The President of the Association shall be notified in writing within 24 hours of the disciplining in excess of an oral reprimand of any member of the Association.

G. All cases of discipline may be processed as a grievance.

H. An employee's disciplinary records may be reviewed and removed in the following manner:

1. The written record of an oral reprimand shall be removed from the employee's departmental file when the employee has successfully

corrected the matter in question and has received no other discipline as defined in this section within a two (2) year period following the reprimand. Such removal must be requested in writing by the affected employee who shall state the reason for the request. If, upon review, a disciplinary record is not removed, a future date shall be established to again review this matter.

2. A written reprimand shall be removed from the employee's official personnel file at the written request of the employee if the employee has received no other discipline as defined in this section within a period of three years from the date of the reprimand. If an employee has received discipline within the three-year period, he may request the review and removal of the disciplinary record by the Chief of Police. The employee's request must be in writing and must indicate the reasons for the request. If, upon review, a disciplinary record is not removed, a future date shall be established to again review the matter.
3. The decision not to remove an oral or written disciplinary record shall not be a grievable matter.
4. Records of all other discipline including and more severe than a suspension shall be retained permanently in the employee's official personnel file.

I. At the conclusion of any investigation conducted, the employee who is the subject of the complaint shall be notified in writing of the outcome of that investigation.

#### 14. SENIORITY

A. Bargaining unit seniority of members of the Association shall commence when the employee completes his/her probationary period, and shall be retroactive to initial date of employment as a member of this bargaining unit.

B. Such seniority shall not be applicable for purposes of pension benefits, which benefits shall be based on credited service as defined in the Employee's Retirement System, Chapter 10 of the Troy City Code, nor for fringe benefits, which shall be determined by the service date (continuous full-time service as of employee's date of hire less unpaid leaves of absence).

C. An employee shall lose seniority and shall no longer be considered an employee for the following reasons:

1. He resigns or retires;
2. He is discharged and not reinstated;

3. He is absent for three (3) consecutive work days, including the original date of absence, without notifying the Employer (exceptions to this may be made by the Employer);
4. He fails to return to work upon expiration of a leave of absence;
5. He gives a false reason to obtain a leave;
6. He fails to return to work within fourteen calendar days after being recalled from a layoff;
7. He is laid off for a continuous period equal to his length of seniority or five (5) years, whichever is lesser;
8. He separates from employment upon settlement covering total disability;
9. He does not work for a period of two (2) years provided the employee is unable to perform the essential duties of the position with reasonable accommodation.

F. During an employee's probationary period, the employer retains the right to discharge a new hire employee or return a promoted employee to a previous position held by the employee within the City without regard to any other provision of this Agreement. The discharge, termination or return to previous position of any employee during the probationary period shall not be subject to the Grievance Procedure.

## 15. LAYOFFS AND RECALL

A. Layoff means an indefinite reduction of the working forces. Whenever possible, employees being laid off shall be given at least fourteen (14) calendar days notice of layoff. The Employer shall furnish the union bargaining unit a copy of such layoff notice.

B. Employees who are displaced by elimination of their job shall displace an employee with lesser bargaining unit seniority.

C. Layoff shall be by bargaining unit seniority within classification. The following procedures shall govern the layoff of employees:

1. Seasonal, temporary, part-time and probationary employees (in that order), performing Bargaining Unit work, shall be laid off first within a classification before the layoff of any Bargaining Unit members within the classification.
2. Thereafter, seniority employees shall be removed from that position in reverse order of seniority.

D. When the working force is increased after a layoff, the employees shall be called back in reverse order of layoff. Employees shall be returned to the same pay step that they were on at the time of the layoff.

E. Notice of recall shall be sent by certified mail return receipt requested to the employee at the last address on file with the employer. If an employee fails to appear or call the Human Resources Department within five (5) calendar days of the mailing date of notice, he shall be considered as having quit. If the employee calls the Human Resources Department within five (5) calendar days of the notice, he shall report to work as directed, but be allowed up to fourteen (14) calendar days from the date of the phone call or personal appearance to report to work provided reasons satisfactory to the Employer are given for the requested extension of time. It is the employee's responsibility to notify the Human Resources Department of any change of address.

## 16. WORK SCHEDULE

A. Employees who are on probation shall be assigned work schedules at the discretion of the Chief.

B. Available work schedules, including changes resulting from the completion of probation, shall be by seniority choice among the affected employees.

C. If an employee is unable to report to work at his established starting time, he shall notify the on duty Communications Supervisor at least one hour prior to the time his shift is scheduled to start, unless mitigating circumstances make such notification impossible. Failure to provide such notification may, at the option of the City, result in loss of pay for that day.

D. Whenever possible, employees may take a one-half (1/2) hour lunch break and two additional fifteen-minute breaks per shift.

E. Ten (10) days notice will be provided an employee for any change in hours, leave days, work days, or duties. This will not apply in emergencies as determined by the Chief of the department.

F. Shift selection shall be made consistent with the department schedule of shift changes.

## 17. OVERTIME

A. Overtime is defined as authorized work (1) in excess of forty (40) hours in a work week or (2) time in excess of an employee's current regular shift duty time, and may be assigned at the discretion of the City.

B. A Communications Supervisor will be paid for such overtime at the rate of one and one-half (1 ½) times his regular hourly rate. At the employee's option, payment for overtime may be declined in favor of banking compensatory time at the rate of one and one-half (1 ½) hours compensatory time for every one hour of earned overtime. Each employee's bank of compensatory time shall not exceed thirty (30) hours per quarter. All unused accumulated compensatory time shall be paid to the employee not later than the second pay after June 30, September 30, December 31 and March 31, at the employee's current straight time rate as of those dates. The granting of compensatory time off shall not be granted if the absence creates additional personnel costs to the employer, and is subject to regulation as detailed in Police Department rules, policies and procedures.

C. The Communications Manager will be compensated for overtime by time off at straight time rates. Compensatory time may accrue to a maximum of 120 hours. Compensatory time off in excess of one work day as normally scheduled must be submitted in writing and approved by the Chief of Police or Division Captain.

D. For the purposes of scheduling overtime, employees will be considered to be on a leave day until they have worked ten (10) hours overtime.

