

Under the Administration of the
AMERICAN ARBITRATION ASSOCIATION

In the Matter of Arbitration Between:

**FRATERNAL ORDER OF POLICE
LODGE #5**

**AAA Case # 0-17-0001-2297
(Act 111 Interest Arbitration)**

and

CITY OF PHILADELPHIA

Arbitration Panel

Marc Gelman, Esq.
JENNINGS SIGMOND
FOP-Appointed Arbitrator

Shannon Farmer, Esq.
BALLARD SPAHR
City-Appointed Arbitrator

Walt De Treux, Esq.
Neutral Arbitrator and Panel Chair

Appearances

FOR THE FOP:

Stephen Holroyd, Esq.
JENNINGS SIGMOND

FOR THE CITY:

Meredith Swartz Dante, Esq.
Shaina Hicks, Esq.
BALLARD SPAHR

Patrick Harvey, Esq.
*CAMPBELL DURRANT BEATTY
PALOMBO & MILLER*

Kay Kyungsun Yu, Esq.
AHMAD ZAFFARESE

FOREWARD

The undersigned arbitrators were duly appointed as the Board of Arbitration (“Board” or “Panel”) pursuant to the provisions of Section 4(b) of the Act of June 24, 1968, P.L. 237, as amended, 43 P.S. §217.4(b) (Act 111) and the procedures of the Philadelphia Office of the American Arbitration Association. The Panel acknowledges that the parties agreed to waive the time limits under Act 111. Hearings in this matter were conducted on April 24, June 1, June 26, July 12, July 20, July 24, July 25, July 31, 2017, in Philadelphia, Pennsylvania, at which time both parties had a full and fair opportunity to present documentary and other evidence, examine and cross-examine witnesses, and offer argument in support of their respective positions. Following Executive Sessions of the Arbitration Panel, which occurred during the course of and following the conclusion of the hearings, the following Award was adopted by a majority of the Panel.

I. BACKGROUND

This Act 111 interest arbitration was conducted under the dictates of the Pennsylvania Intergovernmental Authorities Act (“PICA Act”), which created the Pennsylvania Intergovernmental Cooperation Authority (“PICA”). The PICA Act requires that the City develop, at least annually, Five-Year Financial Plans that provide for balanced budgets and must be reviewed and approved by PICA. The City is further required to undertake “a review of compensation and benefits” and to ensure that expenditures, including those for employee wages and benefits, are balanced with revenues. 53 P.S. § 12720.102(b)(1)(iii)(H); 12720.209(b) and (c). Under the PICA Act, a failure on the part of the City to comply with such requirements would result in the mandatory withholding of state funding and tax revenues designated for the City.

Most relevant for this Panel, Section 209(k) of the PICA statute, entitled "Effect of Five Year Plan on certain arbitration awards," requires that, prior to rendering an Act 111 award which grants a pay or fringe benefit increase, the Panel must consider and accord substantial weight to:

- i. the approved financial plan; and
- ii. the financial ability of the [City] to pay the cost of such increase in wages or fringe benefits without adversely affecting levels of service.

53 P.S. § 12720.290(k)(1). The Panel also must make a written record of the factors it considered when making its determination according substantial weight to the Five Year Plan and the City's ability to pay. 53 P.S. § 12720.290(k)(2).

During the course of this Act 111 proceeding, both parties raised arguments regarding the City's financial condition and ability to pay for this Award within the confines of the Five Year Plan. In making this Award, the Panel has carefully reviewed and considered the testimony of the witnesses and the exhibits submitted by the parties, as well as statements made by both parties in support of their respective positions. This Panel has duly considered the parties' arguments and has accorded the City's financial concerns the substantial weight required by law.

II. FINDINGS

In light of the PICA Act's requirement that the Panel make findings, supported by substantial evidence in the record, that the City has the ability to pay the cost of the Award without adversely affecting service levels, the Panel has carefully considered the evidence and the contentions of the parties. After doing so and fully complying therewith, the Panel has made the following findings in support of its Award:

A. City's Financial Condition and Previous Awards

1. The City is statutorily required to maintain a balanced budget.

2. The City is also required to submit a revised five year plan that is balanced in each of its years to PICA for approval whenever it appears that the City's budget is no longer balanced as a result of unplanned revenue decreases or expense increases. The City is required to provide quarterly updates to PICA showing how actual results and current projections compare to those contained in the approved five year plan.

