

FINAL REPORT

OF THE

POLICE AND FIRE PUBLIC INTEREST

ARBITRATION IMPACT TASK FORCE

TO THE GOVERNOR AND LEGISLATURE

March 19, 2014

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**POLICE AND FIRE PUBLIC INTEREST
ARBITRATION TASK FORCE MEMBERS**

Members

David A. Cohen, Esq. – Chair
Director – Governor’s Office of Employee Relations
State of New Jersey – Appointee of the Governor

Robert A. Fagella, Esq. – Vice Chair
New Jersey State PBA – Appointee of the Legislature

Robert M. Czech
Chair & CEO Civil Service Commission
State of New Jersey – Appointee of the Governor

Ronald Bakley
NJ State Fraternal Order of Police – Appointee of the Legislature

Edwin Donnelly
NJFMBA President – Appointee of the Legislature

Dominick Marino
Professional Firefighters Association of New Jersey
International Association of Fire Fighters – Appointee of the Legislature

Thomas Neff
Director, Division of Local Government Services
Department of Community Affairs
State of New Jersey – Appointee of the Governor

Hon. Declan O’Scanlon, Jr.
Assemblyman – District 13 – Appointee of the Governor

Staff

P. Kelly Hatfield, Ph.D.
Chair
Public Employment Relations Commission
Task Force Executive Director (non-voting)

Lorraine H. Tesauro
Director of Conciliation & Arbitration
Public Employment Relations Commission
PERC Staff Liaison to Task Force

Frank Kanther, Esq.
Labor Relations Specialist
Public Employment Relations Commission
PERC Staff Liaison to Task Force

TASK FORCE REPORT

The report below is hereby submitted pursuant to N.J.S.A. 34:13A-16.8, on behalf of the Police and Fire Public Interest Arbitration Impact Task Force (hereinafter referred to as the “Task Force”). The creation of the Task Force was part of P.L. 2010, c.105, which took effect on January 1, 2011. In that legislation, it provided that the Task Force shall be comprised of eight members as follows:

- (1) four to be appointed by the Governor;
- (2) two to be appointed by the Senate President; and
- (3) two to be appointed by the Speaker of the General Assembly.

A chairperson is selected from among the appointees of the Governor and a vice chairperson from among the appointees of the Legislature. The Chair of the Public Employment Relations Commission (PERC) shall serve as non-voting executive director of the task force. Appointments to the Task Force were to be made by January 31, 2011 and the Task Force was to meet initially within 60 days of the law’s effective date.

Role of the Task Force

It shall be the duty of the task force to study the effect and impact of the arbitration award cap upon local property taxes; collective bargaining agreements; arbitration awards; municipal services; municipal expenditures; municipal public safety services, particularly changes in crime rates and response times to emergency situations; police and fire recruitment, hiring and retention; the professional profile of police and fire departments, particularly with regard to age, experience, and staffing levels; and such other matters as the members deem appropriate and necessary to evaluate the effects and impact of the arbitration award cap.¹ Specifically, the task force shall study total compensation rates, including factors subject to the arbitration award cap and factors exempt from the arbitration award cap, of police and fire personnel throughout the state and make recommendations thereon. The task force also shall study the interest arbitration process and make recommendations concerning its

¹ This report reflects data through December 31, 2013.

continued use in connection with police and fire labor contracts disputes. The task force shall make findings as to the relative growth in total compensation cost attributable to factors subject to the arbitration award cap and to factors exempt from the arbitration award cap, for both collective bargaining agreements and arbitration awards.

N.J.S.A. 34:13A-16.8(e).

The Task Force is required to report its findings, along with any recommendations it may have, to the Governor and the Legislature and the Task Force's final report due on or before April 1, 2014 shall include, in addition to any other findings and recommendations, a specific recommendation for any amendments to the arbitration award cap. Upon the filing of its final report on or before April 1, 2014, the task force shall expire.

Final Report of the Task Force

A. Trends in Interest Arbitration and Impact of P.L. 2010 c. 105

1. Petitions Filed for Interest Arbitration

As the chart attached hereto at **Tab A** indicates, the number of cases submitted for interest arbitration in calendar year 2012 and 2013 remained much lower than the number of filings in 2010. PERC received 48 interest arbitration petitions in calendar year 2012 and 28 in 2013, up from 23 in 2011, but down from the 121 petitions it received in 2010 and well below the number of filings in calendar years 2006 through 2009.

2. Interest Arbitration Cases Disposed During Calendar Year

At the time the changes to the interest arbitration law took effect, PERC had a backlog of cases that were not covered by the new procedural time lines for completing an interest arbitration case. In calendar year 2011, interest arbitrators disposed of 124 cases, the highest rate

of disposal in the last five years. In calendar year 2012, arbitrators disposed of 74 cases and they disposed of 57 cases in calendar year 2013. See Tab B attached. This was achieved through PERC's improved case management and efforts to achieve resolution of long outstanding cases. One of the main concerns PERC had been made aware of, prior to the change in the law, was the amount of time, and the cost related to an interest arbitration proceeding. Once a case was in the hands of an interest arbitrator, however, PERC had limited tools available to it to achieve a more expeditious resolution of outstanding cases. Subject to the recommendations contained herein, the Task Force believes that the imposition of hard deadlines for the completion of an interest arbitration proceeding, and related appeals of awards to PERC, benefits all parties to the proceeding. See Recommendation Nos. 1-4 below.

In calendar year 2011, PERC had 187 open interest arbitration cases, many of these cases having been initiated prior to the new law's 45 day deadline for completion. At the start of 2012, that number dropped dramatically to 85. By the start of 2014, that number dropped further to 37 cases.² See Tab C attached.

3. Appeals

From 2010 through 2012, PERC experienced an increase in the number of appeals from interest arbitration awards. See Tab D attached. In 2013, however, that number dropped dramatically. While there is no conclusive data to explain these trends, one possible explanation for the rise in the number of appeals, especially in calendar years 2011 and 2012, could be attributable to challenges of the arbitrators' interpretations of the amendments to the interest arbitration law, which required resolution by PERC. Of the nine appeals filed with

² It should be noted that this number includes a number of cases filed prior to the 45 day completion deadline and all pending appeals before PERC and the Appellate Division.

PERC for interest arbitration awards subject to the 2% base salary cap, public employers filed six of the appeals and unions filed three of the appeals. PERC affirmed four of the nine appeals in full and one it affirmed in part and vacated in part. Of the remaining appeals, one was withdrawn, one was ordered to be filed as a scope of negotiations petition and only two were vacated and remanded. **Tab E.**

B. Reporting of Data

The Task Force has addressed one of its concerns about contract reporting and availability of information. In our 2011 report, we made recommendations to PERC regarding the compilation and reporting of interest arbitration awards. On PERC's web site, www.state.nj.us/perc, the list of public sector labor agreements has expanded as a result of those efforts. The Division of Local Government Services ("DLGS") in the Department of Community Affairs has circulated notices to every municipality, county and other public employers within their jurisdiction to remind them of their obligation to provide PERC with electronic copies of current public sector collective negotiations agreements. PERC currently has 724 police/fire contracts in its database with expiration dates from 2008 to 2017. By having this information readily available on a public web site, parties will instantly have available comparative contract information from multiple entities in the event of an interest arbitration filing. As noted previously, while this obligation already existed for all public sector labor agreements (not just police and fire contracts) under N.J.S.A. 34:13A-8.2 (which requires public employers to "file with the commission a copy of any contracts it has negotiated with public

employee representatives following the consummation of negotiations.”) the changes mentioned above will help achieve greater compliance with this requirement.³

C. Contract Summary Information

While having access to the agreements themselves is useful, one of the most difficult items to assess in the past, for police and fire agreements, was the actual cost of the contract. The Task Force did develop, and PERC implemented, a system that reports, as closely as possible, the total cost (increase to base salary) of a labor contract. Attached hereto at **Tab F** is a summary form PERC is requiring public employers to complete when it reaches a new police/fire labor agreement.⁴

D. Alternate Dispute Resolution and Voluntary Settlements

In our 2012 Report, we indicated that one of the items that the Task Force would review is the effect of the new law on the agreements reached voluntarily (based on those reported to PERC). Data collected by PERC shows that one impact P.L. 2010, c. 105 has had on police and fire collective negotiations is an increase in the number of units filing for impasse proceedings.

³N.J.S.A. 34:13A-16.8(d)(2) also provides that, in order to facilitate the work of the task force, PERC is required to post on its website all collective negotiations agreements and interest arbitration awards entered or awarded after the date of enactment, including a summary of contract or arbitration award terms in a standard format developed by the Public Employment Relations Commission to facilitate comparisons. All collective negotiations agreements and any side bar agreements shall be submitted to PERC within 15 days of agreement execution.

⁴ This information, as well as the instruction sheet for employers, is already available on PERC’s web site. www.state.nj.us/perc. As noted in our 2012 Report, the reason for utilizing this form was that PERC did not have all of this information in its possession (that the new summary form requires) when it publishes its salary increase analysis of police and fire awards. For example, in 2011, it reported that the average salary increase from interest arbitration awards that year was 2.05% and the average salary increase in voluntary settlements reported that year was 1.87%. Those numbers, however, do not report, in most instances, the total percentage increase to base salary costs caused by such things as step increments and longevity payments. One purpose of the new law was to better identify and recognize those often hidden, but significant, increases to the public employer’s budget.

Filing for impasse allows the parties to utilize the services of a neutral mediator to help them voluntarily settle their agreement. **Tab G.**

Additionally, PERC has compiled data regarding voluntary settlements for agreements subject to the two percent base salary cap if the matter had proceeded to interest arbitration. Although the parties are free, under the law, to reach a voluntary settlement that exceeds that cap, the data reveals that the parties, even on a voluntary basis, are attempting to control salary increases. Of the 53 reported voluntary settlements, in cases that would have been subject to the two percent cap had they proceeded to arbitration, the average annual increase in base salary (as defined in N.J.S.A. 34:13A-16.7(a)) was 2.11%. **Tab H.**

Of the 19 reported agreements settled voluntarily, during the interest arbitration process, but prior to a formal award, the average annual increase in base salary amounted to 1.84%. **Tab I.**

E. Analysis of Particular Interest Arbitration Awards

For all interest arbitration awards subject to the 2% base salary cap, since the inception of the law, the average annual base salary increase amounted to 1.92%. The Task Force analyzed 12 interest arbitration awards as of December 31, 2013 to determine the effect of the two percent salary cap on base salary in comparison to how base salary would have been impacted if the terms of the expired agreements had not been renegotiated and all of the economic terms from the prior agreement would have been repeated in the successor agreements.⁵ **Tab J.** What this analysis shows is what would have happened if the across the board increases from the prior contract had been awarded in the current contract. Certainly, there is no guarantee, absent the

⁵ There were 17 awards during this period but PERC utilized 12 which provided it with enough background data for it to conduct a comparative analysis.

cap, that the parties, on their own, would have agreed to the same increases as the prior agreement. The importance of this analysis, however, is to underscore the difference in how the reporting of salary increases has changed due to the law. Prior to the law, public employers, unions and arbitrators would report only the amount of the across the board increases. That reporting, however, did not factor in the increases to salary costs caused by step increases or longevity payments.⁶

1. Seaside Park

- i. Average annual base salary increase pursuant to the award: 2.03%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 5.86%.

2. Morris County Prosecutor

- i. Average annual base salary increase pursuant to the award: 2.0%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 4.71%.

3. Atlantic City⁷

- i. Average annual base salary increase pursuant to the award: 2.0%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 5.90%.