E. Procedure for offering overtime to Communications Supervisors:

- a. Overtime shall first be offered in order of seniority to Communications Supervisors who are scheduled for a leave day but who are regularly assigned to the shift on which the overtime is to be worked.
- b. If such employees decline the overtime, the overtime shall be offered in order of seniority to other Communications Supervisors who are scheduled for a leave day.
- c. If such employees decline the overtime, the overtime shall be offered in seniority order to those employees scheduled to work on the day such overtime occurs but whose work schedule for such day does not conflict with the time during which the overtime is to be worked.
- d. If such employees decline the overtime, the junior employee who is scheduled for leave day shall work the overtime.

F. If an insufficient number of employees are available for an overtime situation, the least senior employee may be ordered in for duty.

G. There shall be no duplication of overtime for the same hours, and employees shall not be paid twice for the same hours recorded as worked.

H. When an employee is called in to work at other than his scheduled working time, he shall be paid a minimum of three (3) hours at the appropriate premium rate. This minimum shall not be applicable if the overtime is contiguous with the regular working hours.

## 18. COURT TIME

Time spent in court appearances originating from the performance of the employee's regular duties shall be counted as normal duty time and shall be so used in the computation of overtime. A minimum of three (3) hours will be paid for such off-duty court appearances provided that such minimum of three (3) hours shall not be applicable if the court time is contiguous to the employee's scheduled duty hours.

## 19. CALL-IN TIME

When an employee is called in at other than his normal scheduled work shift, he shall be paid a minimum of three (3) hours at the appropriate premium rate, provided that such minimum shall not be applicable if the call-in is contiguous with the employee's scheduled duty hours.

## 20. SICK LEAVE

A. Employees shall accrue 8 hours of sick leave for each month of service with the City beginning with the first full calendar month of service.

B. Sick leave will not be approved before it has been accrued.

C. Unused sick leave may accrue to a maximum of 288 hours.

D. An employee who is off of work for three consecutive days because of illness or injury or exhibits a pattern of sick leave abuse may be required to submit a physician's certificate prior to his being allowed to return to work indicating the nature of the illness or injury, the employee's capability of returning to work, and the degree to which he may perform his regular duties. In order to determine the employee's fitness to return to duty, the Employer shall have the right to send the employee for medical examination(s) before permitting his return to work.

E. Sick leave is to be utilized only in the case of genuine illness or injury which prevents the employee from performing his duties. In addition, the employee may use sick leave when a member of his immediate family who permanently resides with the employee is ill or injured which creates a genuine necessity for the employee to be off work to care for that family member. Unauthorized or improper use of sick leave by any employee shall be cause for disciplinary action.

F. On or before the 10<sup>th</sup> of December, employees with accumulated sick leave in excess of the 288 hours maximum as of the last pay period of October of that year shall receive a bonus of unused sick leave which is over the maximum at the rate of 100%, and the accumulated sick leave shall be reduced to the maximum of 288 hours.

G. Upon the Normal Retirement, Early Retirement, Disability Retirement, or death of an employee, unused sick leave credits will be paid to the employee or his beneficiary to a

maximum of 288 hours. Payment for unused sick leave credits at retirement shall be excluded from the computation of Final Average Compensation (FAC) for pension purposes.

#### 21. PERSONAL BUSINESS TIME

A. Upon completion of new hire probation, an employee shall be granted up to 30 hours of personal business time in any one calendar year with the prior approval of his supervisor.

B. Personal business time may be taken in conjunction with holiday leave and/or vacation leave.

#### 22. FUNERAL LEAVE

Employees shall be allowed up to 40 hours time off for a death in the employee's or the employee's spouse's immediate family for attending to funeral arrangements and attending the funeral. The immediate family shall consist of the employee's spouse, son, daughter, step-son, or step-daughter, and the employee's or the employee's spouse's grandparents, mother, father, sister, brother, step-parent, step-child, step-sibling, or grandchildren.

#### 23. MILITARY LEAVE

Any employee who has completed his probation period and leaves the Employer's service for compulsory military duty shall be placed on military leave without pay. Such leave shall extend through a date of 90 days after his release from the military service. An employee returning from military leave shall be entitled to restoration to his former position, provided that: (1) he makes application within 90 days after his release from duty, (2) his release shall be under conditions other than dishonorable, and (3) he is physically and mentally capable of performing the duties of the position involved. An employee who leaves for military duty may elect to be paid for accrued vacation time due him, or have such credits reinstated upon return to the department. An employee returning from Military Leave shall have unused sick leave credits restored to him.

#### 24. LEAVE WITHOUT PAY

The City Manager may grant an employee leave without pay for a period not to exceed one year when it is in the interest of the City to do so. The employee's request for such leave shall be considered when he has shown by his record to be of more than average value to the City, and where it is desirable to retain the employee even at some sacrifice. Employees on an unpaid leave of absence shall not be entitled to any fringe benefits during the period of the leave (unless required pursuant to COBRA). Seniority shall not continue to accrue during an unpaid leave of absence.

## 25. HOLIDAYS

- A. On January 1, each employee shall be allotted 110 hours of future holiday leave.
- B. Designated holidays shall be: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Friday following Thanksgiving, Christmas Eve Day, Christmas Day, Easter and New Year's Eve Day. The designated holiday shall apply to one specific calendar day for each of the designated holidays.
- C. Any Communication Supervisor working on a designated holiday shall receive one and one-half times his regular hourly rate for all hours worked that day. All overtime hours worked on a designated holiday shall be paid at the rate of two times his regular hourly rate.
- D. Unused holiday leave as of December 31 of each year shall be paid to the officer on a straight time basis by means of direct deposit.
- E. The Communication Manager may work a designated holiday, if it is his/her scheduled work day, upon providing seven days' written notice to the Division Captain. An individual working under this section will be paid straight time only.
- F. Upon death or retirement, unused holiday leave accrued that year will be paid at the rate of 100% of the unused hours.

## 26. VACATION

- A. All employees shall qualify for vacation leaves on January 1 of each calendar year according to the following schedule:
1. For all months worked in the previous calendar year prior to the third service date with the City, an employee shall accumulate vacation leave at the rate of 6 2/3 hours for each month worked.
  2. For all months worked in the previous calendar year beyond the third and prior to the eighth service date with the City, an employee shall accumulate vacation leave at the rate of 10 hours for each month worked.
  3. For all months worked in the previous calendar year beyond the eighth and prior to the thirteenth service date with the City, an employee shall accumulate vacation leave at the rate of 13 1/3 hours for each month worked.
  4. For all months worked in the previous calendar year beyond the thirteenth service date with the City, an employee shall accumulate vacation leave at the rate of 15 hours for each month worked.

5. For all months worked in the previous calendar year beyond the eighteenth service date with the City, an employee shall accumulate vacation leave at the rate of 16 2/3 hours for each month worked.