3. PICA can require the City to make mid-year adjustments if there is a variance from the approved five year plan. Because the City is prohibited by law from enacting mid-year tax increases, such adjustments generally must come from service reductions.

4. An arbitration panel issued an award setting the terms and conditions of the bargaining unit for the period from July 1, 2008 through June 30, 2009 on July 10, 2008 ("2008-2009 Award"). The 2008-2009 Award contained wage and longevity increases as well as other benefits for bargaining unit employees. The City did not seek judicial review of the 2008-2009 Award.

5. After the issuance of the 2008-2009 Award, the City suffered a financial crisis as a result of the then-deteriorating local and national economy and would have faced a \$2.4 billion deficit in its Five Year Plan if it had not taken corrective actions.

6. As a result of the economic downturn, the City's actual tax revenues in FY09 were more than a hundred million less than the City had projected in the original FY09-FY13 Plan and \$60 million less than its actual FY08 tax revenue.

7. To close the deficit in its FY10-FY14 Five Year Plan ("FY10-FY14 Plan"), the City sought and received approval from the state legislature for three changes: a temporary 1% increase in the sales tax for FY10-FY14; a deferral of a portion of the City's minimum required contribution to the pension fund for FY10 and FY11, which would be repaid with interest in FY13 and FY14; and a change in the amortization period for the City's repayment of the pension fund's unfunded liability

8. This partial deferral of pension payments allowed the City to conserve funds in FY10 and FY11, but cost the City more over the course of the Five Year Plan because the deferral was required to be repaid at an interest rate of 8.25%. The City fully repaid the pension deferral earlier than required with all required interest.

9. On December 18, 2009, the FOP interest arbitration panel issued an award covering the period from July 1, 2009 through June 30, 2014 ("2009-2014 FOP Award"). The Award reflected the panel's keen awareness of the extreme financial difficulties facing the City, state and nation at the time, while, at the same time, acknowledging the dangerous and difficult task performed by the bargaining unit.

10. In a supplement to the 2009-2014 Award, on March 10, 2010, the interest arbitration panel issued an award imposing new pension terms in the form of an additional pension contribution of 1% of wages upon new hires or the acceptance of Plan 10 – a different retirement benefit that reduced the benefits for covered new hires to a combination of defined contribution and defined benefit.

11. At the time of the supplemental hearing in 2010, the City's pension plan was slightly more than 50% funded and the City's pension obligations had grown by more than 130% since FY01.

12. Citing the adoption of Plan 10 as an important step in the City's efforts to bring its long-term pension obligations under control, the City projected that it would ultimately save the City tens of millions of dollars in pension costs.

13. The 2009-2014 interest arbitration panel also required the FOP to entirely restructure its health care delivery program, over the FOP's objection. Specifically, the 2009-2014 interest arbitration panel directed the FOP to convert its insured health care program to a self insured health care program that would thereafter be administered under a multifaceted and complex arrangement dictated by the Award.

14. The 2009-2014 Award also modestly increased the City's flexibility to make certain schedule changes to respond to Police Department operational needs without incurring overtime costs.

15. An arbitration panel issued an award setting the terms and conditions of the bargaining unit for the period from July 1, 2014 through June 30, 2017 on July 30, 2014 ("2014-2017 Award"). The 2014-2017 Award contained wage and longevity increases as well as other benefits for bargaining unit employees.

16. The 2014-2017 Award did not make any changes to pension or health care benefits for bargaining unit employees. In making the decision not to amend the FOP's health care benefits, the panel found that the City had saved more than \$80 million since July 1, 2008 because of the changes made by the 2008 and 2009-2014 interest arbitration Awards to the funding, benefits and structure of the FOP health care program. The panel further found that, as a result of transitioning to a self insured program, the City's health care contribution for FOP bargaining unit members remained consistently lower than it had been prior to the change.