4. Burlington County Corrections

⁶ The Task Force was unable to re-analyze the earlier contracts for these entities to determine the increase to “base salary” under the law’s current definition because the parties and arbitrators, prior to enactment of the 2% cap, did not have to analyze the complete cost impact of a contract as they do under the new law. Specifically, the dollar effect of the step increments and/or longevity often was not identified clearly in those pre-cap awards. The current awards provided that data.

⁷ This involved a fire fighter unit.

- i. Average annual base salary increase pursuant to the award: 1.95%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 4.62%.

5. Byram Twp.

- i. Average annual base salary increase pursuant to the award: 1.63%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 2.98%.

6. Camden County Sheriff

- i. Average annual base salary increase pursuant to the award: 1.91%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 4.17%.

7. Camden County Sheriff

- i. Average annual base salary increase pursuant to the award: 1.48%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 2.45%.

8. Midland Park

- i. Average annual base salary increase pursuant to the award: 1.94%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 5.55%.

9. Tenafly

- i. Average annual base salary increase pursuant to the award: 1.89%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 7.65%.

10. Riverdale

- i. Average annual base salary increase pursuant to the award: 1.99%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 5.77%.

11. Mahwah

- i. Average annual base salary increase pursuant to the award: 1.96%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 3.66%.

12. Ship Bottom

- i. Average annual base salary increase pursuant to the award: 2.0%.
- ii. Average annual base salary increase if terms of expired contract had been repeated in successor contract: 2.90%.

Overall, the awards in these 12 instances increased base salary on average 1.90% for each year of the contract. If the terms of the expired agreements had repeated in the successor agreement, annual base salary costs would have increased on average by 4.69%. **Tab K.**

- Impact on Step Increases and Longevity Payments

A more detailed analysis of these awards shows the contractual changes made to fit the award under the two percent cap. While one might assume that "base salary" increases only when an employee is given an across the board percentage increase, that assumption is incorrect. The percentage increases to salaries set forth in a law enforcement contract are but one of many reasons for an employee's "base salary" to increase while remaining in the same position. Base salary is defined in N.J.S.A. 34:13A-16.7(a) as "the salary provided pursuant to a salary guide or table and any amount provided pursuant to a salary increment, including any amount provided

for longevity or length of service. It also shall include any other item agreed to by the parties, or any other item that was included in the base salary as understood by the parties in the prior contract. Base salary shall not include non-salary economic issues, pension and health and medical insurance costs.”

It is those salary increments, or step payments, and longevity payments, which often repeated from prior contracts, that had not been included in the past when discussing the cost increases associated with a police/fire labor contract. Increments, or step increases on a salary guide, are usually given automatically on an annual basis until the employee reaches the top of the guide and longevity payments are an additional payment to an employee (either a percentage or lump sum) based on the employee’s years of service in the unit. Traditionally, these costs are above and beyond the percentage across the board increases mentioned in contracts. The Task Force concludes that the statutory definition of “base salary” provides a more transparent and accurate depiction of salary increases over the life of an agreement.

For example, assume an employee earns \$50,000 and is on Step 1 of a contractual salary guide with ten steps going up to \$100,000. On July 1, all members of the bargaining unit receive a 2% salary increase, so the salary rises to \$51,000. Assume also that is the employee’s anniversary date and the employee moves to Step 2 of the guide, which has a salary of \$54,000. Thus, in that year, the employee's salary has risen 8%, not just 2%.

To address some of the additional costs that impact base salary and to meet the statutory 2% cap, some arbitrators added steps in the salary guide, which, in turn, reduced the amount between steps. For example, in the Ship Bottom decision, the arbitrator added two steps between

Steps 6 and 7 of the salary guide and froze the guide in the last year of the agreement.⁸ In that same agreement, the arbitrator froze longevity levels during the term of the agreement. Similarly, in Mahwah, the arbitrator decreased the longevity payment for new hires and froze it for certain officers in the unit during the term of the agreement. In Seaside Park, the arbitrator expanded the steps on the guide from seven to ten steps so that the amount of each step increment decreased. In Burlington County, Morris County and Camden County, each award contains either a complete freeze on step increments during the contract or, for at least a portion of the contract. Atlantic City, Point Pleasant and West Caldwell, each contained modifications to the step guides in those respective contracts for all new hires. The Point Pleasant awards also contained changes in the longevity calculations for new hires and presented employees, in those instances, the range of percentages paid for longevity decreased from one to ten percent to one to five percent. In Midland Park, the arbitrator added two to four steps to the salary guide based on an employee's date of hire and the arbitrator froze the step guide in the last year of the contract.

F. Number of Interest Arbitrators Available and Arbitration Costs

Pursuant to N.J.S.A. 34:13A-16(f)(6), the total cost of services of an arbitrator shall not exceed \$7,500.00. That requirement is in full effect for all interest arbitrations filed after January 1, 2011. PERC's most recent data revealed that the average cost of an interest arbitrator (for cases not subject to P.L. 2010 c. 105) was \$17,942 in 2009; \$17,742 in 2010 and \$14,384 in 2011.

At this time, PERC currently has five trained interest arbitrators who are randomly assigned by computer to interest arbitration matters under the cost limitations of P.L. 2010 c.

⁸ By freezing longevity payments, or step movement, in a given year, those costs do not increase in that particular year, meaning that an employee does not move to the next step on the guide or to a higher level on the longevity scale.

105. There were 21 arbitrators as of December 31, 2010 and then five as of January 1, 2011. While the Task Force agrees with the importance to control costs, it has determined that the total compensation for the arbitrator should be raised to \$10,000.00, to address the additional amount of work involved and to attract more qualified arbitrators. See Recommendation No. 3 below.

**UNANIMOUS RECOMMENDATIONS
OF THE TASK FORCE**

N.J.S.A. 34:13A-16(f)(5) provides now that the decision of an interest arbitrator shall be rendered within 45 days of PERC's assignment of an arbitrator. **RECOMMENDATION No. 1**

– The Task Force recommends that the law be revised to increase the number of days to complete the arbitration process from 45 days to 90 days. The Task Force unanimously agrees that additional time would help with scheduling issues, unexpected issues that arise in the proceedings, etc., while adhering to the Task Force's goal that the proceeding be concluded in an expeditious manner.

N.J.S.A. 34:13A-16(f)(5)(a) provides that appeals of an award to PERC must be filed within seven (7) days of receipt of an award and the Commission's decision must be rendered no later than 30 days after the filing of the appeal with PERC. **RECOMMENDATION No. 2** –

The Task Force recommends that the law be amended to increase the 30 day time period to 60 days, for the Commission to render a decision on an appeal of an interest arbitration. This will continue to allow for thorough evaluation and prompt resolution of appeals to PERC but allow the Commission members time to review and schedule a meeting for an appeal within the prescribed time period. The Commission is scheduled to meet once a month and the 30 day time period made it difficult to address issues that arose at a Commission meeting about a specific appeal that caused a need for further review.

N.J.S.A. 34:13A-16(f)(6) provides that the total cost for service of the arbitrator shall not exceed seven thousand five hundred dollars (\$7,500.00). **RECOMMENDATION No. 3** – The

Task Force recommends that the law be amended to increase this amount to ten thousand dollars (\$10,000.00). Many hearings take several days to complete and the arbitrator also is responsible for pre-hearing matters and authoring the extensive decision for each case. Upon reflection, due to the complexity of these cases, and the increased workload caused by requiring mathematical

analysis of the base salary cap compliance, this recommended figure recognizes the workload of an interest arbitrator, while maintaining a reasonable cap on costs.

N.J.S.A. 34:13A-16(f)(5)(a) provides that either party may appeal the interest arbitrator's award to PERC within seven days of receiving an award. **RECOMMENDATION No. 4** – The Task Force recommends that the time for appeal of an interest arbitration award should be increased from 7 days to 14 days.

**ADDITIONAL RECOMMENDATIONS AND COMMENTS BY THE
APPOINTEES OF THE GOVERNOR TO THE TASK FORCE**

David A. Cohen, Esq. – Task Force Chairman
Director – Governor’s Office of Employee Relations

Honorable Declan J. O’Scanlon, Jr.
Assemblyman – District 13

Robert M. Czech
Chair & CEO Civil Service Commission

Thomas Neff
Director, Division of Local Government Services
Department of Community Affairs

N.J.S.A. 34:13A-16.9 currently provides that the 2% base salary cap shall expire on April 1, 2014. The four appointees of the Governor to the Task Force strongly recommend that the law be amended to remove the “sunset” provision and have the cap continue without a date limitation or a limitation as to the number of agreements to which it would apply. Moreover, they recommend that this cap apply to newly-certified units which have not had an initial collective negotiations agreement prior to the effective date of the law, January 1, 2011.⁹

The appointees of the Legislature to the Task Force suggest that the 2% base salary cap has “outlived its usefulness” and should not be renewed or, if renewed, should be allowed to be adjusted upward to account for potential inflation. That recommendation will lead to higher property taxes and/or additional layoffs of public safety employees.

For many municipalities, public safety payroll is one of the largest, if not the largest, annual budgetary item. Those same municipalities are subject to the 2% property tax levy cap contained in P.L. 2010, c. 44. Allowing these budgetary costs to increase faster than revenue sources can increase will put all municipalities, and especially urban areas with low ratable bases, in difficult budget situations requiring cutbacks of other services or even layoffs of certain personnel, including law enforcement, in order to comply with the property tax levy cap.

⁹ The appointees of the Governor note that they did review reported crime data for the municipalities analyzed in Section E of the Report (to the extent that information was available), to determine if the interest arbitration base salary cap had any correlation to the amount of reported crime. The New Jersey Uniform Crime Reporting Law (N.J.S.A. 52:17 B-5.1 et. seq.) was enacted on May 16, 1966, and became effective January 1, 1967. Responsibility for the establishment, direction, control, and supervision of the Uniform Crime Reporting system was assigned to the State’s Attorney General. The Attorney General authorized the New Jersey State Police to collect and collate the crime data received from law enforcement agencies within the state. As required by statute, all law enforcement agencies in the state submit monthly and annual summary crime reports to the program. The appointees of the Governor found no conclusive data in the UCR upon which it could conclude that the law affected total crime in the State. However, the Director of DLGS notes that in several large cities, contractual increases above and beyond 2% would necessitate personnel reductions or other personnel actions to accommodate contractual increases that could not otherwise be accommodated with an increase in the levy.

Perhaps most troubling to the appointees of the Governor, is the recommendation of the Legislature's appointees that the statutory definition of "base salary" be amended to exclude "those salary increases contained in long-standing salary guides." What this means is that the appointees of the Legislature are stating that items such as step increments should not be included in the calculation of base salary and should remain hidden. Such an amendment would effectively eliminate one of the main purposes of the law; to provide taxpayers a true, accurate and complete explanation of the amount police and fire contracts will increase costs. For many years, contractual increases were "misreported" by stating only the impact of across the board increases. Items such as continued step increases have major budgetary impact. The fact that they have been repeated from prior contracts does not render them non-negotiable. Items such as step increases or longevity payments must be included in the calculation of base salary or the taxpayers will once again be misled about how their tax dollars are being spent.

Additionally, the appointees of the Legislature recommend that the Legislature amend the law to challenge certain decisions by PERC interpreting and applying the law essentially because they disagree with the outcome of those decisions. First, the appointees of the Governor point out that it is entirely inappropriate for this body to address reasonable judicial or quasi-judicial opinions, some of which are still in the appeal process. Second, with regard specifically to "breakage" savings, put simply, the appointees of the Legislature are asking that the salary costs for employees that leave the unit should be spread to the remaining members and then they could receive an additional 2% more per year. Without going into greater detail with the problems of this assertion, the appointees of the Legislature are stating that public employers must continue to spend the same amount on police and fire and that number must grow each year. That is clearly not fiscally responsible government. Further, notably there is no mention of

a public employer receiving a credit for new hires projected to occur during the contract. Finally, what the appointees of the Legislature are seeking is to have an arbitrator “forecast” what will occur in the future with the unit. The method adopted by PERC is simply the fairest and most equitable for both parties.