B. For purposes of this section, “months worked” shall mean any calendar month where an employee is on the payroll for a minimum of twenty (20) days, including time worked and any payable leave time, including but not limited to personal leave, holidays, sick leave, vacation, funeral leave, and unpaid military leave up to two weeks.

C. Upon normal retirement, early retirement, disability retirement, death, or resignation (in good standing), all unused vacation leave will be paid to the employee (or spouse) at the rate of 100% unless one or more of the following applies:

1. An employee fails to give at least ten (10) working days notice in advance of his termination date; or
2. An employee leaves the City prior to completion of his original probationary period. Payments for unused vacation leave at retirement shall be excluded from the computation of Final Average Compensation (FAC) for pension purposes for all members of this bargaining unit.

D.

1. Employees may use up to 80 hours of accrued vacation leave time on a one-day-at-a-time basis. Vacation leave time taken on a one-day-at-a-time basis must be utilized in a regular full shift block (8 or 10 hours depending on work assignment). Unused vacation leave up to the accrued leave scheduled the past year will be paid off at the rate of 100%.
2. Employees accruing 120 or more hours vacation leave time per year must use a minimum of 40 hours in a consecutive fashion (4 or 5 consecutive work days as applicable).
3. The carrying over of unused vacation leave to the next year is prohibited except under exigent circumstances as determined and approved by the Chief of Police. Decisions regarding the approval or denial of vacation leave carryover are not grievable and are subject to City of Troy policy regarding usage.

E. Requests for time off by Communications Supervisors shall be submitted in writing to the Communications Manager. Requests for time off by the Communications Manager shall be submitted in writing to the appropriate Division Commander.

## 27. DISABILITY INSURANCE

- A. The City will provide short-term disability insurance for all Employees. Said insurance will provide approximately sixty (60) percent of an Employee's gross salary after a thirty (30) day waiting period for a maximum of fifty-two (52) weeks. If available, a charge of up to eight (8) hours per week of the Employee's accrued leave time will supplement and be in addition to this insurance.
- B. Long-term disability insurance will be provided by the City for all Employees who have three (3) or more years of service at the time of the next opening date of the insurance policy. Eligible employees must be accepted by the insurance company. Said insurance shall provide approximately fifty (50) percent of gross salary beginning twelve (12) months after an extended absence due to sickness or accident. The insurance shall continue until the Employee's death, retirement, or return to work (or in the case of non-duty disability, up to five (5) years whichever is sooner). If available, a charge of up to eight (8) hours per week of the Employee's accrued leave time will supplement and be in addition to this insurance.
- C. Employees who are absent from work 120 consecutive days or longer will cease to accrue paid leave time. However, in the case of absence for duty-related injury, accrual of paid leave time will cease after a period of absence of one (1) year.

## 28. DUTY-CONNECTED DISABILITY

A. Any employee who sustains a disabling injury in the performance of his regular duties may be eligible for Workers' Compensation benefits in accordance with applicable Workers' Compensation laws of the State of Michigan. The City shall pay a supplement to Workers' Compensation benefits to the extent that the employee shall receive approximately 80% of his base daily rate (excluding overtime and shift premium), without loss of leave time, for a period of thirty (30) days maximum, at which time the Short-Term Disability insurance shall become effective. Payment of any supplement to Workers' Compensation benefits by the City is dependent on the employee:

1. Complying with all reasonable rules promulgated by the City regarding duty-related disability.
2. Treating with the City designated clinic for at least the first ten days following the injury.
3. Providing periodic updates or reports from the treating physician if requested by the City.
4. Performing in a light duty status consistent with the recommendation of the attending physician, if desired and directed by the City.

5. Consenting to examination by a third physician when, in the opinion of the City, there is a conflict between the opinions of any two attending physicians.

## 29. LIFE INSURANCE

A. The Life Insurance program shall provide participating employees with \$1,000 of life insurance for each \$1,000 of salary. His insurance is term insurance and includes double indemnity for accidental death. For this insurance, the employee contributes 10 cents for each \$1,000 of insurance per pay period. Each employee will have a policy issued to him. Life insurance is effective on the first day of employment.

## 30. HOSPITALIZATION AND MEDICAL INSURANCE

A. The Employer shall provide hospitalization and medical insurance for employee and family equal to or better than the following:

1. Blue Cross Community Blue PPO Plan 1 Modified, including the following:
  - a. \$10/\$40 prescription drug rider with mandatory generic, prior authorization, step therapy, and 2X MOPD.
  - b. \$30 office visit co-pay
  - c. \$50 emergency room co-pay
  - d. \$30 chiropractic office visit co-pay
  - e. \$250/\$500 basic deductible

Any available HMOs will include a, b and c above.

2. Vision care every 24 months
3. Dental Insurance including Class A, B and C benefits with a 10% employee co-payment for claims and a maximum annual benefit of \$1,000 per person, and orthodontic benefits with a 50% employee co-payment and a \$2,000 maximum lifetime benefit per child to age 19.

B. An employee who elects to be covered by a City health insurance plan shall contribute 5% of the monthly premium cost by means of a payroll deduction.

C. Employees who choose not to subscribe to medical insurance through the city of Troy will receive \$200 per month.

D. Employees who are married to each other are not permitted to both subscribe to health or dental insurance provided by the City of Troy. The spouse who opts out of employer provided health insurance is not eligible for the cash-in-lieu payment.

E. The City may purchase equivalent or better medical insurance from another carrier provided prior notice is given the Union.

### 31. CLOTHING ALLOWANCE

A. Each fiscal year, every employee shall be allotted a basic clothing allowance of \$500. Said clothing allowance shall be placed in an account in the employee's name and shall be disbursed to the employee upon submittal of receipts for approved clothing and personal equipment purchases.

It is clearly understood that clothing allowance has a prospective application and is intended to cover purchases for the entire fiscal year. In the event that employment is interrupted for such reasons as retirement, or leave of absence or injury leave in excess of six (6) months, the City shall have the right to adjust such payments on a prorated basis and make adjustments in payments for the following fiscal year based on overpayments in the current year.

B. \$25 of unused funds from the basic clothing allowance may be carried forward into the following fiscal year.

C. The amount and type of uniforms and equipment shall be as determined by the Police Chief.

D. Each employee shall receive an annual cleaning allowance of up to \$375 on or before May 20<sup>th</sup> of each year.

