

Andy Schor  
Mayor



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**OFFICE OF THE MAYOR**  
CITY OF LANSING, MICHIGAN

TO: Ways and Means Committee

FROM: Andy Schor, Mayor

DATE: March 15, 2018

SUBJECT: Teamsters 580/243 retiree Healthcare

I have been asked by the Ways and Means Committee to look into how the City's Finance Department handles retirement healthcare for former employees of the Teamsters 580 (now 243) union.

More specifically, I am told that the committee's impetus for requesting my review has been its investigation into claims made by a retiree, Ms. Denise Estee, and union concerns expressed in support of these and similar retirees' claims. I understand that Ms. Estee has made a number of claims over a number of years regarding how her Teamster 580 benefits are determined for retiree healthcare coverage, including calculations and contributions of her retiree share of health insurance. I also understand that prior to my taking office, these matters have been the subject of extensive review by the City Attorney and that Mr. Smiertka has provided written responses to both this committee and Ms. Estee.

Finally, I understand that the committee's request is for my "fresh look" at the issues and to see if I am willing to reverse prior City administrative responses and actions on them. In preparation for this review, I have been briefed by the Finance Director on the contents of the Teamsters 580 CBA's retiree healthcare provisions from 2003 to the present. I have also been provided and reviewed correspondence to Ms. Estee and the committee and have discussed the matter at length with the Finance Director and the City Attorney. I have also met with union officials to hear their thoughts and perspectives. Additionally, I have sought the counsel and advice of my new Chief Labor Negotiator, Nicholas Tate.

As I understand the claims of both Ms. Estee and the union, they are focused on the meaning and interpretation of the 2003-2007 Teamsters 580 collective bargaining agreement (CBA) with the City. At its most basic level, Ms. Estee believes she obtained a specific vested healthcare benefit when she retired in 2005 and that the benefit would be the same that she had as an employee immediately before she retired, including insurance coverage and premium costs. It is also her position that she would retain this benefit and it would continue unchanged for her lifetime.

While I know there is a lot of background and CBA history that Ms. Estee has brought up, the City Attorney has provided information, via the July 31, 2017 letter to the Ways and Means



Committee, that the current state of the law regarding CBA's requires that "[w]hen the language of the contract is clear and unambiguous, interpretation is limited to the actual words used, and an unambiguous contract must be enforced according to its terms." I concur with this legal principle, which tells us how we are to read the language in the CBA concerning retiree healthcare. It requires that if the language expresses an understanding clearly and unambiguously, then that expression is to control and my inquiry is to proceed no further. Although I do not have personal knowledge of the contract negotiation that took place in reaching the 2003-2007 CBA, under this legal contract principle, if the CBA language is clear, such unwritten background is legally inappropriate for me to investigate or consider.

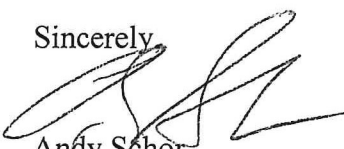
The statement of what the retiree healthcare benefits are to be under the 2003-2007 CBA appears to be stated clearly and unambiguously on its face, that is, the language is clear to me that retirees' healthcare benefits are to be the same ones that active Teamsters 580 employees receive and, as such, will change for the retirees if and when they change for the active employees.

In addition to my determination that the healthcare benefits in the CBA for retirees is clear, I am advised by my Chief Labor Negotiator, that healthcare promises in CBA's have very recently been the subject of significant decisions at the federal court level. The recent court decisions involving the 6<sup>th</sup> federal circuit court of appeals, of which Michigan is a part, and includes one United States Supreme Court case, decided February 20, 2018. The two 6<sup>th</sup> Circuit US Court of Appeals cases were decided September 1, 2017 and March 8, 2018. Mr. Tate advises me that the common thread in these cases is that promised benefits in CBA's all terminate at the end of the CBA's general duration clause unless there is clear specific language that unequivocally states the benefit was vested or will last longer than the term of the CBA. This was also the conclusion found by all parties, including labor, by the state Responsible Retirement Reform for Local Government Task Force which I served on and issued recommendations last year. Mr. Tate indicated to me that such a clear statement that Ms. Estee's claimed benefit levels are fixed in the CBA and will survive the duration of the CBA is nonexistent. Because such vesting language is lacking, the duration clause of the Teamsters 580 2003-2007 CBA controls. By analogy, the duration clause would also extinguish any claims Ms. Estee makes to extend certain benefit levels beyond the term of the CBA. Mr. Tate also advises me that the unambiguous text of the CBA's prohibit any contract interpretation that relies on outside extrinsic evidence on which Ms. Estee relies to support her arguments.

While I understand the claims of Ms. Estee and other similar Teamsters 580 retirees, and know they are not made in bad faith, I am bound by the law presented to me and the clear statements of the City's obligation contained in the CBA's. Therefore, I consider the proper and responsible course of action for my administration is to follow the opinions of the Finance Director, City Attorney and Chief Labor Negotiator on these issues. I therefore, will not recommend a change in practice regarding Teamster 580 healthcare administration.

I wish to thank the committee for the opportunity to review this important matter.

Sincerely,



Andy Schor  
Mayor