17. The 2014-2017 Award also made a number of operational changes sought by the Police Department including: increased flexibility to make certain schedule changes to respond to Police Department operational needs without incurring overtime costs, rotation of officers out of the narcotics and internal affairs unit, increased drug testing of officers in certain units and merit selection of certain officers.

18. Since FY11, the City has maintained positive fund balances and the City's respective five year plans have projected continued modest, positive growth in the economy, even as they continue to reflect the City's long-term challenges. As a result, each of these five year plans has projected fund balances far lower than experts recommend for a city of this size. The City's FY18-FY22 Five Year Plan ("FY18-FY22 Plan"), which is the PICA-approved plan at this time, continues to reflect these challenges and, as a result, continues to project modest fund balances as well.

19. FY18-FY22 Plan assumes steady economic growth. In recognition of the City's non-competitive tax structure, the FY18-FY22 Plan also continues targeted tax reductions

to attract both businesses and residents. In addition, the FY18-FY22 Plan makes targeted, critical investments in public safety, health and human services.

20. Reflecting the City's fragile recovery since the economic downturn and its long-term challenges, the FY18-FY22 plan contains projected fund balances that are significantly lower than experts recommend.

21. The Panel was presented with experts from both parties who testified regarding the current and future economic condition of the City. All of their testimony was considered and weighed in reaching this Award.

22. The Panel concludes that the City has acted responsibly in reaching its five year plan forecasts. The Panel notes, however, that those forecasts, at least in times of strong economic growth, have sometimes proved more conservative than the actual revenues. Similarly, the Panel recognizes that the threat of a recession exists, which could lead revenues to be significantly below the City's forecasts, as happened in the last recession.

23. It is clear to the Panel that weaknesses in the economy and demographic challenges continue to pose threats to the City's economy, including: a poor population that creates a large demand for social services; its responsibility for both city and county government services; significant employee benefit costs; and already high tax burdens.

24. City residents are among the most heavily taxed of any City in the country, having the highest tax burden among the largest cities in each state on families with an annual income of \$25,000 and fifth highest for families earning between \$25,000 and \$50,000 a year.

25. The City's poverty rate, at more than 25%, is the highest of the nation's ten largest cities, and much higher than that of the state or the nation as a whole.

26. A large portion of the City's budget, 36%, is spent on expenses over which the City has little to no control, including pension and debt service.

27. Personnel costs are projected to account for more than 65% of the City's FY18 General Fund spending – or more than \$3.3 billion.

28. In FY18, the City expects to spend more than \$680 million on pension costs alone, which is more than 15% of its General Fund budget.

29. Pension contributions grew from \$194 million in FY01 to \$622 million by FY16, an increased rate of 230%. Even as Philadelphia's contributions into the pension fund have increased substantially, the retirement system's funded ratio has declined from 77.5% in FY01 to 44.8% in FY16.

30. At the time the 2014-2017 Award was issued in FY13, the City's pension was a little over 47% funded. Currently, the City's pension is 44.8% funded, with a \$6 billion unfunded liability, a decrease in funding of 2.6% in just three fiscal years.

31. As a result of the City's economic condition, coupled with its significant unfunded pension liabilities, bond rating agencies have placed Philadelphia on "negative watch."

32. The Pennsylvania legislature has also recognized the gravity of the City's pension situation, making permanent the additional 1% sales tax initially passed as a temporary measure in 2010 and dedicating a portion of the revenues to pensions. Rather than using this additional revenue to reduce the City's statutory minimum pension contribution ("MMO"), the City has committed to using the additional revenues to increase the pension funding above the MMO.

33. The City has negotiated the same increased pension contributions it seeks from this Panel with its largest union, District Council 33. The City has committed to using these contributions to add additional revenues to the pension fund, rather than to offset its required contributions under the MMO. The same is true of the City's proposed stacked hybrid plan for new hires.