### 32. LONGEVITY

All employees who were hired prior July 1, 1993 shall continue to receive longevity pay on or before December 20 of each payment year in accordance with the following schedule:

<u>Years of continuous City service as of November 30 of payment year</u>	<u>Amount</u>
14 – 18 Years	\$2,625
19 or Over	\$3,500

### 33. RETIREMENT

#### A. Defined Benefit Plan

1. All employees (except as noted in Sec. 34.B.) shall participate in the Retirement System Pension Program, as explained in Chapter 10 of the Troy City Code. The Straight Life Pension and the Age and Service Retirement shall continue as provided in sections 6.1(A) and 6.1(B) except that the benefit computation shall be 2.5% from age 50 to 62, and 2.25% from age 62.

2. Association members shall contribute 1.5% of gross payroll, in order to assist in the funding of the member's pension under the Retirement System Pension Program.

3. The pension formula shall determine average final compensation by utilizing the three (3) best years of service of the last ten (10) years of service.

#### B. Defined Contribution Plan

Effective June 15, 2000, new hires and employees transferring into the bargaining unit who are participating in another City Defined Contribution Plan at the time of such transfer shall participate in an IRS §401(a) Defined Contribution (DC) Pension Program as a member of this unit.

1. Contribution rates:

Employee – 4%

Employer – 12% (employees hired before 1/1/04)  
11% (employees hired on or after 1/1/04)  
10% (employees hired on or after 7/1/05)

2. Vesting schedule for Employer Contributions: Employees hired after 1/1/98, shall be 50% vested at three years, 75% vested at four years and 100% vested at five years.

3. Participants in the defined contribution plan shall also participate in a disability plan equivalent to the defined benefit disability plan as set forth in the retirement ordinance. The City's liability for the disability benefit shall be offset (1) by an amount which may be payable pursuant to the Worker's Compensation Act, if applicable, and (2) by the lifetime annuity value of the employee's 401 (a) defined contribution retirement account, determined as of the effective date of the employee's disability-related separation from service. Defined contributions shall include all contributions and income accumulated in the plan account whether derived by the contributions made by the employee or employer, including any amounts transferred into the plan. While the employee is receiving disability benefits or is receiving worker's compensation, the City of Troy shall contribute the employer rate, as contained in

subsection 1 above, of the disabled employee's taxable wage for deposit in the defined contribution plan for the employee's benefits.

4. Participants in the defined contribution plan shall also be covered in the event of death, including non-duty death, with a benefit equivalent to the defined benefit plan as set forth in the retirement ordinance. The City's liability for a death benefit shall be offset (1) by and amount which may be payable pursuant to the workers' compensation act, if applicable, and (2) by the lifetime annuity value of the employee's 401(a) defined contribution retirement account, determined as of the effective date of the employee's death.

C. Retiree Medical Insurance

1. For employees hired before January 2, 2006:

Upon regular retirement, early retirement or disability retirement, employees will be eligible for health insurance, equivalent to that received by members of the bargaining unit at the time of the employee's retirement if they meet the age and service requirements whether they participate in the Defined Benefit or Defined Contribution Pension Plan. Such insurance will be provided for two-person coverage for retiree and spouse (or dependent child) at the time of retirement, at the rate of 4% per complete year of retirement service with the City of Troy (maximum 100%), provided that the retiree or spouse is drawing pension benefits pursuant to the City of Troy Retirement Ordinance.

2. Employees hired on or after January 2, 2006 participate in a Retirement Health Savings Plan (RHS):

a. Contributions: The contribution rates for this plan are (as a % of pensionable earnings)

Employer: 4%

Employee: 2%

b. Vesting: Employees are 50% vested at three years, 75% vested after four years, and 100% vested after five years. The vesting percentage applies to employer contributions only.

### 34. WAGES

A. Annual salaries for Communications Supervisors and Communications Managers are outlined in the following schedule:

Communications Supervisors:

	Year 1	Year 2
Hire	\$52,000	\$52,000
End of Probation (1 Year)	\$54,500	\$54,500
2 Years	\$57,000	\$57,000
4 Years +	\$59,500	\$59,500

Communications Manager:

	Year 1	Year 2
Start	\$64,000	\$64,000
After Probation (1 Year)	\$66,000	\$66,000
2 Years	\$68,000	\$68,000

B. If an employee does not receive a step increase in accordance with the appropriate schedule above, the matter shall be subject to the grievance procedure. Within thirty (30) days after the date of the denial, the proposed step increase shall again be reviewed. The involved employee shall be advised of this review and shall have the opportunity to discuss it with the reviewing employee(s), the Captain, and the Chief. The probationary period for employees will be one (1) year.

C. Employees regularly scheduled by the City to work on the second or third shift (commonly referred to as the Afternoon and Midnight shifts, respectively) shall receive a shift bonus. The shift bonus shall be as follows: Second Shift (Afternoons) - \$.35, Third Shift (Midnights) - \$.45. If employees supervised by members of this association are paid a shift bonus higher than those listed above, those members will receive shift bonuses equal to those paid to their subordinates.

D. Employees whose salaries exceed the annual salaries set forth in Section A above shall be redlined at their current salary for the duration of the Agreement.

### 35. PROMOTIONS

A. Eligible and qualified Communications Supervisors will be permitted to test for the position of Communications Manager. If no eligible and qualified Communications Supervisor is interested in the position of Communications Manager, outside applicants will be considered.

B. Eligibility to test will be determined based on minimum requirements as established by the Human Resources Department.

C. The Chief of Police will make a determination as to whether or not an eligible Communications Supervisor is qualified to test for the position of Communications Manager. In making such a determination, the Chief will seek input from those who, in the Chief's opinion, are in the position to comment knowledgeably on the candidate's suitability for the position. This includes but is not limited to the candidate's supervisor and the Operations Division Commander.

D. If a candidate is not determined to be qualified to test for the position of Communications Manager, the candidate may request feedback from the Chief as to areas requiring improvement, however such a determination is not subject to grievance or other civil action.

E. An eligible list shall be established based on test results of qualified candidates passing all test components. Selection shall be made by the Chief of Police. Such decision is not subject to the grievance procedure or other civil action.

### 36. EXIT INTERVIEWS

Any employee terminating active employment with the City will be given an exit interview by an employee of the Human Resources Department and/or Finance Department during which time an explanation of all rights and benefits, as well as an accounting of all sums due, will be provided to the employee or, in the case of death, this information will be provided to his or her spouse.

