

BEFORE THE STATE EMPLOYMENT RELATIONS BOARD OF OHIO

In The Matter of Factfinding Pending Between:

2008 DEC 22 A 10: 39

FRATERNAL ORDER OF POLICE CASE# 08-MED-04-0448
OHIO LABOR COUNCIL, INC. 08-MED-04-0449
 08-MED-04-0450

And

THE CITY OF LIMA, OHIO

FINDINGS OF FACT AND RECOMMENDATIONS

Rendered this 18th day of December, 2008

Harold Paddock, Fact Finder.

Pursuant to a mutually agreed appointment by the State Employment Relations Board (SERB) on November 19, 2008, this Fact Finder conducted a factfinding session in Lima, Ohio on the agreed date of December 9, 2008. Both sides submitted pre-hearing position statements and appropriate document packages at the hearing. Both sides were well represented by their respective teams at the hearing. The Fact Finder throughout this proceeding and the preparation of these Findings and Recommendation is guided by Title 4117 of the Ohio Revised Code, and especially the factors listed in ORC section 4117.14(G)(7)(a)-(f). The Fact Finder has considered all reliable information relevant to the issues submitted. Specific recommendations are indicated with **bold** text.

I. Background.

The Fraternal Order of Police, Ohio Labor Council (hereinafter FOP) is the recognized and certified collective bargaining representative for three units within the Lima Police Department; for sworn police offices below the rank of sergeant, detectives, dispatchers, full-time correction officers, and I.D. officers in their labor relations with the City of Lima (hereinafter the

City). The different police groups or sections constitute different bargaining groups, designated Units B, C, and D. The parties have agreed to multi-unit bargaining, and this hearing was conducted on a consolidated basis for all three units. The parties have meet for collective bargaining sessions on six occasions in 2008 to negotiate a new agreement to following the existing agreement, which covers January 1, 2006 through December 31, 2008.

The parties have agreed to leave in place certain provisions from the prior collective bargaining agreement (Articles 1, 2, 3, 4, 6, 7, 9, 11, 12, 13, 15, 23, 27, 28, 29 and Appendix A) and have reached a tentative agreement on other provisions (Articles 5, 8, 10, 14, 16, 17, 18 in part, 19, 20, 21, 22, 24, 25 in part, 26, 30, and a letter of understanding as to holiday pay for communication operators).

It is the recommendation of the Fact Finder that each and every provision that is agreed to as unchanged or tentatively agreed to through the recent round of bargaining be adopted as the terms of the new collective bargaining agreement for the next three years. Those terms are incorporated into this report as if fully rewritten herein.

II. Disputed Issues and Respective Positions.

The only issues left open for consideration by the Fact Finder are (a) wages under Article 18, specifically 18.1, and (b) Insurance, specifically health care coverage costs under Article 25.2 and Appendix B.

The FOP seeks a wage increase of three percent (3%) in each of the three years of the next collective bargaining agreement, and a retention of the current contract system where FOP Unit members pay fixed monthly amounts for their health care premium, with contractually agreed annual increases in each of the three years of the 2009-2011 agreement of \$5.00 in the monthly charge.

The City, having once offered and later withdrawn an earlier wage step proposal of 3.0%, 2.5%, and 2.0% over three years, is currently offering steps of 1.5%, 1.5% and 2.0% for the next three years. The City is offering on health care premiums that the FOP accept a conversion to Super Med Plus (network/non-network) run by Medical Mutual, with an arrangement where Unit members' annual cost is determined each year through use of an established COBRA formula with a 80% City/20% member cost sharing mechanism for increases up to 10% and a 10% cap on the maximum that the members would have to pay on any increase, a spousal carve-out, and modified prescription drug copays.

III. *Wages.*

Both sides recognize and it is common knowledge that the United States, the State of Ohio, and local government units are having difficulties in funding the their operations due to an economic downturn in the American economy. Ohio is particularly hard hit due to its historic reliance on manufacturing and “rust belt” type industries. Lima is the county seat of Allen County in northwestern Ohio, an area having some economic issues with a declining manufacturing base. Both sides presented considerable evidence and background information on the state of the local economy in Lima and the surrounding vicinity. Current projections, which are at best educated predictions about an uncertain future, are that Lima will experience a decline in tax receipts through lower city income taxes and other forms of civic revenues. The City has foreseen these types of difficulties and reduced the City payroll in several departments through attrition over the past few years. The City still envisions possible budget shortfalls in the future.