34. The Panel finds that the City's pension funding ratio and its unfunded liability is a significant factor that must be addressed by this Award. The panel notes that the issue of pensions dominated a significant portion of these proceedings and recognizes that the City will not attain fiscal stability until it has remedied the financial condition of its pension fund.

B. The Police Department

1. Since taking office in 2016, Mayor Kenney has emphasized a commitment to maintaining low crime rates and to increasing the Philadelphia Police Department's accountability to those it serves.

2. Crime control remains a significant priority of the Kenney Administration, as made clear by Commissioner Ross in his testimony before the Panel.

3. The Panel recognizes the significant accomplishments the City and the Police Department have made during this time in reducing crime, particularly homicides.

4. The panel also recognizes and commends the Police Department for their extraordinary work in policing the recent Papal visit, Democratic National Convention, and NFL Draft.

5. The Police Department has experienced depleted ranks since 2008 as a result of the economic crisis and a large number of retirements.

6. According to the FY18-FY22 Plan, the City intends to hire approximately 300 additional officers.

7. The Panel was impressed by the testimony of Commissioner Ross regarding the operational reforms that he is seeking in order to continue positive trends in crime fighting.

8. Finally, the Panel recognizes the importance of the operational reforms sought by the Commissioner and the Deputy Commissioner and encourages the parties to continue to discuss those that have not been awarded by the Panel in this Award.

9. At the same time, the Panel recognizes and reaffirms that any such reforms must be structured and applied in a nondiscriminatory even-handed manner.

C. The Panel's Reasoning

1. The Panel considers it significant that, in light of a number of economic factors in the City and nationally, the City projects positive tax revenue growth rates in its FY18-FY22 Plan.

2. Despite the prospect for positive growth in the City's economy, as both the City's and the FOP's experts project, the Panel recognizes that there are threats to that recovery on the national, state and local level.

3. As a result, it would not be permissible for the Panel to award the FOP all of the economic improvements it is seeking.

4. Based on the testimony of experts presented by both parties, the wages of Philadelphia police officers are generally at the median when compared to similar departments. At the same time, the Panel recognizes that there is some merit in the testimony and evidence of the City's financial experts that the City's financial condition is generally worse and its long-term challenges and financial burdens are generally greater than these cities.

5. The Panel notes that the City's negotiated agreement with District Council 33 balances pension changes sought by the City with wage increases which take some of the sting out of the increased pension contributions for employees.

6. The Panel has struck a balance between the competing concerns in awarding wage increases which are below those sought by the FOP but greater than those negotiated by District Council 33 in light of the greater pension contribution increases which the Panel is awarding.

7. The Panel recognizes that the City's pension fund is only 44.8% funded with a \$6 billion unfunded liability and this is an area of serious concern to both the Panel and the City. As a result, and notwithstanding the fact the FOP membership has in no way contributed to the deficiencies facing the pension fund, the Panel has determined that pension reform, through increases in employee contributions, is appropriate.

8. The Panel is unwilling, however, to award tiered pension contributions out of a concern over the impact the tiered contributions could have on the morale of the Department.

9. Similarly, the Panel is unwilling to award the stacked hybrid plan sought by the City for new police hires (and strongly opposed by the FOP throughout these proceedings) given that they do not participate in Social Security as the majority of other City employees do.

10. The Panel sought, and received, a supplemental analysis from the actuary which shows that the changes being awarded will provide improvements to the pension fund which are on par with those that the City sought and which will allow the pension fund to reach full funding one year sooner than if no action were taken. Given the size of the fund, the Panel considers that a significant achievement and one in which it is appropriate for employees to share.

11. Finally, the Panel has decided not to award any changes in the current health benefit program. While the Panel recognizes that the benefits of these employees are extraordinarily generous, the Panel also recognizes that the City has achieved significant savings over the past seven years as compared to trend and the Panel believes that it is appropriate to reward FOP members for those savings by leaving their benefits untouched.

12. However, the Panel is concerned about the continued existence of disputes over the current budgeting and end-of-year reconciliation process for reward sharing. Therefore, the Panel has determined that modifications to the end-of-year reconciliation process for reward sharing are necessary.