### 37. WAIVER OF NEGOTIATIONS

The parties acknowledge that during the negotiations which resulted in this Agreement, each had the unlimited right and opportunity to make demands and proposals with respect to any subject matter not removed by law from the area of collective bargaining, and that the understandings and agreements arrived at by the parties after the exercise of the right and opportunity are set forth in this Agreement. Therefore, the Employer and the Union, for the life of this Agreement, each voluntarily and unqualifiedly waives the right and agrees that the other shall not be obliged to bargain collectively with respect to any subject or matter referred to or covered in this Agreement, or with respect to any subject or matter not specifically referred to or covered by this Agreement, even though such subject or matter may not have been within the knowledge or contemplation of either or both parties at the time that they negotiated or signed this Agreement.

### 38. JUDICIAL REVIEW

If any article or section of this Agreement or any supplement thereto shall be held invalid by the operation of law or by any tribunal, the remainder of this Agreement and supplements thereto shall not be affected thereby.

39. DURATION OF AGREEMENT

This Agreement shall remain in full force and effect from July 1, 2011 until June 30, 2013, and thereafter until amended or modified. Either party may, between January 1, 2013 and March 1, 2013, serve written notice upon the other party of its desire to modify or amend this Agreement. In such event, the parties shall commence negotiations immediately on such proposed amendments for a succeeding contract. Any such amendment or modification would become effective after June 30, 2013.

40. EMERGENCY MANAGER

Pursuant to PA 9 of 2011, each collective bargaining agreement entered into between a public employer and public employees under this act after the effective date of the amendatory act that added this subsection shall include a provision that allows an emergency manager appointed under the local government and school district fiscal accountability act to reject, modify, or terminate the collective bargaining agreement as provided in the local government and school district fiscal accountability act. Provisions required by this subsection are prohibited subjects of bargaining under this act. In the event a financial manager is assigned in accordance with the PA 9 of 2011 the Union reserves its right to challenge the constitutionality of the law.

In Witness Whereof, the parties hereby have executed this Agreement upon this \_\_\_\_\_  
\_\_\_\_\_.

FOR THE ASSOCIATION:  
Command Officers Association of Michigan

FOR THE EMPLOYER:  
City of Troy, Oakland County, Michigan

\_\_\_\_\_  
Business Agent

\_\_\_\_\_  
Louise Schilling, Mayor

Troy Communications Supervisors  
Association

\_\_\_\_\_  
Local President

\_\_\_\_\_  
John Szerlag, City Manager

\_\_\_\_\_  
Aileen Bittner, Acting City Clerk

\_\_\_\_\_  
Peggy Sears, Human Resources Director

**LETTER OF UNDERSTANDING**

This Agreement, entered into on the \_\_\_\_ day of July, 2011, between the City of Troy and the Troy Communication Supervisors Association:

Effective July 1, 2011 and expiring June 30, 2013, each employee shall concede/relinquish a minimum of 13 hours of concessionary time quarterly, not to exceed the equivalent of 52 hours annually. The concessionary time may be comprised of reductions to the employee's bank of allotted holiday leave time or allotted vacation time, at the employee's discretion. If an employee fails to select his/her preference for leave time deductions, the required balance will be met by deductions in the following order: holiday, vacation, sick leave. Only those hours of accumulated sick leave in excess of the annual maximum allowable accumulation may be used for this purpose. An employee may elect to forego pay for earned overtime and apply that time to meet the requirements of concessionary time. An employee may elect to have his/her pay reduced by 2 hours per pay period in lieu of the concessionary time commitment above. This shall be a one-time selection within 7 calendar days after the ratification of the Agreement by both the City and the Union.

FOR THE CITY:

FOR THE UNION:

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**LETTER OF UNDERSTANDING**

This Agreement, entered into on the \_\_\_\_ day of July, 2011, between the City of Troy and the Troy Communication Supervisors Association:

The Early Retirement Incentive Plan consisting of two options (cash incentive of \$1,000.00 per year of service or Defined Contribution to Defined Benefit) will be offered to the eligible members of the bargaining unit (upon the same eligibility rules as other City of Troy bargaining units) provided that an actuarial evaluation for said Plan determines that implementation of the Plan for the unit is at least cost-neutral and does not impose a financial cost to the City. The Plan shall be made available to eligible employees for a period of at least 90 days after receipt of the actuarial report, provided such evaluation establishes a cost neutral basis.

FOR THE CITY:

FOR THE UNION:

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**TCSA NEGOTIATIONS -  
PROPOSED SETTLEMENT SAVINGS  
(As % of Payroll)**

<u>ISSUE</u>	<u>ANNUAL SAVINGS</u>	
<b>Replace PPO Health Insur. w/Community Blue Plan I Modified</b>	\$30,181	
<b>Elimination of Shift Prep Time</b>	\$35,451	
<b>Equivalent of 2.5% Pay Reduction</b>	\$16,626	
<b>Elimination of Premium Pay for Training Officer</b>	\$3,213	
<b>Elimination of Double Time for 7th Day</b>	<u>\$2,877</u>	
<b>Total Annual Savings</b>	<b>\$88,348</b>	
 Savings as Percent of Base Pay + Rollups [Pension, Work. Comp., FICA] (\$665,029)		 13.28%
 Savings as Percent of Base Pay Only (\$541,919)		 16.30%

# **EARLY RETIREMENT INCENTIVE PROGRAM 2011**

## **TCSA Employees**

### **PROGRAM DESCRIPTION:**

The City of Troy is implementing an Early Retirement Incentive Program (ERIP) in the form of two options, a cash incentive or a DC to DB conversion, in order to reduce personnel costs to accommodate budget constraints. The Program is being offered to eligible employees if the employee signs a Letter of Understanding with the City of Troy and, in the case of a union employee, that union agrees to the terms and conditions of the Program. Participation in the Program is entirely voluntary. Interested eligible employees in either the DB Pension Plan or the DC Pension Plan may elect to participate, but can only select one of the available options. Participating employees must retire on or before the date specified in the Plan.

### **INCENTIVE OPTIONS:**

#### **Cash Incentive**

Eligible employees in either the Defined Benefit or Defined Contribution Pension Plan may elect to receive a cash incentive that is equal to \$1,000 for each actual complete year of credited service with the City of Troy as of June 30, 2011. The cash incentive will be issued not later than three weeks after the employees' designated retirement date. The number of years for which the cash incentive is made shall not include years of service granted for prior government service from an employer other than the City of Troy.

For those employees participating in the Defined Benefit Pension Plan, the incentive will not be included in any computation of Final Average Compensation (FAC) under any provisions of the Retirement System. Both the City and the employee will make the required contributions to the plan.