The FOP points out accurately that good wages are an incentive to good retention rates among city employees including police officers, that

other cities in the area are paying their officers competitive wage increases, that comparable sized cities elsewhere in Ohio have attractive wage packages for their officers, and that the City budget has been described locally as stable. Statistics submitted by the FOP show that the proposed 3.0% across the board increase compares well with a Social Security cost of living increase of 5.8%, United States Department of Labor consumer price index increase of 3.7%, and a computed Midwest cost of living increase of 5.9%. It was pointed out at the hearing that because of the way the biweekly paydays fall in the calendar that there would be 27 paydays in 2009 instead of the usual 26, leading to an automatic 1/26 pay increase for that year.

The City presented data indicating a possible major decrease in Local Government Funds, a contribution or form of revenue sharing from the State of Ohio to local government units, and a decline on investment income due to both lower investment interest rates and a declining stock market. Certain revenue shortfalls pop up on a delayed basis as items, such as lower withholding taxes on wages, trail by some months the actual occurrence of layoffs or business closings. It was noted that the City has no plans for capital expenditures and that over half the police cruisers in the fleet have over 100,000 miles on them. The City projects a decline in tax and other income of somewhere between \$700,000 and \$800,000 in 2009.

Taking all the relevant and reliable information presented at the hearing, the Fact Finder concludes, especially in light of the factors in ORC 4117.14(G)(7)(c) including the ability of the public employer to finance the issues proposed, that the wage issue should be resolved on the basis of a 1.5%, 1.5%, and 2.0% increases in all three units in the three contract years.

The Fact Finder therefore recommends that Article 18.1 of the proposed collective bargaining agreement provide for wage increases of

1.5%, 1.5% and 2.0% for the next three years in calendar years 2009, 2010, and 2011 across all positions, ranges, and steps. The exact calculations are delineated in Attachment One to this report, with the handwritten correction of a typo pointed out at the hearing. Attachment One is incorporated into this report as if fully rewritten herein.

IV. Health Care Costs.

The monthly premium charges for both single and family health insurance coverage has been a subject of collective bargaining between the City and the FOP, and the City with other units. Currently, the FOP is the only city unit with the fixed monthly cost provision in their contract. All other bargaining units have clauses that use the established COBRA cost schedule as part of a formula to annually determine their monthly contribution. In addition, the City has enacted a “parity ordinance” which mandates that non-union employees receive equal benefits to union employees.

The FOP at the hearing advanced the position that Unit members need to have the certainty of knowing what their monthly health care contributions will be through out the contract period. The FOP makes the point that police officer families need to know their health care costs in advance for budgeting and fiscal stability purposes.

The Fact Finder would note that all citizens, regardless of their employment, would benefit from family cost stability and exact predictability of monthly expenditures. The Fact Finder can not determine any distinction or difference between police and non-police families or between members of different City bargaining units that would justify differential treatment of FOP unit members under the system the City has in place for other union members and other employees. The Fact Finder is

cognizant of ORC 4117.14(G)(7)(b) making comparison to other public and private workers doing comparable work a factor to be considered in making recommendations. Because firefighters, supervisory police officers, and employees in other bargaining units are subject to the COBRA based formula and some do comparable work in terms of facing work related hazards, the Fact Finder believes that police officers in these three FOP units in this proceeding could and should be treated equally as compared to the other City bargaining units.

The Fact Finder therefore recommends that the collective bargaining agreement for the parties contain a health care insurance provision consisting of coverage through Super Med Plus (network/non-network) administered by Medical Mutual, with an arrangement where Unit members' annual cost is determined each year through use of an established COBRA formula with a 80% City/20% employee cost sharing mechanism for increases up to 10% and a 10% cap on the maximum that the employees would have to pay on any increase, a spousal carve-out, and modified prescription drug copays. The exact language of the provision that should become Article 25.2 is appended below as Attachment Two, which is incorporated into this report as if fully rewritten herein.

V. Other Matters.

While not within the scope of the issues referred or submitted for fact finding, two smaller issues did arise at the hearing. While the Fact Finder can not make formal recommendations on issues not legally before him, the Fact Finder would politely and respectfully suggest that the parties give some consideration to those points.