13. Finally, the Panel is convinced that the current level of reserves in the FOP's health fund is unnecessary given the stability of the current funding system for health benefits, which has now been in place for 7 years. The existence of any escrow accounts is now unnecessary as well.

III. AWARD

1. Term: July 1, 2017 through June 30, 2020

2. Wages:

a. 3.25% increase effective July 1, 2017

b. 3.50% increase effective July 1, 2018

c. 3.75% increase effective July 1, 2019

3. Pension: In ordering changes to the employee pension contributions for both current employees and new hires, the Panel notes its concerns over the condition of the City's pension fund, which has worsened in the three years since the last award despite the City's increased contributions. These concerns are balanced by the fact that the FOP has effectively argued through its presentation that with increased contributions its members bear a significant burden not shouldered by other City employees due to their lack of participation in Social Security. As previously noted, the Panel has therefore been persuaded to decline to award tiered pension contributions for new hires. The Panel nevertheless notes that the City has taken steps on its own to tackle the pension fund's condition before coming to this Panel, which is a

significant factor in the Panel's decision to award increased contributions. The Panel also considers it significant that the City has committed to using these additional funds to supplement, rather than replace, the City's contributions into the fund and was heartened to see that the actuaries' analysis projects that these measures will allow the pension fund to significantly improve its funded status over time. Finally, the Panel has decided that it is appropriate to exempt employees in Plan 67 from these changes given the small and dwindling number of employees in that Plan who are still contributing to the fund and the limited number of years for which they will contribute to the fund.

a. Effective July 1, 2017, the existing employee contributions towards pension benefits shall be increased by .92% for employees in Plan B and Plan '10 hired or rehired (in accordance with existing treatment of rehired employees under the pension ordinance) on or before June 30, 2017. The increase shall be calculated based on the employee contribution rates which would otherwise be in effect as of July 1, 2017 for each employee.

b. Effective July 1, 2018, the existing employee contributions towards pension benefits shall be increased by an additional .92% for employees in Plan B and Plan '10 hired or rehired (in accordance with existing treatment of rehired employees under the pension ordinance) on or before June 30, 2017.

c. The contribution rate for employees hired or rehired (in accordance with existing treatment of rehired employees under the pension ordinance) on or after July 1, 2017 shall be increased by 2.5% over the employee contribution rate which would otherwise be in effect as of July 1, 2017 for each employee.

d. All contribution increases which are directed by this Award will be in addition to, rather than offset, the City's required contributions under the MMO. Accordingly, in calculating the MMO each year, the City will not include the amount of these additional contributions in calculating its required contribution.

e. No changes in employee contributions will be made for employees in Plan D.

4. Court Notices:

a. Within 60 days of the issuance of the Award, each bargaining unit member as of the date the Award is issued shall receive a one-time cash payment of \$1,300, less required deductions and withholdings, for the purpose of resolving all outstanding issues related to the electronic delivery of court notices, including any outstanding grievances, and to compensate members for any costs incurred in connection with electronic receipt of court notices.

b. Effective 15 days after the date the Award is issued, the City is hereby authorized to deliver court notices electronically in accordance with the following:

(1) Within 10 days of the issuance of this Award, each officer shall be required to provide the Police Department with either an e-mail address or telephone number at which the officer will receive court notices. If the officer chooses to provide a telephone number, the officer must maintain a voice mail or answering machine at that number. The information must be kept current with the Department at all times.

(2) An officer who fails to designate an e-mail address or telephone number to the Police Department for court notices shall be subject to discipline under the relevant Department policies requiring furnishing of information.

(3) The Police Department will use the officer's designated e-mail address or telephone number to notify the officer of court appearances. When officers are on duty at the time the court notice is received by the officer's work location, the Department will deliver the notice to the officer using existing procedures when possible.

(4) Using the e-mail or phone number provided by the officer to provide the information regarding the court notice shall satisfy the Department's delivery obligation at the time the e-mail is sent or the phone call is placed.