For those employees participating in the Defined Contribution Pension Plan, the employee and the City of Troy will each contribute their appropriate percentage to the plan.

#### **DC to DB Conversion**

Eligible employees in the Defined Contribution Pension Plan may elect to transfer their total accumulated balance (including all employee contributions and interest thereon) to the City of Troy Employees Retirement System-Defined Benefit Plan. Their pension will be based solely on the value of their accumulated DC account balance at the date of transfer as determined by the Retirement System's actuary.

### **GENERAL CONDITIONS:**

Employees who are eligible to participate in the Early Retirement Incentive Program will be sent notification following approval of the program by City Council. The notice will include the Early Retirement Incentive Program Voluntary Resignation Agreement and Release of Claims form, a Receipt form and a Waiver of Review Period form. Employees will have a minimum of

45 days in which to consider the Release in order to seek counsel regarding their rights. If the employee chooses to waive the 45-day review period, he/she must submit the signed Waiver. Employees who elect to participate in the Program must submit the signed Release not later than the end of the window period and will have seven (7) days after signing to revoke their decision. Retirement dates are subject to approval, and retirement must occur not later than November 15, 2011.

**ELIGIBILITY REQUIREMENTS:**

The Program will be available to TCSA employees who meet the age and service requirements for normal or early retirement as of June 30, 2011, or are within five years of eligibility, as defined by the Employee Retirement System Ordinance or by the respective collective bargaining agreement. These eligibility requirements are as follows:

<p><b><u>GROUP A</u></b> <b><i>Regular Retirement</i></b></p> <p>Age 50 with 27 years of service; or Age 55 with 25 years of service; or Age 60 with 10 years of service</p> <p><b><i>Early Retirement</i></b> Age 55 with 10 years of service</p> <p><b><u>GROUP B</u></b> Those within five (5) years of eligibility as stated above</p>
--

**EFFECTIVE DATES:**

Window Period (45-days minimum):	July 27, 2011 through October 25, 2011
Revocation Period Ends (7 days):	November 1, 2011
Retirement Not Later Than:	November 15, 2011

May 26, 2011

CONFIDENTIAL

Mr. John Lamerato  
Assistant City Manager - Finance  
City of Troy  
500 West Big Beaver Road  
Troy, Michigan 48084

**Re: A Supplemental Valuation of the Effect of a Proposed Early Retirement  
Incentive Plan (ERIP) for the City of Troy-TCSA**

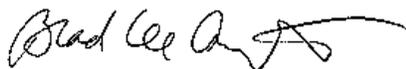
Dear Mr. Lamerato:

This report presents the results of a supplemental valuation of the potential impact of a proposed Early Retirement Incentive Plan on the City of Troy Employees Retirement System (ERS) and Retiree Health Plan. A summary of the Early Retirement Incentive Plan provisions is shown on the following page.

Except where indicated, this valuation was based on the actuarial assumptions and methods used in the most recent ERS and Other Postemployment Benefits annual actuarial valuations.

Both of the undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,



Brad Armstrong, ASA, EA, MAAA



Randall J. Dziubek, ASA, EA, MAAA

BLA/RJD:sc  
Enclosures

**CITY OF TROY**  
**EMPLOYEES RETIREMENT SYSTEM (ERS)-TCSA**  
**EARLY RETIREMENT INCENTIVE PLAN (ERIP)**  
**PROPOSED PROVISIONS**

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**ERIP**

Eligibility: Member is eligible or within five years of eligibility for regular or early retirement as of April 30, 2011. Members of both the ERS and the Defined Contribution Plan (DC) are eligible for the ERIP.

Benefits provided by the ERIP:

- ERS Members – Immediate commencement of unreduced retirement benefit based on accrued service as of April 30, 2011.
- ERS and DC Members - Immediate commencement of retiree health benefits based on accrued service as of April 30, 2011.
- ERS and DC Members – All eligible members as of April 30, 2011 will receive a lump sum payment of \$1,000 for each complete year of service as of the same date. These lump sums will not be funded by the Retirement System. In the case of DC members, the eligibility for the lump sum is contingent on not converting their DC balance to a DB annuity under the Retirement System.

**CITY OF TROY**  
**EMPLOYEES RETIREMENT SYSTEM (ERS)-TCSA**  
**EARLY RETIREMENT INCENTIVE PLAN (ERIP)**  
**PROPOSED PROVISIONS**

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**DATA PROVIDED TO THE ACTUARY:** The City provided a listing of all of the active members that are believed to be eligible for the ERIP. The listing was reviewed for reasonableness, but was not audited by the actuary.

A summary of individuals deemed eligible for the ERIP and included in this report is shown below:

Group	Data as of April 30, 2011				
	Number Count	Total Annual Payroll	Average Age	Average Service Benefit Eligibility	
ERS					
NR Eligible	-	-			
ER Eligible	-	-			
Eligible within 5 yrs.	-	-			
Total ERS	-	-			
DC Plan					
NR Eligible	1	\$ 89,857	51.1 yrs.	33.4 yrs.	33.4 yrs.
ER Eligible	-	-			
Eligible within 5 yrs.	3	210,117	49.9	16.8	16.8
Total DC Plan	4	\$ 299,974	50.2 yrs.	21.0 yrs.	21.0 yrs.

## RESULTS OF THE VALUATION

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The estimated impact of the proposed ERIP as of April 30, 2011 is shown below, assuming 100% of eligible members retire. The “Retiree Health” results represent the impact of immediate retirement for both ERS and DC Plan members.

Annual contribution results shown below were determined by amortizing the increase in the present value of benefits over a five-year period as a level percent of pay. These contribution results are not the expected increases in the Annual Required Contributions (ARC) that will be determined in the actuarial valuations following the ERIP, but are a good representation of the expected overall costs of the ERIP if paid off over a five-year period.

	Increase in Present Value (PV) of Projected Benefits	Annual Contribution Required to Amortize PV Increase Over 5 Years						
Pension	\$ -	\$ -						
Retiree Health	83,892	18,315						
Sub-Total	\$ 83,892	\$ 18,315						
\$1,000 x Service *	41,000	NA						
Total	\$ 124,892	\$ 18,315						
Reduced Member DB Contributions	\$ -	\$ -						
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Increased Benefits Plus Reduced</td> <td style="width: 30%;"></td> <td style="width: 30%;"></td> </tr> <tr> <td>Member DB Contributions</td> <td style="text-align: right;">\$ 124,892</td> <td style="text-align: right;">\$ 18,315</td> </tr> </table>			Increased Benefits Plus Reduced			Member DB Contributions	\$ 124,892	\$ 18,315
Increased Benefits Plus Reduced								
Member DB Contributions	\$ 124,892	\$ 18,315						

\* The \$1,000 x Service amounts shown above are based on accrued service as of April 30, 2011. These lump sum payments will not be funded by the Retirement System. The cost to amortize over 5 years is not shown since it is assumed these payments will be made immediately following the retirement of participating members.