The appointees of the Legislature also recommend that healthcare contributions under P.L. 2011, c. 78 should be considered by an arbitrator. One of the purposes of the law was to finally require public employees to meaningfully share in health insurance costs – something that has been standard practice among private employees for many years. Allowing an arbitrator to “offset” those employee contributions would effectively pass those costs back to the employer and destroy the purpose behind c. 78 that all parties pay a fair share of the costs of health insurance.

The appointees of the Governor note that the alternative recommendation of the appointees of the Legislature that the law be continued only for another three years is misleading because they seek to have the 2% cap apply only to those units, after the current sunset, which have not been subject previously to the cap.

Contrary to what is represented below, the appointees of the Governor point out that there is no evidence that the 2% cap chills negotiations. Indeed, it may require parties to take a more complete look at compensation levels, salary scales, and automatic increments to all members just due to length of service, etc. The response of the appointees of the Legislature fails to mention one important stakeholder in this analysis – the taxpayer. The non-procedural amendments recommended by the appointees of the Legislature below would all do one thing – increase costs to the taxpayer. For this, and the reasons outlined above, the appointees of the

Governor strenuously recommend continuation of the 2% cap, without limitation and without sunset.

Lastly, the appointees of the Legislature suggest that the town by town analysis of contract values before and after the 2% arbitration award cap was put into place (Section E above) is irrelevant. On the contrary the analysis is of significant value on several levels. First, it demonstrates that contractual values have indeed trended down since the implementation of the arbitration award cap. Second, the information demonstrates clearly that contract values prior to the implementation of the arbitration award cap regularly exceeded the then extant tax levy cap. That mathematically untenable practice was completely eliminated with the implementation of the arbitration award cap.

ADDITIONAL RECOMMENDATIONS AND COMMENTS

BY THE APPOINTEES OF THE LEGISLATURE

TO THE TASK FORCE

Robert A. Fagella, Esq. – Task Force Vice Chairman
New Jersey State PBA

Ronald Bakley
New Jersey State Fraternal Order of Police

Edwin Donnelly
NJFMBA President

Dominick Marino
Professional Firefighters Association of New Jersey
International Association of Fire Fighters

Introduction

The current interest arbitration statute, P.L. 2010, Chap. 105, became effective January 1, 2011. It significantly amended earlier versions of the law, all for the purported purpose of creating a more “level playing field”. Both employers and unions have now had the opportunity to assess its impact on the issues which the law was purportedly enacted to address, including its effectiveness on stated goals, as well as employee compensation and morale. The very reason that the law included a sunset provision was to evaluate its performance rather than make it a permanent facet of labor relations for uniformed services. While the law has clearly reduced compensation for this unique group of public employees, we believe that the scales now weigh far too heavily in favor of employer interests, and that the law has outlived its usefulness. Alternatively, if it is to be continued at all, it must be significantly modified.

In the three years that the law has been in existence, its cornerstone was imposition of a “hard cap” limitation of two percent upon increases in employee compensation – at least assuming that the parties proceed to interest arbitration. While salary increases in excess of two percent are not prohibited in the course of voluntary negotiations, statistics provided to the Task Force now demonstrate that rarely have employers agreed to salary increases in excess of the inevitable limitation which would be imposed in arbitration. This puts to bed the claim that through other “creative” contract modifications, employees would gain more reasonable compensation increases. Put differently, the law not only imposes a hard cap in interest arbitration, but has also effectively limited possible increases outside of the interest arbitration process. Bargaining for salary increases against the backdrop of a hard cap Sword of Damocles leaves little room for any real negotiations beyond two percent. Accordingly, we believe this is the critical issue to be addressed by this Task Force.

Factors To Be Addressed By Task Force

Pursuant to N.J.S.A. 34:13A-16.8, the Task Force is required to address the relationship of a number of important public policy considerations and the hard cap imposed by the new law. In particular, the statute requires the Task Force to study the effect and impact of the arbitration cap upon numerous factors, including:

Local property taxes:

Municipal services;

Municipal expenditures;

Changes in crime rates;

Police and fire recruitment, hiring and retention.

However, it is apparent that none of these issues has been, or can be, addressed by this Task Force. No empirical data has been submitted or accumulated that provides any correlation between recent interest arbitration awards, municipal expenditures or real property taxes. While some may claim it is self-evident that reduced compensation for police and fire inevitably result in reduced municipal expenditures, that is not necessarily the case. For such an analysis, it would also be necessary to evaluate whether any purported savings were expended in other areas, thus resulting in equal municipal costs, but for different services. In light of the hundreds of municipalities that would have to be studied, that is a task beyond our abilities or resources. What can be said is that there is no empirical data indicating there has been reduced or slowed growth of property taxes in the last three years which can be attributed in any manner to the cap.

Not surprisingly, the Governor's representatives on the Task Force have instead focused on the admitted success of the law in limiting overall compensation increases to two percent over the prior year. However it is not appropriate to compare "projected" costs under expired contracts with final agreements under the new law. There is no basis to assume that terms of expired agreements would not have been renegotiated in the absence of the new interest arbitration law. Thus, the statistics cited by some on this Task Force, comparing salary increases under expired agreements with bargaining agreements under the amended law, improperly skews the analysis because of the unwarranted assumption that the terms of expired bargaining agreements would have continued unchanged.

Finally, while there is no empirical data addressing the relationship between the hard cap and police and fire recruitment and retention, it is surely fair to conclude that reduced compensation levels affect morale of the existing workforce, and ultimately will affect recruitment and retention, as new or prospective employees learn that compensation increases after entry level will be limited to 2% per year, regardless of existing salary guides, for reasons discussed more fully below.

The Hard Cap and Salary Guides

The law includes in "base salary", subject to the hard cap, annual increases contained in salary guides which were negotiated years ago. Generally speaking, it is not uncommon for step movements on those salary guides to exceed two percent. To put the guides in proper context, some historical analysis is in order.

Traditional step guides were negotiated to assure increased compensation in subsequent years for newly hired officers who generally started at low salaries. They were favored by

employers as well as unions as a method for attracting new employees at discounted starting rates. Conversely, applicants were inclined to accept the positions because existing contractual agreements promised reasonable annual increases ultimately leading towards a maximum salary, albeit over the course of a career. The result of the interest arbitration cap, however, is effectively to eliminate promised salary step increases contained in longstanding salary guide if, in the aggregate, they exceed two percent.

The statutory limitation of the hard cap has been magnified, to the detriment of employees, by PERC decisions interpreting the new law. In particular, PERC's decision in New Milford and New Milford PBA 83 provides that "breakage" – the savings which an employer obtains as a result of retirements of senior, highly paid officers – cannot be included in the pool of money available for salary increases within the cap. Put differently, although the retirement of an officer at \$100,000.00 per year, and his/her replacement by either no officer, or a lower paid new employee, clearly increases the employer's available pool of money for compensation increases within the cap, PERC has barred arbitrators from taking those savings into consideration in calculating the "base salary" increase. And, the recent decision of PERC in Atlantic County and PBA 243 et al sounded the death knell of long-standing salary scale movement, by abolishing 35 years of precedent which had authorized "dynamic status quo" salary step movement for employees not at maximum salary, under an existing salary guide arrangement. In combination, these factors have had a significantly adverse impact on determining fair compensation for police and fire.

Other Factors Important In Evaluating The Hard Cap

Other factors, important but not considered by the new law, have similarly had a significantly adverse impact on compensation. The cost of living over the three years the law has been in effect increased by approximately six percent - alone offsetting the permissible two percent annual increase. In addition, uniformed services are now required under Chapter 78 to make payments towards medical insurance premium in amounts which can reach 35% of the cost of the premium (at times up to \$9,000 per year). On average this mandated contribution will shortly approximate 4%-8% of salary for most officers. Chapter 78 similarly increased the pension contribution of uniformed services from 8 ½% of salary to 10%.

Thus, the combined impact of these costs upon employees whose salaries are subject to hard cap salary limitations are now approaching 8%-10% annually – resulting in a significant net decline in compensation per year even if a full two percent increase is awarded. While some may claim that these are extraneous factors which should not be taken into consideration in an analysis of a hard cap interest arbitration statute, reality argues otherwise. The cumulative effect in the face of a two percent hard cap has been a real and significant net decline in compensation for officers. It is exacerbated, moreover, for those at top scale, who can receive virtually no increases if even a modicum of an existing salary guide is retained. Viewed from any perspective, the overall compensation received by uniformed personnel is significantly diminished by additional costs or contributions which come out of their paychecks.

Two other factors, intangible but real, also should be considered. As noted, the existence of a hard cap itself causes a significant chill on collective negotiations where the parties might wish to reach an agreement without interest arbitration. The employer's knowledge that

compensation increases are ultimately limited by law to two percent makes it significantly more difficult to obtain a negotiated settlement even where warranted and funds exist. While more enlightened employers may agree to award compensation increases in excess of the statutory maximum in appropriate circumstances, the evidence has now proven otherwise in virtually every instance over the last three years.

Second, the imperceptible, but nonetheless real, impact of a hard cap upon new hires cannot be underestimated. As noted above, starting salaries have historically been lower than market value for uniformed services precisely because future salary increases were built into the compensation structure. Now, new officers do not have the assurance that salaries will ultimately reflect market value because the compensation structures that were negotiated over the course of decades have been summarily displaced.

Thus, the statistics relied upon by some members of the Task Force demonstrate that a myopic focus on the alleged positive impact of reducing the compensation of uniform services does a disservice to those individuals who have chosen a career in, and dedicated their lives to, public safety. These facts cannot be ignored in effectuating the Legislature's mandate for this Task Force to study this temporary interest arbitration statute and changes which are needed.

Recommendations

Based upon the foregoing, the State PBA and State FMBA, joined by the PFANJ and State FOP, make the following recommendations regarding the existing statute:

1. The interest arbitration hard cap has outlived its usefulness and should not be renewed after April 1, 2014.

2. At the least, significant modifications to the hard cap should be implemented. If a hard cap is to be retained, arbitrators should be permitted to take into consideration inflationary increases in the previous year in addition to the two percent cap. While recent inflationary increases have been modest, the fact remains that inflation may increase at any time, while the hard cap as currently written remains static. Recognition of increases in the cost of living for the applicable geographic area in addition to the two percent cap would at least insure that employees will not lose even more to inflation.

3. Alternatively, the statutory definition of “base salary” should be amended to exclude from the hard cap those salary increases contained in long-standing salary guides.

4. The Legislature should specifically reverse several of PERC’s crabbed interpretations of the law. “Breakage” savings resulting from retirements or layoffs should be considered as available funds for distribution when calculating funds available within the two percent cap.

5. Similarly, existing salary guides should be permitted to continue, under the “dynamic status quo” doctrine, following contract expiration. Bargaining units can determine on their own whether they wish to freeze the increment structure in order to ensure that funds under the hard cap remain available for negotiation and ultimate distribution to the bargaining unit.

6. Healthcare contributions which employees are required to make under Chapter 78 should be considered by an arbitrator and deemed outside the hard cap. While municipalities may argue that their healthcare costs are also increasing, percentage contributions by employees include the increases in the overall cost of healthcare in their jurisdiction. It is worth noting that employer health care costs are already specifically excluded from the two percent tax levy cap.