(5) The Department shall retain a copy of any e-mail message showing the date and time it was sent. For telephonic notice, any disputes over whether a call was made will be resolved by reference to the records of the phone carrier showing the date and time and length of the call.

(6) Any e-mail or telephone notice shall be deemed to be received at the time it was sent by the Department; provided however, that any notice sent after 10:30 p.m. but before 6:00 a.m. the next morning shall be deemed to be received by the officer at 6:00 a.m. of that morning.

(7) Placing the telephone call that results in speaking to the officer or leaving an answering machine/phone message or sending the e-mail by the Department shall be sufficient to notify the officer of the court appearance.

(8) Officers continue to be required to comply with all court notices.

5. Health Care:

a. In light of the excellent administration of the health fund by the Joint Board and LEHB which has led to LEHB having assets in excess of \$40 million while providing exceptional benefits and service to members and their families, the City shall not be responsible for the payment of any expenses for administration or claims incurred for the first full month following the issuance of the Award.

b. Effective July 1, 2017, the City's annual administrative payment to the Joint Board shall be \$100,000.

c. Effective July 1, 2017, the annual reconciliation process for reward sharing described in paragraphs 4(C)(6) through 4(C)(8) of the 2009-2014 Award shall be deleted and replaced with the following:

(1) The City shall select a firm to prepare an annual calculation of the projected trend for medical, prescription drug, dental and vision benefits for the following plan year. LEHB shall have the right to review the RFP responses and provide input in the City's selection. The City shall bear the cost of the calculation.

(2) Prior to September 1, 2017, and each September 1 thereafter, the firm shall compute the projected per member per month ("PMPM") cost less administrative expenses.

(3) No later than each July 1st, LEHB shall continue to present to the City a budget of projected administrative costs for the upcoming plan year. LEHB shall provide the City with a statement prepared by its auditor of actual administrative costs for the previous plan year within 30 days of the end of the plan year. If the actual administrative costs are less than the budgeted administrative costs for that plan year, the City shall take a credit against the administrative costs payable in the current plan year. If the actual administrative costs are greater than the budgeted administrative for that plan year, the City shall make payment for those additional administrative costs within 30 days. Any disputes about the reasonableness of the projected or actual administrative costs shall be resolved as set forth in this Award.

(4) To compute the Budgeted Cost, the trend stated by the firm plus 1.5% on the medical and prescription drug trend, shall be applied to the actual PMPM (net of credits or reimbursements) for the previous year. The Budgeted Cost shall also include the projected administrative costs provided by LEHB for the plan year, subject to the dispute resolution described above.

(5) Within 90 calendar days of the end of the plan year, the Budgeted Cost will be compared to the actual PMPM, including administrative costs, net of credits or reimbursements, as determined by LEHB's auditor, in order to determine the amount of any reward sharing due to LEHB. If the actual cost is less than the Budgeted Cost for the last completed plan year, the City shall immediately pay LEHB one-half of the difference thus determined, less any credits due the City for reimbursement or credits received by LEHB during the year. If the actual cost is more than the Budgeted Cost for the last completed fiscal year, there shall be no additional payments for the last completed fiscal year to LEHB.

(6) If the credits owed to the City exceed the amount otherwise due to LEHB under the reward sharing model in any year, LEHB will reimburse the remaining credits to the City promptly following the completion of that year's final cost calculations. This does not obligate LEHB to pay the City when the actual cost is more than the Budgeted Cost, but only to pay the City for credits and reimbursements which LEHB received and which were not passed on to the City.

d. The obligation to create a run-out escrow account set forth in paragraph 4(D) of the 2009-2014 Award is abolished.

6. Work Schedule Committee: A joint committee with an equal number of labor and management representatives shall be established to study the issue of the current shift schedule for the purpose of exploring whether there are any negative impacts on the quality of life of bargaining unit members and their families. The committee shall put forth recommendations attempting to address and alleviate any negative impacts.

7. Life Insurance: Effective December 1, 2017, the existing life insurance benefit for active employees shall be increased to \$35,000 in coverage.