In the general topic of health care costs, it would be beneficial for the City and the FOP to revitalize or create anew a joint committee to discuss ways for both sides to help each other in reducing health care costs. Two such methods discussed at the hearing for committee review and dialogue would be educating officers at roll call about ways to handle, submit, and utilize their existing health care benefits, and having a designated person in the City Human Resources Department as a contact person/helpline for questions by officers and their families about how to most efficiently fill out and submit health care claims and paperwork.

On the topic of future changes in circumstances affecting the collective bargaining agreement, such as new federal health care legislation or policy, and/or new sources of federal revenue for the assistance of struggling municipalities, it was suggested that the parties have some opportunity to discuss and possibly take advantage of changes in federal government actions in those areas, without having a full formal reopening of contract talks.

Respectfully submitted,

A handwritten signature in cursive script that reads "Harold Paddock". The signature is written in black ink and is positioned above a horizontal line.

Harold Paddock, Fact Finder

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FRATERNAL ORDER OF POLICE	CASE#	08-MED-04-0448
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And

THE CITY OF LIMA, OHIO

ATTACHMENT ONE

ARTICLE 18
WAGES

Section 18.1. Wage Steps.

A. Effective January 1, ~~2006~~ 2009, all employees covered by this Agreement shall receive a ~~three~~ ^{ONE AND A HALF} ~~two~~ percent (~~3.00%~~) (1.5%) general increase and be paid in accordance with the following schedule:

<u>Position</u>	<u>Start</u>	<u>After</u>				
		<u>6 mos.</u>	<u>8 yrs.</u>	<u>14 yrs.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
Detectives	\$22.57	\$23.41	\$23.65	\$23.90	\$24.17	\$24.43
Pay Range 5	\$1805.60	\$1872.80	\$1892.00	\$1912.00	\$1933.60	\$1954.40

<u>Position</u>	<u>Start</u>	<u>After</u>				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Police	\$18.11	\$19.03	\$19.89	\$20.78	\$21.70	\$21.95
Officer	\$1448.80	\$1522.40	\$1591.20	\$1662.40	\$1736.00	\$1756.00

Pay Range 3

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$22.22	\$22.46	\$22.70
\$1777.60	\$1796.80	\$1816.00

City of Lima
Employer Fact-finding Proposal
FOP-OLC (Units B, C, D)

WAGES (continued)

<u>Position</u>	<u>Start</u>	After				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Commun-	\$15.75	\$16.96	\$17.62	\$18.21	\$18.79	\$19.07
ications	\$1260.00	\$1356.80	\$1409.60	\$1456.80	\$1503.20	\$1525.60

Pay Range 12

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$19.33	\$19.54	\$19.81
\$1546.40	\$1563.20	\$1584.80

<u>Position</u>	<u>Start</u>	After				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Corrections	\$15.40	\$16.62	\$17.16	\$17.75	\$18.35	\$18.62
	\$1232.00	\$1329.60	\$1372.80	\$1420.00	\$1468.00	\$1489.60

Pay Range 10

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$18.86	\$19.10	\$19.38
\$1508.80	\$1528.00	\$1550.40

City of Lima
Employer Fact-finding Proposal
FOP-OLC (Units B, C, D)

WAGES (continued)

<u>Position</u>	<u>Start</u>	After				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Technology	\$17.01	\$18.32	\$19.04	\$19.65	\$20.30	\$20.58
Coordinator	\$1360.80	\$1465.60	\$1523.20	\$1572.00	\$1624.00	\$1646.40
Pay Range 15						
		<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>		
		\$20.88	\$21.10	\$21.40		
		\$1670.40	\$1688.00	\$1712.00		

To qualify for the 1 year step, the employee must have successfully completed one (1) year of service and have satisfactorily completed his probationary period.

The City shall advance the employee to the next highest pay step on the first pay period following the required months of service in each step.

For the 8, 14, 18, and 22 year steps, the employee's anniversary date shall determine his year of service. Payment is based upon total years of continuous service with the City and satisfactory performance evaluation(s) during the preceding twelve (12) month period. Post-hire military time and all approved

WAGES (continued)

leave time shall count. Time lost due to suspension or leave without pay shall not count as continuous service.