7. The parties should be permitted to request the appointment of any mutually agreeable arbitrator who is on the approved interest arbitration panel.

8. The time for appeal of an interest arbitration award should be increased from 7 days to 14 days.

9. Mandatory mediation by an interest arbitrator should be required for a 14 day period after the filing of a petition to commence interest arbitration. The time period for completion of interest arbitration should be tolled during this 14 day period.

10. Pursuant to N.J.S.A. 34:13A-16.9, bargaining units which have already submitted to the requirements of the statute are exempted from the hard cap requirements in any future arbitration. This provision should be grandfathered into any amendment of the statute.

11. Include a renewed sunset provision for the statute effective April 1, 2017.

APPENDIX

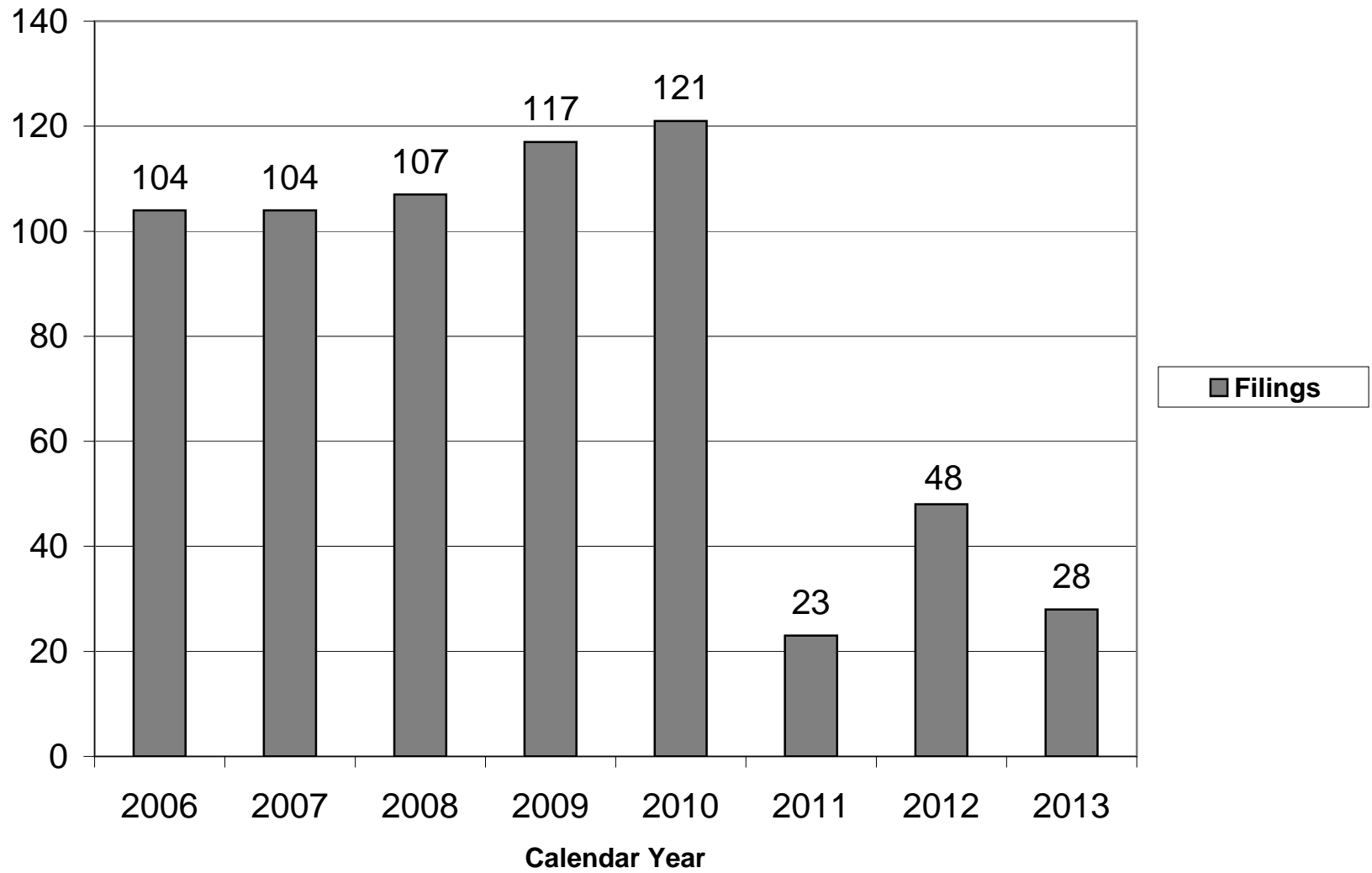
Tab A	Chart of Interest Arbitration Petitions Filed during Calendar Year
Tab B	Chart of Interest Arbitration Disposed during Calendar Year
Tab C	Chart of Interest Arbitration Cases Open at Start of Calendar Year
Tab D	Chart of Interest Arbitration Appeals Data during Calendar Year
Tab E	Appeals of Awards Subject to the 2% Base Salary Cap
Tab F	Police and Fire Collective Bargaining Agreement Summary Form
Tab G	Impasse Filings
Tab H	Voluntary Settlement Report – Cases settled prior to Arbitration
Tab I	Voluntary Settlement Report – Cases settled during Arbitration
Tab J	Interest Arbitration Award Analysis Discussed in Report
Tab K	Summary Analysis of Interest Arbitration Awards Discussed in Report