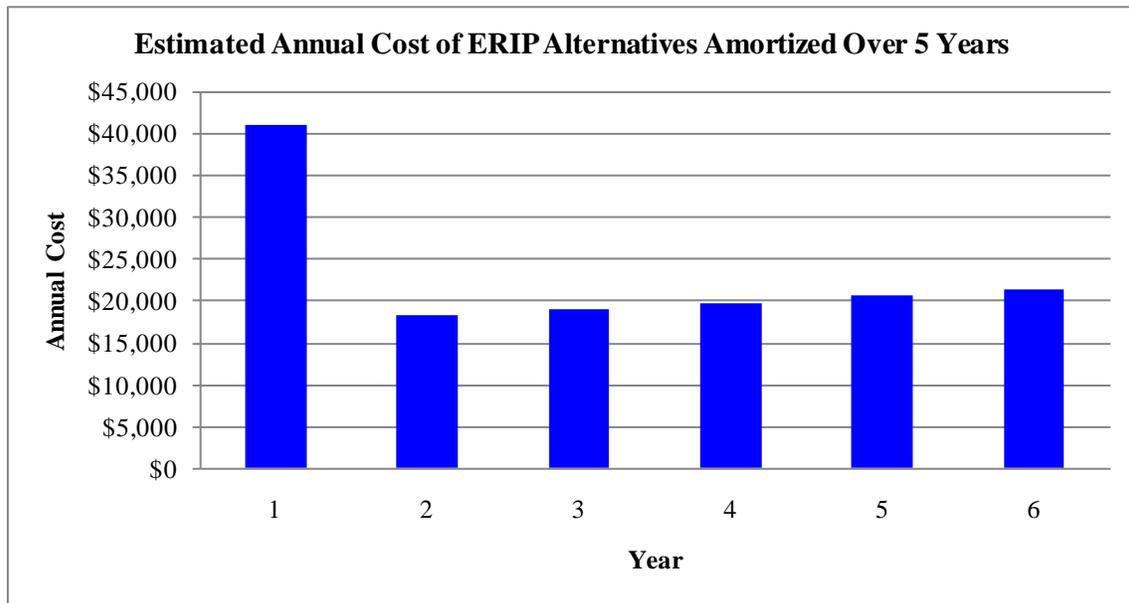
### Increase in Annual Required Contribution (ARC) for Retiree Health Benefits

The Annual Required Contribution for retiree health benefits is currently based on the Entry-Age Normal (EAN) actuarial cost method. The expected increase in the actuarial accrued liability (AAL) for retiree health benefits under the EAN cost method due to the proposed ERIP is \$185,916. Under current methods, 30-year amortization of the increase in the AAL under the EAN cost method will be included in the calculation of the ARC in the valuation following the ERIP.

## RESULTS OF THE VALUATION

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The chart below illustrates the total expected cost of the additional pension and retiree health benefits provided under the ERIP alternatives if spread over a five year period. These results do not reflect the potential savings associated with the ERIP due to decreased payroll and fringe benefit costs and other factors. For an overall measure of the estimated cost/savings associated with the ERIP, the costs shown below should be combined with any expected savings due to decreased payroll and other factors. If the expected savings due to these factors over the next five years is equal to the costs shown below, the ERIP can be considered cost neutral to the City.



The estimated cost of the \$1,000 x service benefit is shown in Year 1. The 5-year amortization of additional costs under the ERIP is shown in Years 2-6. Year 1 represents the fiscal year ending June 30, 2011. We assumed that 50% of the eligible DC Plan members will elect to convert their DC balance to a DB annuity under the Retirement System thereby forgoing any lump sum payment.

## RESULTS OF THE VALUATION

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It is likely that less than 100% of eligible members will choose to retire under this ERIP. In the table below, we show the estimated increase in the present value of benefits and the 5-year amortization payment of these increases based on various election percentages (please refer to Comment 4 on page 6). Each of the sets of results shown assume 50% of the eligible DC Plan members will elect to convert their DC balance to a DB annuity under the Retirement System thereby forgoing any lump sum payment.

	Percentage of Eligible Members Assumed to Retire Under the Program			
	100%	75%	50%	25%
Number Assumed to Retire from ERS	-	-	-	-
Number Assumed to Retire from DC Plan	4	3	2	1
Increase in PV of Benefits Plus Reduced Member DB Contributions				
Pension	\$ -	\$ -	\$ -	\$ -
Retiree Health	83,892	62,919	41,946	20,973
\$1,000 x Service	41,000	30,750	20,500	10,250
Reduced Member DB Contributions	-	-	-	-
Total	\$ 124,892	\$ 93,669	\$ 62,446	\$ 31,223
5-Year Amortization of Above (In addition to One-Time Cost of \$1,000 x Service)				
Pension	\$ -	\$ -	\$ -	\$ -
Retiree Health	18,315	13,736	9,158	4,579
Reduced Member DB Contributions	-	-	-	-
Total	\$ 18,315	\$ 13,736	\$ 9,158	\$ 4,579

Please see the Comments on pages 6 and 7 for important information that is essential to understanding this report.

## COMMENTS

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**Comment 1:** This report is based on an assumption that individuals reported by the City as eligible for the ERIP, elect the ERIP and then retire on April 30, 2011. Data used for this report was based on the data provided by the City regarding eligible members as of April 30, 2011. Pay data and service provided for the December 31, 2010 annual actuarial valuation of the ERS was used to estimate pensionable earnings at retirement.

**Comment 2:** This report is based on the data and assumptions noted above and the proposed ERIP provisions shown on page 1. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important and relevant plan provisions are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

**Comment 3:** This report shows the potential impact of the proposed ERIP on ERS pension and retiree health care costs as of April 30, 2011. The non-retirement costs/savings in other areas (payroll savings, fringe benefit savings, employer contributions to new hire defined contribution accounts, etc.) are not included in this report.