- B. Effective January 1, ~~2007~~ 2010, all employees covered by this Agreement shall receive a ^{ONE AND A HALF} ~~two and one half~~ percent (~~2.5%~~) (1.5%) general increase and be paid in accordance with the following schedule:

<u>Position</u>	<u>Start</u>	<u>After</u>				
		<u>6 mos.</u>	<u>8 yrs.</u>	<u>14 yrs.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
Detectives	\$22.91	\$23.76	\$24.00	\$24.26	\$24.53	\$24.80
Pay Range 5	\$1832.80	\$1900.80	\$1920.00	\$1940.80	\$1962.40	\$1984.00

<u>Position</u>	<u>Start</u>	<u>After</u>				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Police	\$18.38	\$19.32	\$20.19	\$21.09	\$22.03	\$22.28
Officer	\$1407.40	\$1545.60	\$1615.20	\$1687.20	\$1762.40	\$1782.40
Pay Range 3						

City of Lima
Employer Fact-finding Proposal
FOP-OLC (Units B, C, D)

WAGES (continued)

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$22.55	\$22.80	\$23.04
\$1804.00	\$1824.00	\$1843.20

After

<u>Position</u>	<u>Start</u>	<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Commun-	\$15.99	\$17.21	\$17.88	\$18.48	\$19.07	\$19.36
ications	\$1279.20	\$1376.80	\$1430.40	\$1478.40	\$1525.60	\$1548.80

Pay Range 12

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$19.62	\$19.83	\$20.11
\$1569.60	\$1586.40	\$1608.80

After

<u>Position</u>	<u>Start</u>	<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Corrections	\$15.63	\$16.87	\$17.42	\$18.02	\$18.63	\$18.90
	\$1250.40	\$1349.60	\$1393.60	\$1441.60	\$1490.40	\$1512.00

Pay Range 10

City of Lima
Employer Fact-finding Proposal
FOP-OLC (Units B, C, D)

WAGES (continued)

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$19.14	\$19.39	\$19.67
\$1531.20	\$1551.20	\$1573.60

After

<u>Position</u>	<u>Start</u>	<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Technology	\$17.27	\$18.59	\$19.33	\$19.94	\$20.60	\$20.89
Coordinator	\$1381.60	\$1487.20	\$1546.40	\$1595.20	\$1648.00	\$1671.20

Pay Range 15

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$21.19	\$21.42	\$21.72
\$1695.20	\$1713.60	\$1737.60

- C. Effective January 1, ~~2008~~ 2011, all employees covered by this Agreement shall receive a two ~~and one half~~ percent (~~2.5%~~) (2.0%) general increase and be paid in accordance with the following schedule:

City of Lima
Employer Fact-finding Proposal
FOP-OLC (Units B, C, D)

WAGES (continued)

<u>Position</u>	<u>Start</u>	After				
		<u>6 mos.</u>	<u>8 yrs.</u>	<u>14 yrs.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
Detectives	\$23.37	\$24.24	\$24.48	\$24.75	\$25.02	\$25.30
Pay Range 5	\$1869.60	\$1939.20	\$1958.40	\$1980.00	\$2001.60	\$2024.00

<u>Position</u>	<u>Start</u>	After				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Police	\$18.75	\$19.71	\$20.59	\$21.51	\$22.47	\$22.73
Officer	\$1500.00	\$1576.80	\$1647.20	\$1720.80	\$1797.60	\$1818.40

Pay Range 3

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$23.00	\$23.26	\$23.50
\$1840.00	\$1860.80	\$1880.00

<u>Position</u>	<u>Start</u>	After				
		<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Commun-	\$16.31	\$17.55	\$18.24	\$18.85	\$19.45	\$19.75
ications	\$1304.80	\$1404.00	\$1459.20	\$1508.00	\$1556.00	\$1580.00

Pay Range 12

City of Lima
Employer Fact-finding Proposal
FOP-OLC (Units B, C, D)

WAGES (continued)

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$20.01	\$20.23	\$20.51
\$1600.80	\$1618.40	\$1640.80

After

<u>Position</u>	<u>Start</u>	<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Corrections	\$15.94	\$17.21	\$17.77	\$18.38	\$19.00	\$19.28
	\$1275.20	\$1376.80	\$1421.60	\$1470.40	\$1520.00	\$1542.40

Pay Range 10

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$19.52	\$19.78	\$20.06
\$1561.60	\$1582.40	\$1604.80

After

<u>Position</u>	<u>Start</u>	<u>1 Yr.</u>	<u>2 yrs.</u>	<u>3 yrs.</u>	<u>4 yrs.</u>	<u>8 yrs.</u>
Technology	\$17.62	\$18.96	\$19.72	\$20.34	\$21.01	\$21.31
Coordinator	\$1409.60	\$1516.80	\$1577.60	\$1627.20	\$1680.80	\$1704.80

Pay Range 15

WAGES (continued)

<u>14 Yr.</u>	<u>18 yrs.</u>	<u>22 yrs.</u>
\$21.61	\$21.85	\$22.15
\$1728.80	\$1748.00	\$1772.00

Section 18.2. Current Agreement.