Tab

A

**Chart of Interest Arbitration Petitions
Filed during Calendar Year**

IA Petitions Filed during Calendar Year

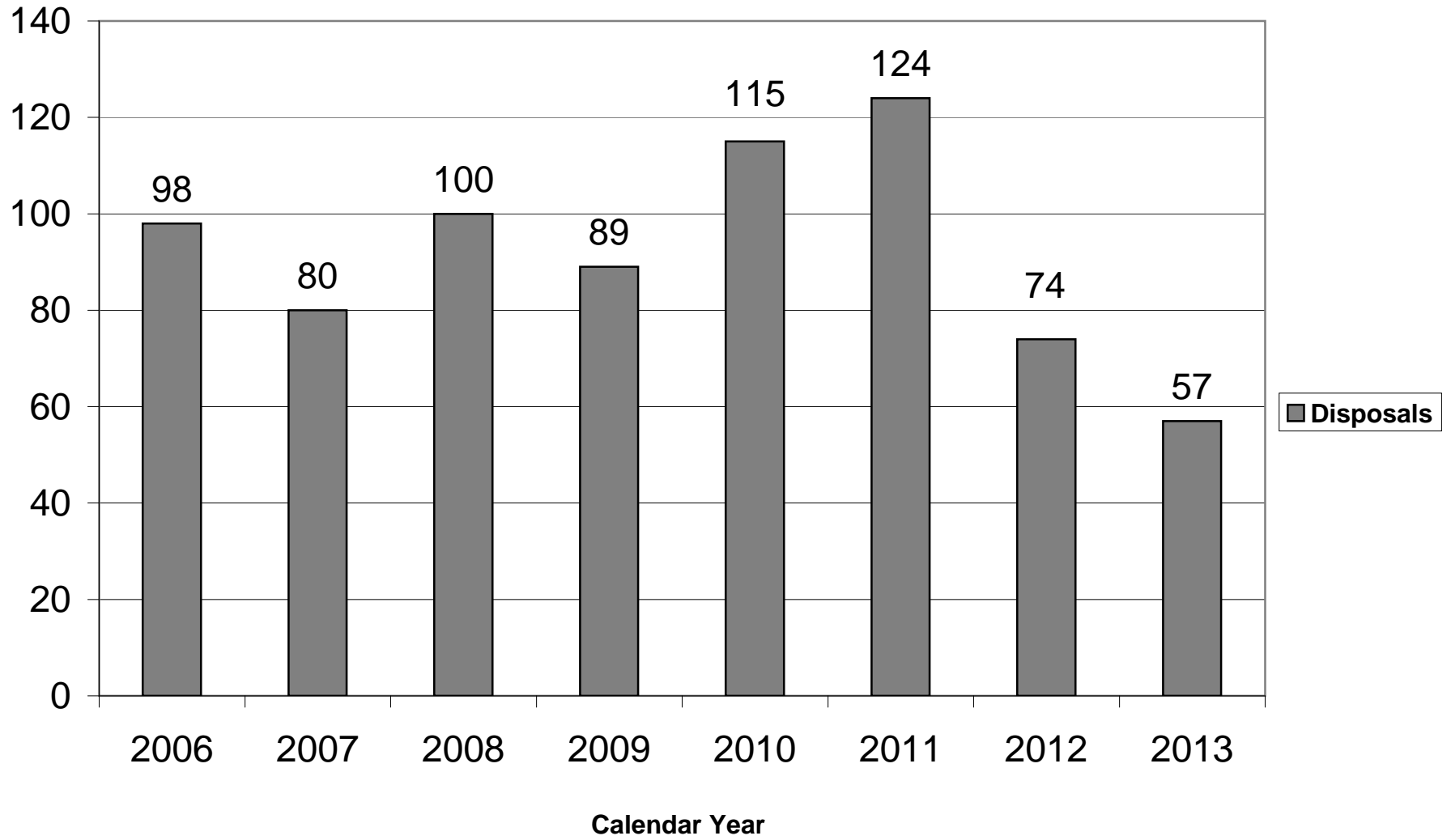


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B

**Chart of Interest Arbitration Cases
Disposed during Calendar Year**

IA Cases Disposed during Calendar Year

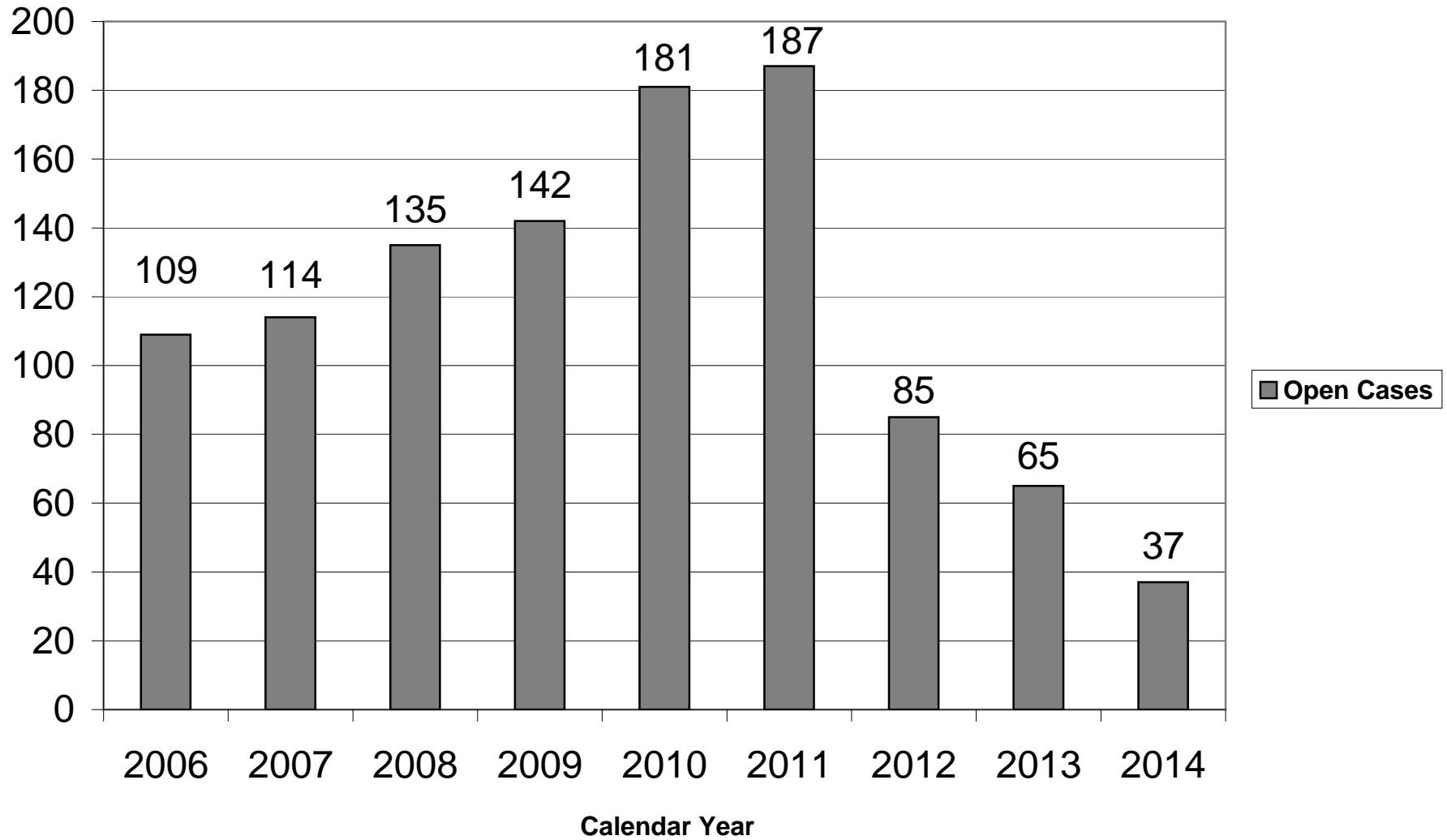


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C

**Chart of Interest Arbitration Cases Open
at Start of Calendar Year**

Interest Arbitration Cases Open at Start of Calendar Year

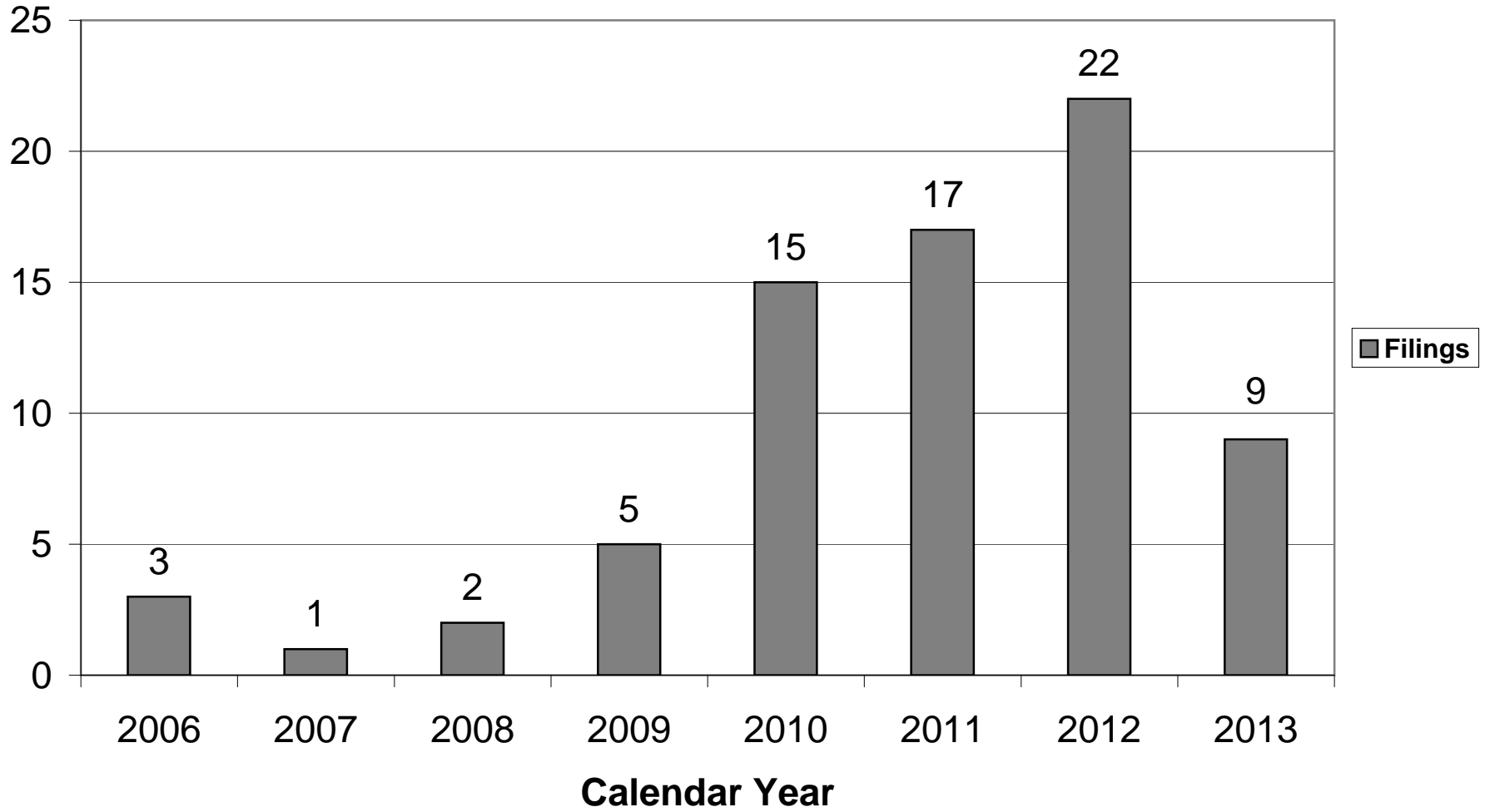


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D

**Chart of Interest Arbitration Appeals
Filings during Calendar Year**

IA Appeals Filings during Calendar Year



Tab

E

**Appeals of Interest Arbitration Awards
Subject to the 2% Base Salary Cap**

Appeals to the New Jersey Public Employment Relations Commission of Interest Arbitration Awards subject to the 2% Annual Salary Increase Cap

<u>Total Number of Appeals to PERC of 2% Cap IA Awards</u>	9
<u>Employer-Filed 2% IA Award Appeals</u>	6
<u>Union-Filed 2% IA Award Appeals</u>	3
<u>Disposition of Employer-Filed 2% IA Award Appeals</u>	
Award Affirmed	2
Award Affirmed in Part, Vacated in Part	1
Award Vacated and Remanded	2
Appeal Denied and ordered to be filed with PERC as Scope petition	1
<u>Disposition of Union-Filed 2% IA Award Appeals</u>	
Award Affirmed	2
Appeal Withdrawn	1

Tab

F

**Police and Fire Collective Bargaining
Agreement Summary Form**

COLLECTIVE BARGAINING AGREEMENT SUMMARY FORM

POLICE & FIRE

Instructions for Collective Bargaining Summary

N.J.S.A. 34:13A-8.2 requires all public employers to “file with the commission a copy of any contracts it has negotiated with public employee representatives following consummation of negotiations.” Further, legislation, effective January 1, 2011, requires the public employers also provide “a summary of all costs and the impact associated with the agreement.” N.J.S.A. 34:13A-16.8(d)(2)

As noted in the attached letter, N.J.S.A. 34:13A-16.8(d) (2), in part, requires “PERC to collect” and “post the collective negotiations agreement” including a “summary of contract or arbitration award terms in a standard format developed by the Public Employment Relations Commission.” The attached form is in compliance with the aforementioned legislation and the sample form and instructions provide assistance compiling the information for electronic submission. The directions are user friendly and line specific.

Please review and complete the attached form and send electronically to contracts@perc.state.nj.us .

Please fill in each line or section applicable to your agreement. Leave sections or lines **blank** if they do not apply to the terms of your agreement.

Section I: Agreement Details

- Line 1.** Please enter the name of the public employer by entering the name of the entity as it appears in the collective bargaining agreement. i.e., “City of Newark” or “City of Trenton”.
- Line 2:** Indicate the County in which the locale is included, if applicable.
- Line 3.:** Enter the name of the “Employee Organization” as it appears in the collective bargaining agreement.
- Line 4:** The “Base Year Contract Term” is the term of the expiring agreement. i.e., January 1, 2010 through December 31, 2011.
- Line 5:** “New Contract Term” is the time period for the new agreement which is the subject of this summary. i.e., January 1, 2012 through December 31, 2015
- Line 6:** “Type of Settlement” – please check the box indicating the appropriate process for completing the negotiations.

Arbitrator’s Award: a third party assigned arbitrator conducted hearings and issued an award; (also check this box if the matter was appealed)

Fact-Finder’s Recommendation: a third party neutral issued a “recommendation” subsequent to not settling at mediation and not filing a Petition to Initiate Compulsory Interest Arbitration; or

Voluntary Settlement: the parties settled the dispute with or without the assistance of a neutral.

Section II: Statutory Definition of Base Salary:

This section defines the “base salary” pursuant to legislation. The “base year” is the last year of the previous agreement and the “base salary” for that year is “as agreed to by the parties.”

Section III: Economic: Terms used in this section are defined as follows:

- Column A:** “Base Salary” from the previous year as agreed to by the parties. All costs in Column A are “inside the base salary” and are considered “economic.” They identify salary, increment and longevity **from the previous year.**
- Column B:** “Non salary economic” – costs outside the base.*
- Column C:** “New base salary” for the first year of the new agreement. These costs are “economic” and identify the costs associated with salary, increment and longevity, **as increased by the settlement or award.**
- Column D:** “Non salary economic” – costs outside the base.*

**The “non-salary economic” costs are not applicable for this part of the calculation.*

Base Year – Total Costs: Section III: Please enter the appropriate amounts in the coordinating columns.

- Column A, Line 1: Salary –** “Base salary” as agreed to by the parties from the previous year.
- Column A, Line 2: Increment –** “Increment” is the cost of movement between steps.
- Column A, Line 3: Longevity –** “Longevity” is payment for length of service.

New Base Year – Total Costs: Section III:

The “New Base Salary” is the base *after* the increase and upon which the succeeding years will be increased. These costs are “economic.”

- Column C, Line 1: Salary –** “New Base Year” salary” as increased by the agreement or award.
- Column C, Line 2: Increment –** “Increment” is the cost of movement between steps.
- Column C, Line 3: Longevity –** “Longevity” is payment for length of service.

Section IV: Additional Costs: The items listed in this section define the costs included in the base salary (Columns A & C), i.e. “economic,” and those items excluded from base salary which are “non salary economic” items. (Columns B & D).” The non -salary economic items may not be part of the base salary, however, they are still costs to the employer. Please indicate if these costs were increased in the new agreement in your final calculation.

Please list each item in the “item description” section and enter the associated cost for each item in the appropriate column indicating if the cost is from the previous agreement and economic (Column A); non-salary economic, previous agreement (Column B); new base year, economic (Column C); or new base year, non-salary economic (Column D). (Examples are provided on the demonstration page)

Section V: Totals:

Enter the totals from Columns A thru D and place the appropriate total in the respective section.

Section VI: New Agreement Analysis

Line 1: The “total economic base year” is the total entered on Section V, Column A. This total is the foundation year base salary upon which all increases will be calculated.

Line 2: Enter the “effective dates” of the new agreement for each year of the agreement.

Line 3: Enter the agreed upon “percentage increase” for each year of the new Agreement. If the increase was not a percent but a “flat dollar” increase, enter that amount.