**Comment 4:** The cost of the proposed ERIP has been developed assuming that all of the individuals shown in this report are eligible for the ERIP and will elect to retire on April 30, 2011. Please be aware that the cost of the ERIP will vary for each individual member. For example, if half of the eligible employees elect to retire, and these employees are the ones who would benefit most from the incentive, the cost would be more than 50% of the "100% retire" cost shown in this report. In other words, in the examples of 75%, 50%, and 25% election percentages on page 5, the cost would be increased if the employees electing to retire are the employees who would benefit most from the proposal.

**Comment 5:** The Government Finance Officers Association (GFOA) recommended practice for evaluating the use of early retirement incentives has been included in the Appendix of this report. The GFOA recommends the use of a short amortization period (such as 3-5 years) to finance the incremental cost of an early retirement incentive plan. Since savings are typically realized over a short period, the costs should also be recognized over a similar period. Regardless of the time period selected for funding, we recommend that policy makers carefully consider the 5 year results shown in this correspondence in the decision making process.

**Comment 6:** The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

## COMMENTS

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**Comment 7:** If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

**Comment 8:** No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.

**Comment 9:** This report is intended to describe the financial effect of the proposed plan changes on the retirement system. Except as otherwise noted, potential effects on other benefit plans were not considered.

**Comment 10:** The reader of this report should keep in mind that actuarial calculations are mathematical estimates based on current data and assumptions about future events (which may or may not materialize). Please note that actuarial calculations can and do vary from one valuation year to the next, sometimes significantly if the group valued is very small (less than 30 lives). As a result, the cost impact of a benefit change may fluctuate over time, as the demographics of the group changes.

# **APPENDIX**



## GFOA Recommended Practice

### Evaluating Use of Early Retirement Incentives - 2004

**Background.** Governments occasionally offer early retirement incentives (ERIs)<sup>1</sup> to employees as a strategy to reduce payroll costs or stimulate short-term turnover among staff. ERIs are temporary, offered during a window that usually covers a period of months. They increase the economic value of the standard retirement benefit. Historically, ERIs rarely have succeeded, since costs are often greater than initially anticipated by the government offering the incentive, and savings are lower than projected.

**Recommendation.** GFOA recommends that governments exercise extreme caution if considering ERIs. Governments should take several actions prior to the decision to offer an ERI in terms of (1) goal-setting, (2) cost/benefit analysis, and (3) budgetary analysis. Governments should also develop an implementation plan.

#### 1. Goal-Setting for ERIs

Governments should be explicit in setting documented goals for the ERI. Goals can be financial in nature, such as realizing permanent efficiencies in staffing or achieving budgetary objectives. ERIs can also be designed to achieve human resource goals, such as creating vacancies that allow for additional promotion opportunities and allowing management to bring in new staff. Any ERI goals should not conflict with other retirement plan goals (e.g., features to reduce turnover or increase retention).

An explicit statement of goals is needed to judge the ultimate success of the initiative and to develop performance measures. Further, having a statement of goals promotes transparency. Inappropriate goals such as rewarding a select group of staff should be explicitly rejected. Potential conflicts of interest among decision-makers who design an ERI should be monitored closely, since any self-dealing is costly and could harm the long-term credibility of the government entity.

#### 2. Cost/benefit analysis

In judging whether an ERI should be offered, governments should assess the potential costs and benefits of ERI proposals, and the cost/benefit analysis should be linked to the goals of the ERI. For example, if a government sets a financial goal of obtaining long-term staffing efficiencies, then an

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<sup>1</sup> The scope of this recommended practice does not cover deferred retirement option plans (DROP) or partial lump-sum option plans (PLOP), which often promote employee retention. The CORBA Committee may address this issue separately.

independent cost/benefit analysis should determine whether the ERI will actually bring about such staffing efficiencies. A cost/benefit analysis should be comprehensive. It should take into account direct and indirect impacts, such as the impact on the government for providing retiree health care and additional contractor costs. In addition, it should take into account the effect upon both the plan sponsor and the pension fund (if the pension fund is a separate organization). Governments should retain an actuary to assist in conducting a cost/benefit analysis.

Material changes to the ERI proposal during the legislative process should trigger adjustments to the cost/benefit and budgetary analyses.

Regarding financially-driven ERIs, a cost/benefit analysis should compare long-term benefits and costs against the “default” scenario of a hiring freeze. Most financially-driven ERIs project financial benefits based on payroll savings related to staff departures. However, any such savings should be discounted, because a hiring freeze also creates payroll savings (owing to the normal rate of staff departures). Thus, the ERI benefit is limited to the marginal increase in staff departures attributable to the ERI. Governments that attribute all staff departures to an ERI would over-state the ERI benefit, thus distorting the cost/benefit analysis.

Financially-driven ERIs may also obtain savings by replacing highly compensated staff with lower-paid staff. Analysis of such ERIs must take into account the fact that newly hired staff tend to experience faster salary increases than other employees.

If early retirement incentives are offered, they should be offered very infrequently and without a predictable schedule to avoid the expectation that another ERI will be offered. Such an expectation would distort normal employee retirement patterns.

The incremental costs of an ERI should be amortized over a short-term payback period, such as three to five years. This payback period should match the period in which the savings are realized. To calculate the incremental costs of an ERI, governments should conduct an actuarial analysis that discloses the present value of the liabilities associated with an ERI. Governments that have over-funded pension plans should avoid allocating any actuarial surplus to finance the incremental costs of the ERI.

### 3. Budgetary considerations

In order to develop accurate budgetary estimates for the ERI, it is necessary to estimate the incremental cost of the ERI, which will vary according to the level of employee participation. Any budgetary analysis should project multiple scenarios for employee participation levels.

A budgetary analysis should be comprehensive. It should take into account direct and indirect impacts, such as the impact on the government for providing retiree health care and additional contractor costs.

Because a collective bargaining agreement may affect potential ERI costs and benefits, it should be reviewed prior to developing budgetary estimates.

#### 4. Implementation considerations

If implementing an ERI, at a minimum, governments should take into account the following points:

- A communication plan is desirable to help employees understand the ERI in the context of overall retirement planning;
- It may be necessary to gain input from collective bargaining units;
- Governments should consider the impact upon service delivery after employees retire, with identification of critical personnel whose services must be maintained;
- The duration of the window should take into account the ability of retirement staff to manage retirement application workloads, among other factors; and
- Performance measures should be used to ensure ERI goals are met. For financially-driven ERIs, governments should track and report direct and indirect costs and benefits to determine if goals are met, such as for vacancies and contract costs.

#### References:

*A Primer on Early Retirement Incentives*, GFOA, 2004.

Approved by the GFOA Executive Board, October 15, 2004.