Section 18.3. Current Agreement.

FOR THE EMPLOYER:

FOR THE UNION:

Date Submitted: _____

Date Signed: _____

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FRATERNAL ORDER OF POLICE	CASE#	08-MED-04-0448
OHIO LABOR COUNCIL, INC.		08-MED-04-0449
		08-MED-04-0450

And

THE CITY OF LIMA, OHIO

ATTACHMENT TWO

ARTICLE 25
HEALTH CARE BENEFITS AND LIFE INSURANCE

Section 25.1. Health Insurance. The Employer shall provide health insurance, dental, and group term life insurance coverage for each bargaining unit employee.

1. Effective January 1, 2009, the health care coverage plan will be set forth in the Medical Mutual of Ohio Super Med Plus Plan Document and Summary Plan Description with all deductibles, co-insurance, out-of-pocket maximums, network and out-of-network charges as described therein.

a. Effective January 1, 2009, \$20 patient co-pay for each visit to a provider to be added — not included in the deductible and out-of-pocket maximum.

b. Effective January 1, 2009, single and family deductibles will be increased from \$100/\$200 to \$200/\$300 in network and out of network.

c. Effective January 1, 2009, colonoscopy screening will be added in accordance with recommendations of the American Cancer Society, that includes one (1) office visit. This benefit is only available through an Employer designated provider.

HEALTH CARE BENEFITS AND LIFE INSURANCE (continued)

d. A member who has been referred to a specialty provider from a network provider, and such referred specialty is not otherwise available within the network as determined by the Plan Administrator, shall receive the same level of benefit (as measured by out-of-pocket expenditure) from said specialty provider as the member would have otherwise received had the specialty provider been a member of the network.

2. Prescription Drug Plan — Effective January 1, 2009

<u>Retail</u>	<u>Mail</u>
<u>\$0.00 for generic 90 day supply</u>	<u>\$0.00 for generic 90 day supply</u>
<u>\$15 for non-generic formulary</u>	<u>\$15 for non-generic formulary</u>
<u>\$25 for non-formulary</u>	<u>\$25 for non-formulary</u>

Members who provide documented evidence that they and their provider have attempted to use a therapeutically equivalent generic drug within the drug class, which has resulted in an insufficient therapeutic effect as determined by the member's provider, shall be authorized to replace such drug with a formulary item as prescribed by their provider at 50% of the non-generic formulary co-pay

HEALTH CARE BENEFITS AND LIFE INSURANCE (continued)

amount. Additionally, members who provide documented evidence that they and their provider have attempted to use a therapeutically equivalent formulary drug within the drug class, which has resulted in an insufficient therapeutic effect as defined by the member's provider, shall be authorized to replace such drug with a non-formulary item as prescribed by their provider at the formulary co-pay amount.

3. Voluntary Dependent Eligibility — Effective January 1, 2009, the Employer will reimburse the employee for the spouse's cost to purchase single premium medical coverage at the spouse's place of employment upon proof of such premium cost not to exceed \$200.00 per month. Bargaining unit employees taking advantage of the reimbursement will provide the Employer with information about his/her spouse's employer and about his/her spouse's eligibility for medical coverage and the cost of the coverage.

- a. A spouse eligibility incentive formula will be developed to reward employees 10% of the net savings of spouse's medical claims that exceed the reimbursement made to the employee for the cost to purchase the

HEALTH CARE BENEFITS AND LIFE INSURANCE (continued)

spouse's single premium. In no case will the incentive payment exceed 10% of the specific stop loss amount.