Line 4: “Actual Dollar Increase” is the value of the total increase, in dollars, for the entire unit. Enter this number for each year of the new agreement.

Line 5: “Total Economic Cost” is the actual cost of the increase and the new base associated with each year of the new agreement. These values are based on the increase to the base year and reflect the cost of the base salary, as agreed upon by the parties, for each year of the new agreement.

Section VII: Impact of Settlement:

This section highlights the average annual increase over the term of the agreement.

Line 1: To calculate the “*average*” over the term of the agreement, add the total percentage increase, (section VI, line 3) and divide by the total number of years in the agreement, (section VI, line 2). The result of that calculation is the average percentage increase over the term of the agreement.

Line 2: To calculate the “*dollar impact*” of the settlement, add the total “actual dollar increases” (section VI, line 4) for each year of the agreement and divide that number by the total number of years in the agreement (section VI, line 2). The result of that calculation is the average dollar impact over the term of the agreement.

Section VIII: Medical Costs:

This section illustrates the costs associated with health insurance plans and will vary per employer, however, all public sector employers and employees are subject to the provisions of Chapter 78, P.L. 2011.

Section IX: Signature:

Please indicate the preparer’s name by printing it on Line 1; indicate the title for that individual; enter the completion date; and click on the “signature line,” to digitally enter the preparer’s signature on Line 2. E-mail the digitally signed completed document to contracts@perc.state.nj.us.

**POLICE AND FIRE
COLLECTIVE BARGAINING AGREEMENT SUMMARY FORM**

Section I: Agreement Details

Public Employer: Anytown, NJ County: Atlantic
 Employee Organization: Any Police or Fire Organization Employees in Unit: 34
 Base Year Contract Term: 1/1/2009 12/31/2011 New Contract Term 1/1/2012 12/31/2014
 Type of Settlement: Arbitrator's Award Fact-Finder Recommendation Voluntary Settlement

Section II: Statutory Definition of Base Salary

N.J.S.A. 34:13A-16.7(a): Base salary is the salary provided pursuant to a salary guide or table and any amount provided pursuant to a salary increment, including any amount provided for longevity or length of service. It shall also include any other item agreed to by the parties, or any other item that was included in the base salary as understood by the parties in the prior contract. Base salary shall not include non-salary economic issues, pension, and health and medical insurance costs.

	Base Year - Total Costs <i>(Last Year of Previous agreement)</i>		New Base Year - Total Costs <i>(First Year of Successor agreement)</i>	
	Column A	Column B	Column C	Column D
	Economic Inside Base Salary	Non-salary Economic Outside Base Salary	Economic Inside Base Salary	Non-salary Economic Outside Base Salary
Section III: Economic - Costs inside base salary				
Salary	\$2,500,000		\$2,550,000	
Increment		N/A		N/A
Longevity	\$18,000		\$18,360	
Section IV: Additional Costs List economic items: indicate either inside or outside base salary as agreed to between the parties.				
Item Description				
Item 1 e.g. Uniforms		\$20,400		\$20,400
Item 2 e.g. Boot/Shoe Allowance		\$4,250		\$4,250
Item 3 e.g. Holiday Pay		\$22,000		\$22,000
Item 4 e.g. Stipends	\$12,000		\$12,240	
Item 5 e.g. Education	\$36,000		\$36,720	
Item 6 e.g. Extra Duty		\$15,000		\$15,000
Item 7 e.g. Unused Sick		\$35,000		\$35,000
Item 8 e.g. Overtime		\$100,000		\$100,000
Item 9				
Any additional items list on separate sheet Additional Items				
Section V: Totals - Sum of costs in each column	\$2,566,000	\$196,650	\$2,617,320	\$196,650
	(Total Economic) Section III & IV	(Total Non-salary Economic)	(Total Economic) Section III & IV	(Total Non-salary Economic)

Section VI: Analysis of new successor agreement

NEW AGREEMENT ANALYSIS

Total Economic Base Year (previous agreement) \$2,566,000

Effective Date (m/d/yyyy)	1/1/2012	1/1/2013	1/1/2014
Percent Increase	2.00%	1.84%	2.00%
Actual dollar increase	\$51,320	\$48,159	\$53,310
Total Economic Costs (successor agreement)	\$2,617,320	\$2,665,479	\$2,718,789

Section VII: Impact of Settlement - average annual increase over term of agreement

Percentage Impact (average per year over term of agreement)	1.94%	Contributions based on plan costs and pursuant to Chapter 78
Dollar Impact (average per year over term of agreement)	\$50,930	

Section VIII

Medical Costs	Base Year	Year 1
Cost of Health Plan	\$650,000	\$650,000
Employee Contributions	\$9,750	
Prescription		
Dental		
Vision		

The undersigned certifies that the foregoing figures are true and is aware that if any of the foregoing items are false, s/he is subject to punishment.

Section IX

Prepared by: _____ Title: _____

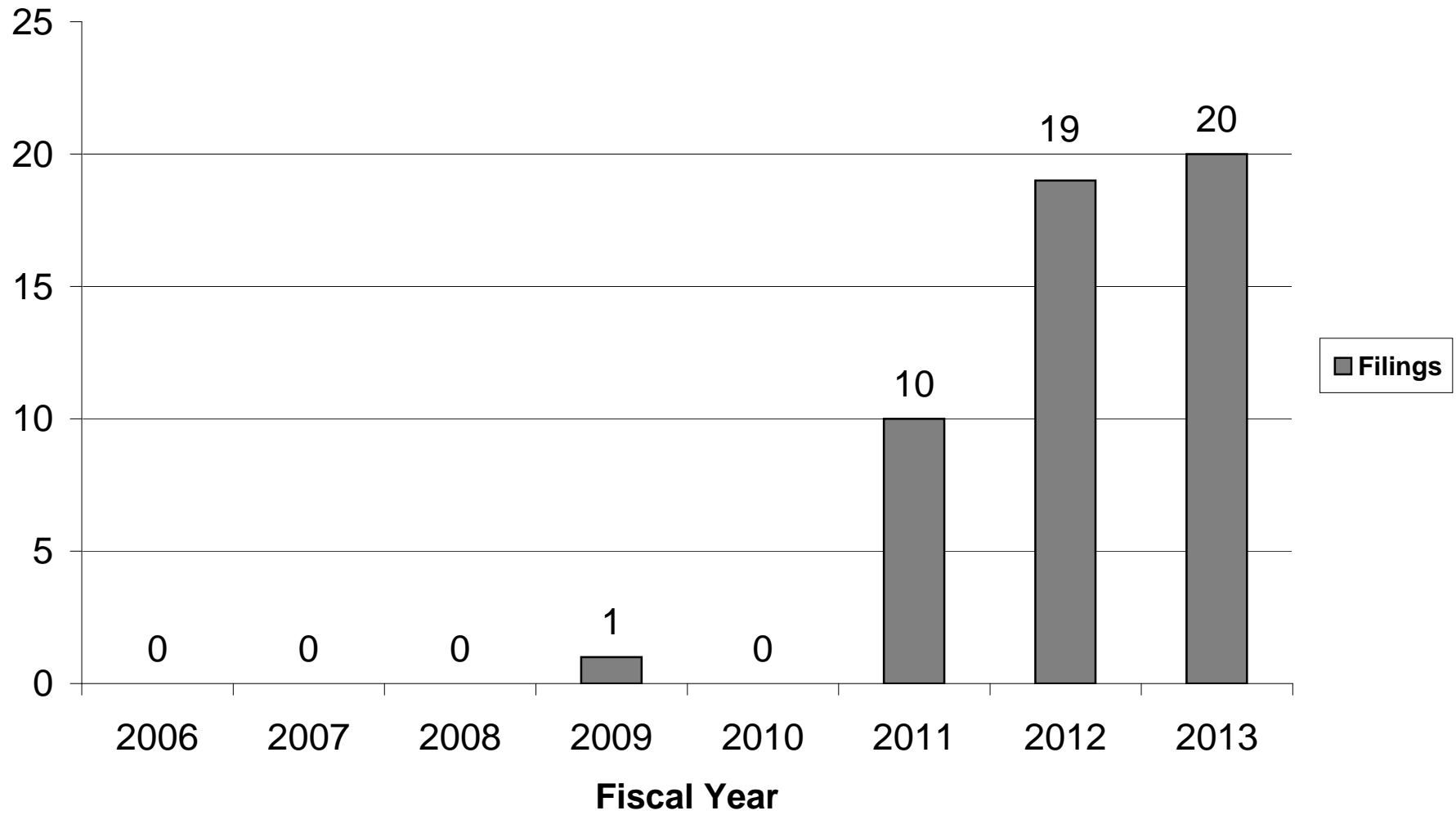
 Signature _____ Date: _____

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G

Impasse Filings

Impasse Filings (Police & Fire)



Tab

H

**Voluntary Settlement – Case settled
prior to Arbitration**

<u>Voluntary Settlements, not through the IA process, that WOULD have been subject to the 2% Salary Cap if they had gone to Interest Arbitration</u>			
<u>"Percentage Impact" annual average salary increase (as reported on Summary Forms)</u>		<u>"Percentage Impact" annual average salary increase (as reported on Summary Forms)</u>	
Allentown (FOP Lodge 114)	1.33%	Lake Como (PBA Loc 50)	1.87%
Atlantic Cty (FOP Lodge 112)	2.00%	Lakehurst (Police Assoc.)	6.33%
Audubon (Police)	2.02%	Lincoln Park (PBA Loc 192)	3.13%
Avalon (PBA Loc 59)	2.20%	Medford (SOA)	1.44%
Bergenfield (FMBA Loc 65)	0.80%	Montgomery (PBA)	1.75%
Berlin (Police)	2.00%	Montville (PBA Loc 140)	1.50%
Bernards (PBA Loc 357)	1.90%	New Milford (PBA Loc 83)	1.58%
Branchburg (PBA Loc 397 & 397A)	2.00%	Newark (IAFF Loc 1860)	2.40%
Brooklawn (Municipality)	3.00%	North Caldwell (PBA Loc 81)	1.56%
Brooklawn (PBA Loc 30)	1.87%	North Wildwood (FMBA Loc 56)	1.02%
Collingswood (Superior)	1.63%	North Wildwood (PBA Loc 59)	1.99%
Collingswood (Police)	1.63%	Ocean City (FMBA Loc 27)	1.17%
Deal (PBA Loc 101)	2.00%	Ocean City (PBA Loc 61)	1.17%
Delanco Tp (Police)	1.85%	Ocean Cty Sheriff (FMBA Loc 98)	1.50%
Delaware Tp./Hunterdon Cty (PBA Loc 188)	4.12%	Pine Beach (PBA Loc 253)	3.12%
Far Hills (PBA Loc 139)	1.92%	Pitman (PBA Loc 122)	2.00%
Franklin Lakes (PBA Loc 150)	2.61%	Plainsboro (IAFF Loc 3451)	4.68%
Garwood (PBA Loc 117)	1.83%	Stratford (PBA Loc 30)	2.00%
Glassboro (FOP Lodge 108)	2.06%	Vineland (Police Captains Assoc.)	1.90%
Glassboro (FOP Lodge 108, superiors)	2.06%	Voorhees (Police)	1.19%
Glassboro (Fire)	2.00%	Westville (PBA Loc 322)	4.34%
Haddon Heights (PBA Loc 328)	1.58%	Wildwood Crest (PBA Loc 59)	2.28%
Hamburg (FOP Lodge 57)	2.50%	Winslow	1.92%
Highland Park (PBA Loc 64)	1.33%	Winslow	1.97%
Hopewell (PBA)	1.99%	Woodbury (FMBA Loc 62)	2.00%
Hopewell (SOA)	2.00%	Woodbury Heights (PBA Loc 122)	2.00%
Hopewell (Fire District 1)	2.00%		
<u>Overall Average Annual Salary Increase (reported Voluntary Settlements):</u>			<u>2.11%</u>

Tab



**Voluntary Settlement Report – Cases
settled during Arbitration**

Voluntary Settlements made during Interest Arbitration
(where the 2% Salary Cap would have applied to the IA Award)*

	Average Annual Base Salary Increase in new contract (as reported by parties)
Northvale Bor. (PBA)	1.65%
Garfield City (PBA)	1.95%
Elmwood Park Bor. (PBA)	1.95%
Newton Town (PBA)	2.08%
Newton Town (SOA)	2.08%
Bridgeton City (IAFF)	1.25%
Allendale Bor. (PBA)	2.00%
Middlesex Bor. (PBA)	2.00%
Fairfield Tp. (PBA)	2.00%
S. Orange Village (PBA)	2.00%
S. Orange Village (SOA)	2.00%
High Bridge Bor. (PBA)	1.00%
Ringwood Bor. (PBA)	2.00%
E. Hanover Tp. (PBA)	1.50%
E. Hanover Tp. (SOA)	1.50%
New Milford Bor. (PBA)	1.58%
Chester (PBA)	3.08%
Union Beach (PBA)	1.15%
Morris Cty (PBA)	2.16%
<u>Overall Average Annual Base Salary Increase (reported IA Settlements):</u>	<u>1.84%</u>
* Data includes only those municipalities that reported their settlement's annual salary increases to NJ PERC.	

