




Andy Schor, Mayor

City of Lansing Finance Department

TO: Andy Schor, Mayor

FROM: Angela Bennett, Finance Director 

DATE: February 2, 2018

SUBJECT: Teamster 580/243 Retiree Healthcare Questions

For some time now, questions have been raised in the Ways and Means committee meetings regarding administration of retiree healthcare for employees that retired under Teamster 580 (now Teamster 243) collective bargaining agreements (CBAs), most prominently by Ms. Denise Estee. Ms. Estee filed claims with the City Attorney's Office, the claims were subsequently denied, and City Attorney Jim Smiertka provided an explanation of the claims denials to the Ways & Means Committee in a memo dated July 31, 2017. As we have discussed, the Ways and Means Committee is seeking a review and explanation of the events and Ms. Estee's ultimate claim denial. Per your request, this memo serves to provide background on this issue.

Article 8, Section 7H of the 2003-2007 Teamster 580 collective bargaining agreement (CBA) included the following relevant language regarding retiree healthcare (relevant language underlined for reference only):

Eligible retirees and eligible members of the City's Defined Contribution Money Purchase Plan (DCMPP) shall be covered by the same insurance as active bargaining unit members; However, Blue Cross/Blue Shield Traditional healthcare insurance will remain available as an option to eligible retirees and eligible members of the DCMPP. Any additional costs for Traditional coverage in excess of the base plan will be paid by the retiree.

Ms. Estee retired in 2005, while 2003-2007 CBA was in place.

In 2010, when subsequent healthcare changes were ratified in the subsequent collective bargaining process, it was discovered that the above-referenced provision for retiree healthcare coverage to follow active employee coverage had, by oversight, not been implemented by the City. In light of that information, retirees who had retired after February 20, 2004 were notified that their healthcare would be changed to that of active employees, and the healthcare changes were subsequently made in May, 2010.

As explained in an August 19, 2010 letter to Ms. Estee (attached), it appears the February 20, 2004 date was chosen because February 20, 2004 “began [the City’s] new [healthcare] plan year at that time and this was the first February 20th that occurred after ratification of the 2003-2007 agreement.”

In addition to some healthcare plan changes, the Teamster 580 agreement ratified in 2010 also included language that capped retiree premium sharing to the lesser of one percent (1%) of a retiree’s annual pension benefit or \$200/\$500/\$650 annually and was later changed to the lesser of 1% or \$125/\$225/\$325 in the 2013-2016 agreement and which remains in the 2016-2019 agreement. In Ways & Means meetings, Ms. Estee and others have asserted that all healthcare payments by retirees should be limited by the one-percent (1%) cap. It is important to note, however, that the CBA language is specific in the application of the one percent (1%) cap:

“...a person who is receiving retirement healthcare, shall pay the same premium share as the active employees by deduction from his or her pension payment, except that the payment shall be capped at one percent [or the lesser of...]”

The 1% cap language does not apply to a retiree’s voluntary election of a higher-benefit/more expensive plan, as indicated by the above-stated sentence from the 2003-2007 CBA and continued through the 2016-2019 CBA:

“Any additional costs for Traditional coverage in excess of the base plan will be paid by the retiree.”

The concept is further supported by language in the active employee healthcare section:

Employees may elect to “buy-up” to their choice of certain optional City group insurance plans by selecting and enrolling in the chosen optional plan and paying at the employee’s own expense the difference between the optional plan premium cost and the corresponding Option 1 Plan (BCBSM or PHP) City premium cost.

Complicating the issue, from 2010 to 2015, the amounts being used to determine premium sharing and/or buy-up amounts to higher-benefit plans were based on retiree healthcare plan rates. In the course of legal review, then-City Attorney/Interim Human Resources Director Janene McIntyre issued an opinion dated March 18, 2015 that due to the provision that retirees “shall be covered by the same insurance as active bargaining unit members,” retiree premium sharing and buy-up amounts should be the same amounts as those charged to active employee (i.e. based on active employee healthcare rates, rather than retiree healthcare rates). Accordingly, those rates were changed in April, 2015, and reimbursements for the difference of costs up to that point were issued to Ms. Estee and other affected Teamster 243 retirees in September, 2015. That refund was for the rate differential only, and had nothing to do with the “one percent cap” provision.

As noted above and explained by City Attorney Smiertka’s July 31, 2017 memo, Ms. Estee’s claims have been reviewed by the City Attorney’s Office and have all been denied. I hope this memo serves to answer questions about the various provisions and timeline of events as they relate to this matter.