Example: Assume an employee chooses to participate in the spousal carve-out program and their spouse has access to health insurance for a cost of \$100 per month, the City will reimburse the employee for the cost to purchase that coverage for their spouse (provided proof of coverage and cost is submitted to the City of Lima). At the end of the calendar year, if claims paid by the spouse's insurance plan (as determined by EOBs from the spouse's insurance company) for the spouse exceed the amount reimbursed to the employee for purchase of the coverage, in this case \$1,200, the employee will receive a check in the amount of 10% of the difference between what the City paid for the coverage and what the spouse's health plan paid for claims for the spouse. If the spouse had incurred claims paid by their health insurance of \$5,000, the employee would receive a check in the amount of \$380, or \$5,000 minus \$1,200 which is equal to \$3,800 times 10% or \$380. The maximum amount available to an employee is 10% of the specific stop loss amount.

HEALTH CARE BENEFITS AND LIFE INSURANCE (continued)

Section 25.2. Health Insurance Premium. Effective January 1, 2004 the Employer shall contribute up to the following amounts each month toward the premium cost for each bargaining unit employee's health insurance coverage¹.

Single Plan \$371.10 Per Month

Family Plan \$853.31 Per Month

The first ten percent (10%) of any increase in insurance premiums each calendar year above the limits specified herein, shall be paid eighty percent (80%) by the Employer and twenty percent (20%) by the employee. Any insurance premium increase each year above the first 10% will be absorbed by the City. See Appendix B for examples.

The COBRA rate established by the City's third party administrator (TPA) shall be utilized to determine the above premium sharing. The Labor Council shall have 30 days following notification of the COBRA rate to request a second opinion from an independent industry recognized self-insured health insurance authority regarding the trend rate calculation. The parties shall meet to review the second opinion. If the parties

¹ The bargaining units represented by this Agreement (FOP-OLC units B, C, and D) will have the same premium cost as FOP-OLC Unit A.

HEALTH CARE BENEFITS AND LIFE INSURANCE (continued)

are unable to resolve the trend rate calculation issue, the Labor Council may request an arbitration hearing to resolve the matter. The costs of the second opinion and/or arbitration shall be paid equally by the Labor Council and the City. Nothing herein shall prevent the City from implementing the rates established by the City's TPA pending the Labor Council's request for a second opinion or appeal to arbitration. Any change in the COBRA rate resulting from such appeal will be properly credited to the affected employees.

Section 25.3. The City shall provide, at no cost to the employees, \$20,000 group term life insurance coverage.

Section 25.4. Provided that employees are not otherwise covered by City insurance, employees may elect to waive insurance coverages in January of each year. Employees electing to waive coverage shall be paid an additional 45 cents (\$0.45) or more (as determined by the Mayor) per hour for all hours actually worked in that year, not including hours paid but not worked. An employee who waives insurance coverages and then due to divorce, death of a spouse, or spouse's loss of insurance will be permitted to reapply to the insurance plan subject to the provisions of the plan. Upon acceptance into the plan, the waiver supplement shall be eliminated.

HEALTH CARE BENEFITS AND LIFE INSURANCE (continued)

Section 25.5. Hearing Benefit. The City shall provide, as an addition to the health plan document, a hearing benefit for members covered by the City's health plan.

FOR THE EMPLOYER:

FOR THE UNION:

Date Submitted: _____

Date Signed: _____

APPENDIX B

Premium Contribution Calculation Examples

The process for calculating health insurance premiums begins with examining the change in COBRA rate from one year to the next less the 2% administrative fee. First, the employee maximum exposure amount (EA) is calculated by taking the prior year (PY) COBRA rate and adding 10%. Next, the new year (NY) COBRA rate is compared to the EA. If the NY COBRA rate is larger than the EA, then the EA is used for calculation purposes by subtracting the PY from the EA and multiplying that difference by 20%. That amount is then added to the previous year's employee monthly premium contribution amount resulting in the new year's monthly premium contribution amount. If the NY is not larger than the EA, then the NY is used for calculation purposes by subtracting the PY from the NY and multiplying that difference by 20%. That number is then added to the previous year's monthly employee contribution amount resulting in the new year's employee monthly premium contribution amount.