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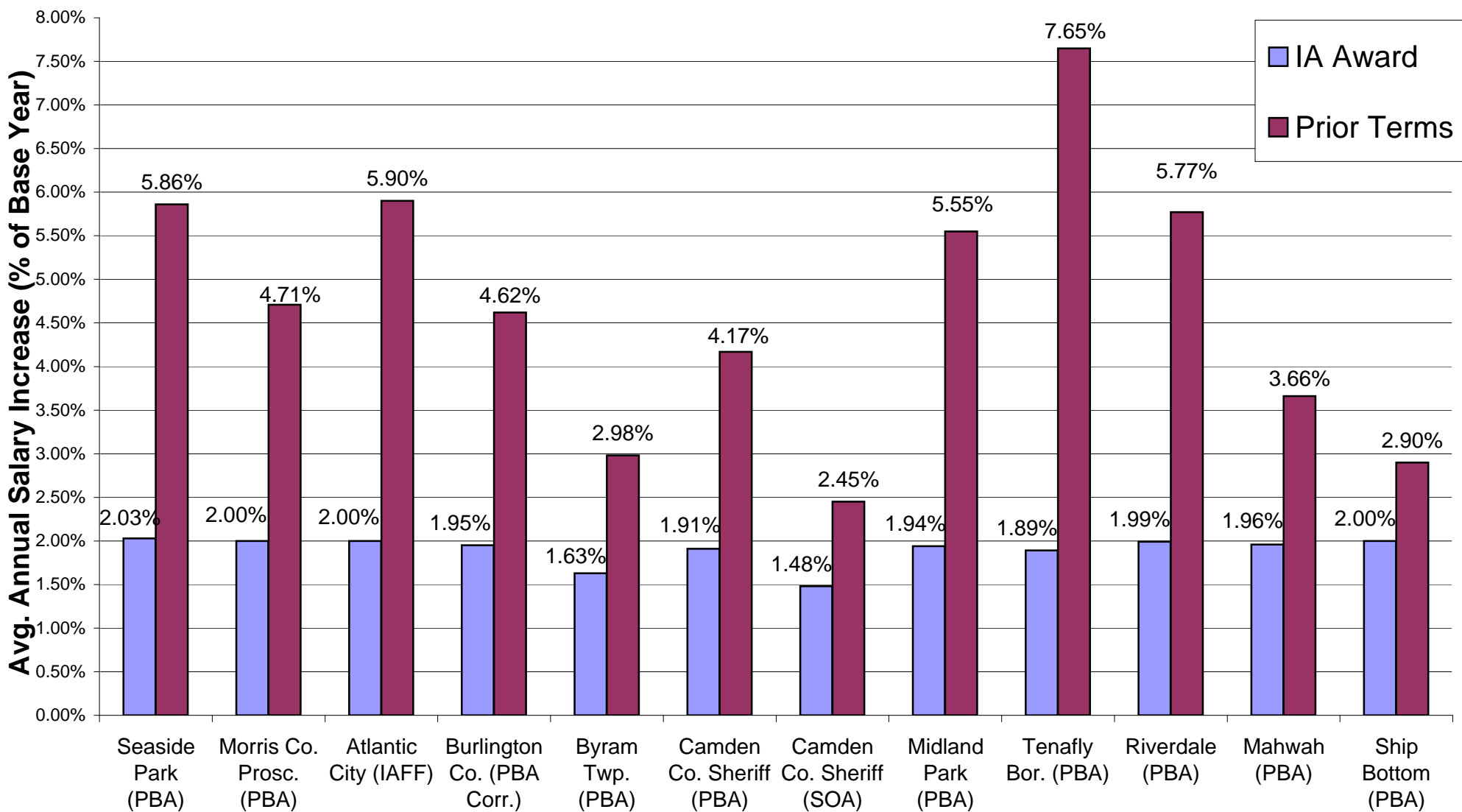
J

**Interest Arbitration Award Analysis
Discussed in Report**

**Average Annual Base Salary Increase, as a % of Base Year Salary, for
all Interest Arbitration Awards subject to the 2% Salary Cap**

<u>Town/County</u>	<u>IA Award</u>
West Caldwell Tp. (PBA)	1.92%
Seaside Park (PBA)	2.03%
Morris Co. Prosc. (PBA)	2.00%
Atlantic City (IAFF)	2.00%
Burlington Co. (PBA Corr.)	1.95%
Point Pleasant Bor. (PBA)	2.00%
Point Pleasant Bor. (SOA)	2.00%
Byram Twp. (PBA)	1.63%
Atlantic City (SOA)	2.00%
Camden Co. Sheriff (SOA)	1.48%
Midland Park (PBA)	1.94%
Atlantic City (PBA)	2.00%
Camden Co. Sheriff (PBA)	1.91%
Tenafly Bor. (PBA)*	1.89%
Riverdale (PBA)	1.99%
Mahwah (PBA)	1.96%
Ship Bottom (PBA)	2.00%
<u>Overall Average Annual Base Salary Increase, for all IA Awards under 2% Cap:</u>	<u>1.92%</u>
* on appeal in N.J. Appellate Division	

IA Awards Subject to 2% Cap vs. Projected Costs if Prior Contract's Base Salary (incl. Steps & Longevity) Increase Patterns Continued



Towns/Counties with IA Awards under 2% Cap

(Sample includes only those Awards providing detailed increment/step and/or longevity guide information. This allowed comparison of the same unit of employees using the prior contract or award terms).

Base Salary* Increases in IA Awards subject to 2% Cap vs. Base Salary Increases if Terms of Prior Contract had been renewed**

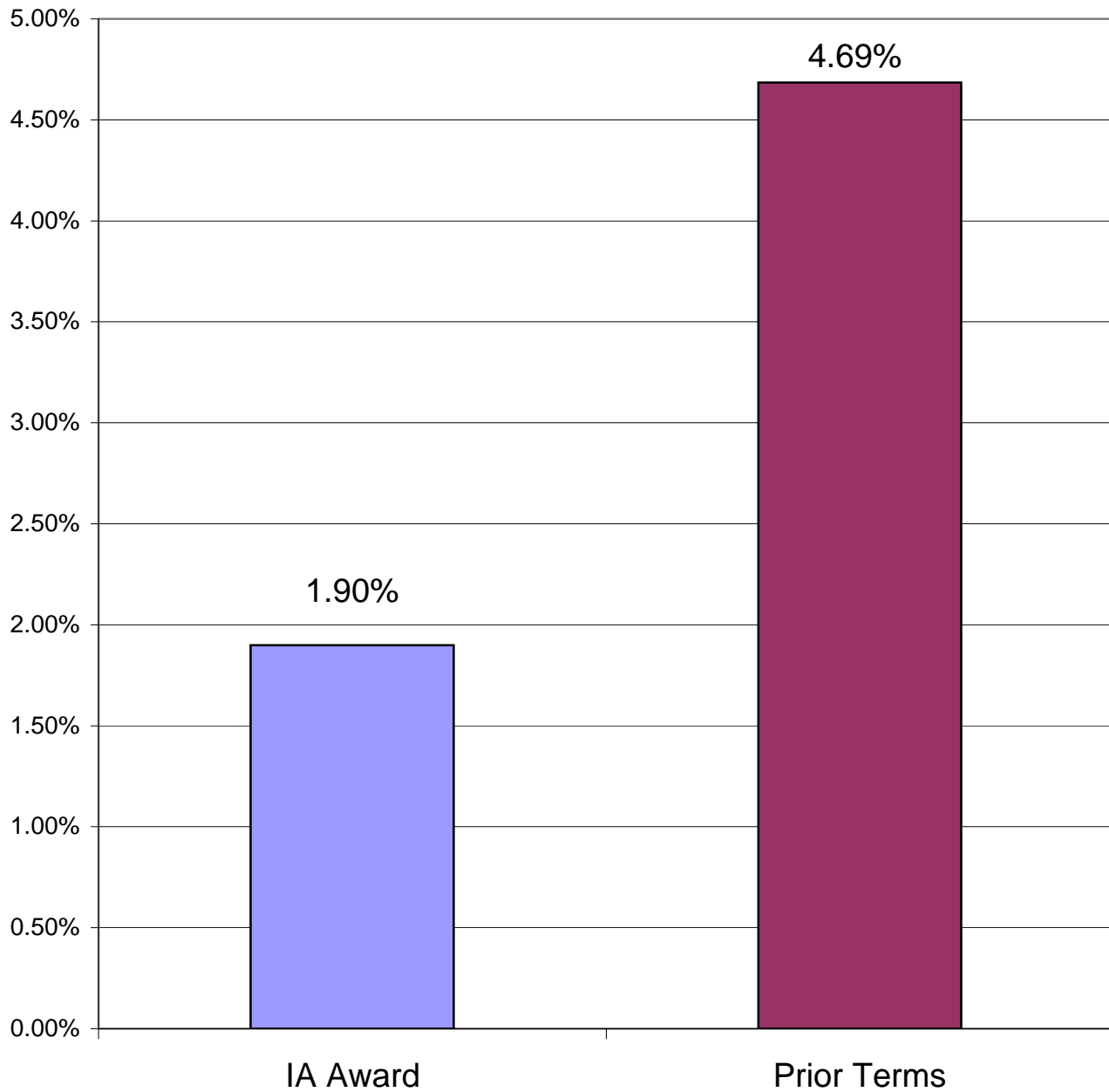
	<u>Average Annual Base Salary Increase, as a % of Base Year</u>	
<u>Town/County</u>	<u>IA Award</u>	<u>Prior Terms</u>
Seaside Park (PBA)	2.03%	5.86%
Morris Co. Prosc. (PBA)	2.00%	4.71%
Atlantic City (IAFF)	2.00%	5.90%
Burlington Co. (PBA Corr.)	1.95%	4.62%
Byram Twp. (PBA)	1.63%	2.98%
Camden Co. Sheriff (PBA)	1.91%	4.17%
Camden Co. Sheriff (SOA)	1.48%	2.45%
Midland Park (PBA)	1.94%	5.55%
Tenafly Bor. (PBA)	1.89%	7.65%
Riverdale (PBA)	1.99%	5.77%
Mahwah (PBA)	1.96%	3.66%
Ship Bottom (PBA)	2.00%	2.90%
	<u>IA Award</u>	<u>Prior Terms</u>
<u>Overall Average Annual Base Salary Increase:</u>	1.90%	4.69%
<p><i>* Base Salary "means the salary provided pursuant to a salary guide or table and any amount provided pursuant to a salary increment, including any amount provided for longevity or length of service." <u>N.J.S.A . 34:13A-16.7(a)</u>.</i></p>		
<p><i>** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.</i></p>		

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**Summary Analysis of Interest Arbitration
Awards Discussed in Report**

**Overall Average Annual Base Salary* Increase,
IA Awards under 2% Cap vs. Terms of Prior Contract****



* **Base Salary** "means the salary provided pursuant to a salary guide or table and any amount provided pursuant to a salary increment, including any amount provided for longevity or length of service." N.J.S.A . 34:13A-16.7(a).

** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.

Salary Increases in Interest Arbitration Award subject to the 2% Cap versus Salary Increases if the Terms of the Prior Contract had been renewed**

Seaside Park Borough (PBA Loc 182)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2011 Base Year Salary*	\$1,273,642	\$1,273,642		
Value of 2% of Base Year Salary	\$25,473	\$25,473		
2012 Base Salary*	\$1,133,120	\$1,188,382		\$55,262
2012 Annual Increase as a % of 2011 Base	2.10%	6.54%	4.00%	
2013 Base Salary*	\$1,160,365	\$1,257,539		\$97,174
2013 Annual Increase as a % of 2011 Base	2.14%	5.43%	4.00%	
2014 Base Salary*	\$1,179,104	\$1,328,911		\$149,807
2014 Annual Increase as a % of 2011 Base	1.85%	5.60%	4.00%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$302,243
<u>Average Annual Increase in Base Salary, as a % of 2011 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>2.03%</u>	<u>5.86%</u>		

Morris County Prosecutor's Office (PBA Loc 327)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2011 Base Year Salary*	\$4,141,296	\$4,141,296		
Value of 2% of Base Year Salary	\$82,826	\$82,826		
2012 Base Salary*	\$3,851,292	\$3,937,111.21		\$85,819
2012 Annual Increase as a % of 2011 Base	1.93%	4.00%	4.00%	
2013 Base Salary*	\$3,935,816	\$4,136,949.13		\$201,133
2013 Annual Increase as a % of 2011 Base	2.04%	4.83%	4.00%	
2014 Base Salary*	\$4,019,721	\$4,356,748		\$337,027
2014 Annual Increase as a % of 2011 Base	2.03%	5.31%	4.00%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$623,979
<u>Average Annual Increase in Base Salary, as a % of 2011 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>2.00%</u>	<u>4.71%</u>		

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** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.

Salary Increases in Interest Arbitration Award subject to the 2% Cap versus Salary Increases if the Terms of the Prior Contract had been renewed**

Atlantic City (IAFF Loc 198)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2011 Base Year Salary*	\$22,072,172	\$22,072,172		
Value of 2% of Base Year Salary	\$441,443	\$441,443		
2012 Base Salary*	\$22,793,845	\$23,426,558		\$632,713
2012 Annual Increase as a % of 2011 Base	3.27%	6.14%	4.00%	
2013 Base Salary*	\$23,179,206	\$24,764,396		\$1,585,190
2013 Annual Increase as a % of 2011 Base	1.75%	6.06%	4.00%	
2014 Base Salary*	\$23,396,502	\$25,980,960		\$2,584,458
2014 Annual Increase as a % of 2011 Base	0.98%	5.51%	4.00%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$4,802,362
<u>Average Annual Increase in Base Salary, as a % of 2011 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>2.00%</u>	<u>5.90%</u>		

Burlington County (PBA Loc 249 Corrections Officers)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2011 Base Year Salary*	\$11,984,135	\$11,984,135		
Value of 2% of Base Year Salary	\$239,683	\$239,683		
2012 Base Salary*	\$12,439,514	\$13,175,741		\$736,227
2012 Annual Increase as a % of 2011 Base	0.00%	6.14%	2.50%	
2013 Base Salary*	\$12,688,304	\$13,650,106		\$961,802
2013 Annual Increase as a % of 2011 Base	2.08%	3.96%	2.00%	
2014 Base Salary*	\$13,138,654	\$14,100,281		\$961,627
2014 Annual Increase as a % of 2011 Base	3.76%	3.76%	1.50%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$2,659,655
<u>Average Annual Increase in Base Salary, as a % of 2011 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.95%</u>	<u>4.62%</u>		

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** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.

Salary Increases in Interest Arbitration Award subject to the 2% Cap vs. Salary Increases if the Terms of the Prior Contract had been renewed**

Byram Township (PBA Loc 138)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$1,492,985	\$1,492,985		
Value of 2% of Base Year Salary	\$29,859.72	\$29,859.72		
2013 Base Salary*	\$1,311,146	\$1,334,067		\$22,921
2013 Annual Increase as a % of 2012 Base	1.05%	2.62%	2% semi-annually	
2014 Base Salary*	\$1,319,649	\$1,379,117		\$59,468
2014 Annual Increase as a % of 2012 Base	1.59%	3.02%	2% semi-annually	
2015 Base Salary*	\$1,379,223	\$1,428,649		\$49,426
2015 Annual Increase as a % of 2012 Base	2.25%	3.32%	2% semi-annually	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$131,814
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.63%</u>	<u>2.98%</u>		

Camden County Sheriff's Office (PBA Loc 277)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$11,243,301	\$11,243,301		
Value of 2% of Base Year Salary	\$224,866	\$224,866		
2013 Base Salary*	\$11,596,668	\$11,596,668		\$0
2013 Annual Increase as a % of 2012 Base	3.14%	3.14%	1.00%	
2014 Base Salary*	\$11,741,626	\$12,119,076		\$377,450
2014 Annual Increase as a % of 2012 Base	1.29%	4.65%	2.50%	
2015 Base Salary*	\$11,888,396	\$12,650,458		\$762,062
2015 Annual Increase as a % of 2012 Base	1.31%	4.73%	2.80%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$1,139,512
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.91%</u>	<u>4.17%</u>		

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** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.

Salary Increases in Interest Arbitration Award subject to the 2% Cap vs. Salary Increases if the Terms of the Prior Contract had been renewed**

Camden County Sheriff's Office (SOA)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$852,451	\$852,451		
Value of 2% of Base Year Salary	\$17,049	\$17,049		
2013 Base Salary*	\$860,972	\$860,972		\$0
2013 Annual Increase as a % of 2012 Base	1.00%	1.00%	1.00%	
2014 Base Salary*	\$871,821	\$882,588		\$10,767
2014 Annual Increase as a % of 2012 Base	1.27%	2.54%	2.50%	
2015 Base Salary*	\$890,265	\$915,058		\$24,793
2015 Annual Increase as a % of 2012 Base	2.16%	3.81%	2.80%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$35,560
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.48%</u>	<u>2.45%</u>		

Midland Park Borough (PBA Loc 79)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$1,199,170	\$1,199,170		
Value of 2% of Base Year Salary	\$23,983	\$23,983		
2013 Base Salary*	\$1,251,153	\$1,252,877		\$1,724
2013 Annual Increase as a % of 2012 Base	2.22%	2.37%	0.00%	
2014 Base Salary*	\$1,271,116	\$1,357,446		\$86,330
2014 Annual Increase as a % of 2012 Base	1.66%	8.72%	3% top of guide	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$88,054
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.94%</u>	<u>5.55%</u>		

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** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.

Salary Increases in Interest Arbitration Award subject to the 2% Cap vs. Salary Increases if the Terms of the Prior Contract had been renewed**

Tenafly Borough (PBA Loc 376)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$3,763,060	\$3,763,060		
Value of 2% of Base Year Salary	\$75,261	\$75,261		
2013 Base Salary*	\$3,922,636	\$4,060,907		\$138,271
2013 Annual Increase as a % of 2012 Base	2.82%	7.92%	3.75%	
2014 Base Salary*	\$4,029,877	\$4,362,750		\$332,873
2014 Annual Increase as a % of 2012 Base	2.85%	8.02%	3.75%	
2015 Base Salary*	\$4,029,877	\$4,626,861		\$596,984
2015 Annual Increase as a % of 2012 Base	0.00%	7.02%	3.75%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$1,068,128
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.89%</u>	<u>7.65%</u>		

Riverdale Borough (PBA Loc 335)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise***</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$1,348,118	\$1,348,118		
Value of 2% of Base Year Salary	\$26,962	\$26,962		
2013 Base Salary*	\$1,373,418	\$1,421,785		\$48,367
2013 Annual Increase as a % of 2012 Base	1.88%	5.46%	3.98% top of guide & superiors (\$500 all others)	
2014 Base Salary*	\$1,403,568	\$1,497,560		\$93,992
2014 Annual Increase as a % of 2012 Base	2.24%	5.62%	3.98% top of guide & superiors (\$500 all others)	
2015 Base Salary*	\$1,428,515	\$1,581,653		\$153,138
2015 Annual Increase as a % of 2012 Base	1.85%	6.24%	3.98% top of guide & superiors (\$500 all others)	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$295,497
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.99%</u>	<u>5.77%</u>		

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** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.

*** Prior contract was from 2008-2012, which is a longer duration than the IA Award. Therefore, only the first 3 years of the prior contract were compared. The prior contract's final year provided salary increases greater than 11% for top step officers and greater than 10% for superior officers. Those raises are not reflected in this model.

Salary Increases in Interest Arbitration Award subject to the 2% Cap vs. Salary Increases if the Terms of the Prior Contract had been renewed**

Mahwah Township (PBA Loc 143)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$5,941,231	\$5,941,231		
Value of 2% of Base Year Salary	\$118,825	\$118,825		
2013 Base Salary*	\$6,081,224	\$6,179,461		\$98,237
2013 Annual Increase as a % of 2012 Base	2.36%	4.01%	2.50%	
2014 Base Salary*	\$6,173,815	\$6,376,197		\$202,382
2014 Annual Increase as a % of 2012 Base	1.56%	3.31%	2.50%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$300,619
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>1.96%</u>	<u>3.66%</u>		

Ship Bottom Borough (PBA Loc 175)

	<u>IA Award</u>	<u>Prior Terms</u>	<u>Prior Contract's Reported Raise</u>	<u>Difference in Salary Costs</u>
2012 Base Year Salary*	\$937,711	\$937,711		
Value of 2% of Base Year Salary	\$18,754	\$18,754		
2013 Base Salary*	\$956,041	\$997,734		\$41,693
2013 Annual Increase as a % of 2012 Base	1.95%	6.40%	4% on 3/1/2009	
2014 Base Salary*	\$977,505	\$1,016,588		\$39,083
2014 Annual Increase as a % of 2012 Base	2.29%	2.01%	0.00%	
2015 Base Salary*	\$993,953	\$1,019,323		\$25,370
2015 Annual Increase as a % of 2012 Base	1.75%	0.29%	0.00%	
<u>Difference in Total Projected Costs - IA Award vs. Prior Terms:</u>				\$106,146
<u>Average Annual Increase in Base Salary, as a % of 2012 Base:</u>	<u>IA Award</u>	<u>Prior Terms</u>		
	<u>2.00%</u>	<u>2.90%</u>		

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** Sample includes only those IA Awards that provided detailed unit-wide increment/step and/or longevity information. This allowed comparison of the same unit of employees using the increment and longevity guides and across-the-board raises from the prior contract or award terms.