8. Compensatory Time for Commanders:

a. Effective for bargaining unit employees who retire after the date the Award is issued, the cash out of compensatory time at retirement will be increased to a maximum of 690 hours.

b. One week of compensatory time each year can be cashed out in January using the existing rules. The other two weeks of compensatory time eligible for cash out will continue to be cashed out under the existing schedule.

9. Schedule Change:

a. The City shall have the right to cancel vacation sign-ups for up to two non-consecutive weeks a year in the event of a national security event taking place in Philadelphia. Employees shall be provided notice of the cancellation no less than 12 months in advance.

b. In addition to the existing right to adjust schedules under Article VI of the collective bargaining agreement ("Contract"), the Department shall have the right to adjust work schedules by up to 8 hours in connection with an event involving the deployment of at least 600 officers. Employees will be given at least 60 days' notice of the change.

10. Vacation: Section IX of the Contract is amended to add a new paragraph as follows:

Employees hired on or after July 1, 2017 will not be guaranteed vacation during the period of the Summer Vacation Schedule from May 1 to September 30 annually during their first 3 years of sworn employment in the Police Department (*i.e.*, 3 years from graduation from the Police

Academy) and will be scheduled for vacation based on an even distribution of vacations during the calendar year. During their next 2 years of sworn employment in the Police Department, these employees will be guaranteed 1 week of vacation during the period of the Summer Vacation Schedule.

11. Grievance and Arbitration:

a. The FOP will deliver copies of all settlement agreements signed by the grievant, if applicable, and the FOP to the Mayor's Office of Labor Relations. The agreement shall be signed by the Mayor's Office of Labor Relations within ten (10) working days of delivery. A fully-executed copy of the agreement shall be delivered to the FOP within three (3) working days after being signed. The time for the City to implement the terms of any settlement agreement shall not begin to run until it is delivered to the FOP. Delivery may be effectuated by e-mail.

b. Implementation of any order of reinstatement by an arbitrator or court shall be contingent on the employee successfully completing all conditions of employment. Any employee who does not meet the requirements will not be reinstated or will be terminated and any back pay ordered will cease at the time the employee receives written notice from the City that he/she has failed to meet the requirements for reinstatement.

12. Retiree Trust Fund:

a. Within 60 days of the issuance of the Award, the City shall make a lump sum payment of \$4.5 million to the Retiree Joint Trust Fund.

b. On or before July 1, 2018, the City shall make a lump sum payment of \$4.5 million to the Retiree Joint Trust Fund.

c. On or before July 1, 2019, the City shall make a lump sum payment of \$4.5 million to the Retiree Joint Trust Fund.

13. Retention of Jurisdiction: The Panel will retain jurisdiction to resolve any disputes directly related to the calculation of projected health care costs or the reconciliation of the actual to budgeted costs.

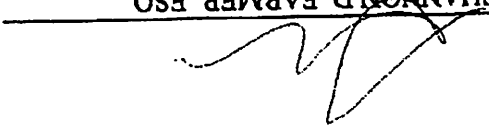
Dated: August 15, 2017

Dissect as to Paragraph 3 (Wages)

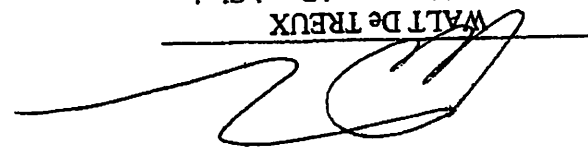
MARC GELMAN, ESQ.
FOF-Appointed Arbitrator



SHANNON D. FARMER, ESQ.
City-Appointed Arbitrator



WALT DE TREUX
Neutral Arbitrator and Panel Chair



Arbitration Panel.

All remaining terms and conditions of employment not expressly modified by this Award or previously agreed to by the parties in negotiations shall remain "as is" through June 30, 2020. All proposals of the parties not included in the Award are denied. It is understood that the signature of the Arbitrators attest to the fact that the contractual changes represent the majority opinion and Award on each issue by the members of the Arbitration Panel.

CONCLUSION