The 2007 Calculation for Family Coverage

	<u>Traditional</u>	<u>SuperMed</u>
<u>Prior Year Rate (PY) =</u>	<u>\$1,280.94</u>	<u>\$1,280.94</u>
<u>Maximum Exposure Amount (EA = PY * 1.1) =</u>	<u>\$1,409.03</u>	<u>\$1,409.03</u>

PREMIUM CONTRIBUTION CALCULATION EXAMPLES (continued)

<u>New Year COBRA Rate (NY) =</u>	<u>\$1,518.60</u>	<u>\$1,332.30</u>
<u>The EA is < the NY, therefore (EA - PY)*20%</u>	<u>\$ 25.62</u>	<u>\$ 4.16</u>
<u>Plus last years premium contribution amount</u>	<u>\$ 30.91</u>	<u>\$ 30.91</u>
<u>Equals the NY employee monthly contribution</u>	<u>\$ 56.53</u>	<u>\$ 35.07</u>
<u>(Note: NY is less than EA, therefore NY-PY)</u>		

An Example of a Reduction in 2008 for Family Coverage

	<u>Traditional</u>	<u>SuperMed</u>
<u>Prior Year Rate (PY) =</u>	<u>\$1,518.60</u>	<u>\$1,301.74</u>
<u>Maximum Exposure Amount (EA = PY * 1.1) =</u>	<u>\$1,670.46</u>	<u>\$1,431.91</u>
<u>New Year COBRA Rate (NY) =</u>	<u>\$1,485.20</u>	<u>\$1,285.65</u>
<u>The EA is > the NY, therefore (NY - PY)*20%</u>	<u>\$ (6.68)</u>	<u>\$ (3.22)</u>
<u>Plus last years premium contribution amount</u>	<u>\$ 56.53</u>	<u>\$ 35.07</u>
<u>Equals the NY employee monthly contribution</u>	<u>\$ 49.85</u>	<u>\$ 31.85</u>

LETTER OF UNDERSTANDING

The City of Lima and the members of the Fraternal Order of Police as defined in the recognition article of this labor agreement agree that health is affected to some degree by individual choices about diet and exercise. As such, both parties encourage members to exercise personal responsibility each day by making healthy choices about diet and exercise. To that end, individual members may choose to participate in the City's Wellness Incentive Program and receive the benefits therein, as authorized by City Council.

See attachment — Wellness Incentive Program — October 2006.

**Wellness Incentive Program
October 2006**

The Wellness Program at the City of Lima offers the best long-term solution to the rising cost of healthcare. The program is designed to modify employee and dependent behavior in a manner that causes employees and dependents to take greater responsibility for their health through individual choice. The ultimate goal of the program is to create a culture of health awareness and action, using incentives for employees and their dependents to choose to eat healthier, exercise more and maintain a healthy body weight. Creating a financial incentive for employees that choose to make these choices is important in achieving the overall goal of the program. Employees that choose the behaviors of a healthy lifestyle will, in the long run, create less cost for the City's health plan when compared to those individuals that do not take what action they can to maximize their overall health. More importantly, individuals that make healthy lifestyle choices will reduce their long-term cost for healthcare, enhance their chances of enjoying a long, satisfying retirement and improve their overall quality of life.

The Wellness Program is a voluntary program and only those employees that choose to enroll are eligible for the incentives.

Definitions

“Healthy” for purposes of the City’s Wellness Program means measurements at or below the following:

Blood Pressure	<140 Systolic / <90 Diastolic
Resting Heart Rate	<90
Total Cholesterol	<200 (every 2 years if last measurement less than 200)
Fasting Plasma Glucose	<110mg/dL (every 3 years if last measurement less than 100)
Body Composition Index	Fair or better

“Health Screening Exams” include those screenings as recommended by the American Cancer Society, the American Heart Association or other recognized clinical professionals.

“HRA” is the Health Risk Assessment. Data from a health risk assessment will not be reported on an individual basis to the City of Lima. Aggregate report data will be provided to the City of Lima. The data will be provided in such a way that individuals will not be able to be linked to their specific data by any City official.

“Participation in the Program” means an employee has voluntarily enrolled by completed an HRA for the current year, has had measurements taken for that year and has documentation showing participation in at least one activity for the year.

“Activity” for purposes of the City’s Wellness Program is defined as any physical or nutritional effort, as specifically approved by the Wellness Team, that is designed to improve diet or physical health.

“Qualifying Year” is the 12-month calendar year period beginning on January first after measurements taken in prior November. For example, measurements taken in November 2006 will be the qualifying year beginning January 1, 2007.

“Wellness through Disease Management Program” is a special program for those employees that qualify requiring their active participation and cooperation in the management of their disease through the City’s Disease Management Program as provided by the City’s TPA or other health insurance provider. Additionally, an employee must enroll, actively participate and successfully meet the compliance requirements of their drug therapy as prescribed by their physician as monitored by Caremark (or other authorized City PBM). Finally, a candidate in this category must participate in a diet and exercise program as prescribed by their physician.

Incentives for Continued Health Improvement

Measurements for an employee will be taken each year in November. Employees may enroll at any time. Employees will receive the equivalent of one month’s free health insurance each year they are enrolled in the program. In the event that an employee’s monthly health benefit contribution level is zero, that employee will receive, as an incentive, the same amount that was paid to participants in the prior year. The incentive will be paid out in December of each year for the current calendar year. Employees participating in the program will receive a lipid panel (every 2 years if the previous reading was less than 200), fasting plasma glucose (every 3 years if previous reading was less than 100), body composition measurement, resting heart rate check and weight (or waist girth) measurement once each year paid for by the City’s health plan.

An employee that qualifies as healthy will receive a 20% discount on their health insurance premium contributions for a period of one calendar year beginning with the first pay in January of the qualifying year. Qualification for that year will have occurred in the prior November.

An employee that qualifies as showing a 10% improvement as compared to the prior year in any health measurement that is not qualified as healthy will receive a 10% discount on their health insurance premium contribution for a period of one calendar year beginning with the first pay in January of the qualifying year.

An employee who does not qualify as healthy and has been diagnosed with metabolic syndrome, diabetes or other chronic illness (as approved by the Wellness Team) will be eligible for a 5% discount on their health insurance premium contribution if they enroll in the Wellness through Disease Management Program. In order for a chronic illness to be considered for this discount opportunity the illness must be able to be positively impacted through a change in healthy lifestyle choices of an affected person. An employee may be qualified to earn both the Wellness through Disease Management Program incentive plus the improvement incentive described above increasing potential discounts on premium to 15%.

If it is unreasonably difficult due to a medical condition for an employee to achieve the standards for the reward under this program, or if it is medically inadvisable for an employee to attempt to achieve the standards for the reward under this program, that employee can contact the Department of Human Resources at extension #5222 or 5277 and they will work with that

employee and their physician to develop another way to qualify for the reward. This could include the identification of an ideal health status for that employee, as defined by their physician, relative to the defined measures for determining health under this program. The City of Lima reserves the right to verify via independent medical examination "ideal health status" for any employee choosing to participate in the Wellness Program.

Health Fair Participation Incentives

In cooperation with Allen County, the City of Lima will sponsor a health fair each year in November. The goal of the health fair is make employees aware of the different types of health support businesses and non-profit organizations that are available in the community. The health fair will also serve as an opportunity for employees to receive the annual flu shot. An employee enrolled in the program will be eligible once per year to receive an annual flu shot at a reduced cost to the employee. That cost will be 50% of the cost for a non-participating employee. In 2006, the flu shot cost for a non-participating employee is projected to be \$20. Those enrolled in the program will receive a flu shot for \$10.

Additionally, employees enrolled in the program that attend the health fair and can show that they have visited at least 10 booths at the fair are eligible for a door prize drawing sponsored by the City. The City will provide three prizes. Those prizes are as follows:

- ✓ A full year of health insurance at no contribution cost to the employee (family or single coverage).
- ✓ The City will waive the family out of pocket cost as determined by EOB for one full year (family or single coverage). Reimbursement to the employee will be made in January of the following year of award upon presentation of an EOB to the Department of Human Resources or other verification by HR. The total out of pocket cost eligible for prize reimbursement will be as determined by the health plan's third party administrator and will include only those expenses covered under the health plan.
- ✓ The City will waive deductibles as determined by EOB for one full year (family or single coverage). Payment will be made in January of the year following the year of award upon presentation of an EOB to the Department of Human Resources or other verification by HR. The deductibles paid by the employee will be those as determined by the health plan's third party administrator.

The first-prize winner will have their choice of one of the three prizes. The second-prize winner will have their choice of the remaining prizes not selected by the first-prize winner. The third-prize winner will receive the remaining prize.

CERTIFICATE OF SERVICE

The Fact Finder hereby certifies pursuant to rule that a copy of this document has been served on representatives of both parties by electronic mail on the 18th day of December, 2008.

A handwritten signature in cursive script that reads "Harold Paddock". The signature is written in black ink and is positioned above a horizontal line.

Harold Paddock
Fact Finder