



## CITY OF LANSING

### INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Fax (517) 483-7630

## REPORT

<b>DATE:</b>	September 11, 2014
<b>TO:</b>	Denise Estee
<b>FROM:</b>	Jim DeLine, Internal Auditor <i>Jim</i>
<b>RE:</b>	Charges to Teamster 580 Retirees for Healthcare Coverage
<b>CC:</b>	Council President A'Lynne Boles City Council Mayor Virg Bernero City Clerk Chris Swope City Attorney Janene McIntyre

### I. Background / Research

Denise, on June 19, 2014 I was visited by you and four other City retirees who had retired at various times but were all former members of the Teamsters 580 CTP or Supervisory bargaining units. They expressed frustration with, what appeared to them to be, an inconsistent application of bargaining unit agreements related to having retirees contribute to their healthcare coverage.

As you recall, your group had documents and anecdotal information gathered from the Employees Retirement System board, the Office of the City Attorney, Labor Relations / Human Resources, the Finance Department, and Teamster representatives. This report is based on actual documents, many of which are attached. Documents cited but not attached are available upon request. As you will recall, the group asked that you be the contact for all correspondence related to the matter as I worked on the project, thus this report is being sent to you for distribution as you see fit.

This report was prompted by that visit. As you can see, copies are also being supplied to the City Council President, the City Council and the Mayor, as well as being placed on file with the City Clerk and a copy to the City Attorney. It is not considered an audit but simply a review of the research conducted.

#### **Teamster 580 Collective Bargaining Agreements (CBAs):**

February 1, 2000 – January 31, 2003

Retirement Health Care Coverage "Complimentary Health Care Coverage. The City will provide 100% paid complimentary health care coverage as the base plan ..."

“Benefits and coverages under complimentary health care coverage shall not be reduced from that provided in the base plan in effect.”

February 1, 2003 – January 31, 2007

“Retirement Health Insurance for Defined Contribution Members Hired After October 29, 1990” “Effective October 1, 2000, the City agrees to provide and pay one hundred percent (100%) of the premium (including dental insurance) for single, double, or full family coverage (up to the appropriate premium under the base plan) ...”

February 1, 2007 – January 31, 2011\*

Tentative Agreement signed January 7, 2010

New CBA expiration date of January 31, 2012

Retirees contribute healthcare. It is capped at 1% of annual pension benefit. Paid monthly. Capped at \$200 / \$500 / \$650 annually.

CBA Modification\*

Ratified by Teamsters June 23, 2011

New CBA expiration date of January 31, 2013

No language pertaining to retirees

February 1, 2013 – January 31, 2016\*

Tentative Agreement signed May 12, 2014

Current employees’ retiree health insurance: same as / changes with active employees’

New hire retiree health insurance: defined contribution health care account funded by the City at the rate of 4% of the employee’s wages per year with portability after a three year vesting period.

For employees already retired: Language clean-up only. “Bargaining agreement language as pertains to current employees remains in the body of the bargaining agreement. Historical language pertaining to retired employees will be placed in an appendix to the bargaining agreement.”

\*Based on signed Tentative Agreements. Actual CBA not published.

### **City of Lansing Code of Ordinances. Chapter 292 – Employees’ Retirement System**

A local ordinance exists related to employee healthcare (292.37C), note however it is superseded by collective bargaining agreements and contains the caveat, “The retirement health care benefits provided may be changed from time to time to be consistent with health care plans available to active City employees in the bargaining unit or employee group classification that the member was in at the time of his or her retirement.”

**Correspondence authored by City of Lansing personnel**

March 29, 2010

In a memo to Teamster 580 retirees, Mark Colby (no title given) states, "As a Teamsters 580 retiree retiring February 2004 or after your health benefits are the same as active teamsters 580 members and are changing as a result as (sic) recently negotiated contract." Changes included initiation of premium sharing beginning March 31, 2010 with the cost not to exceed 1% of the retiree's monthly pension benefit. See attachment A.

August 19, 2010

In a letter to Teamster 580 retiree Denise Estee, Susan Graham, Labor Relations Manager, stated, "... we selected February 20, 2004 as the date to implement all of these changes to retiree benefits because it was logical ..." See attachment B.

### **Information from Teamsters 580**

A questionnaire from the office of the Internal Auditor dated July 22, 2014 (see attachment C), was completed by the Teamster office and returned. See Attachment D.

According to Lynne Meade, President and Business Representative for Teamsters Local 580 who completed the questionnaire, the City gives retiree healthcare to those members of the union retiring prior to February 20, 2004 for no cost but charges premium sharing to those who retired after that date. She states, this is done "for some reason not known to me."

In answer to the question as to whether, within the two groups mentioned above, there is any inconsistency in contribution scheme, she answered, "yes." Per Ms. Meade the effective agreement with the City is to cap the cost of premium sharing at 1% of the retiree's pension benefit with dollar caps equal to \$125 / single coverage, \$225 / double coverage and \$325 / family coverage. She was unable to document the perceived inconsistency.

### **Information from City of Lansing Human Resources / Labor Relations.**

The same July 25, 2014 questionnaire mentioned above was placed in the City of Lansing mail receptacle for completion by the City's Human Resources Department. The envelope had a US Postal Return Receipt Requested card attached, which was not returned. On July 30, 2014 I was doing volunteer work for the Lansing Jazz Festival and HR Director Terri Taylor was present and acknowledged receipt of the request. The questionnaire had a requested return date of August 8, 2014. Neither the questionnaire nor any correspondence was received from City of Lansing Human Resources.

On August 14, 2014 a follow-up email was sent reminding the questionnaire recipients of the need for their responses in order to complete this report. See Attachment E. Again, neither the questionnaire nor any correspondence was received from City of Lansing Human Resources.

On August 28, 2014 a final reminder was sent to Director Terri Taylor requesting either the questionnaire be returned or, at her option, a statement be provided for this report.

See Attachment F. Again, neither the questionnaire nor any correspondence was received as a result of this correspondence.

## **II. Analysis**

A detailed analysis of rates charged to Teamster retirees to determine whether there is any inconsistency in application of charges is not possible due to the lack of cooperation from the City's Human Resources Department. Repeated requests from the office of the Internal Auditor were ignored. Failure to provide the financial and other information requested by the Internal Auditor is in violation of the City Charter.

Even if the Human Resources Department had answered our request to provide documentation on contribution consistency, the amount allowed to be charged is also not clear. The union's statement of permissible caps of \$125 / \$225 / \$325 are inconsistent with the signed January 7, 2010 agreement. It could also be argued that any collective bargaining agreement replaces and supersedes previous ones, which would permit premium sharing be charged to all Teamster retirees with no one receiving it for free.

## **III. Recommendation**

It is clear that between retirees, the union and the City, there is no agreed-upon interpretation as to the contractual obligation of individual retirees to contribute to healthcare premium sharing. It recommended that a legal interpretation be requested funded jointly by the City and the union. An audit of current rates charged to Teamster retirees should also be conducted simultaneously so that consistency can be determined and rates can be modified, if necessary to meet the legal opinion once accepted. It is recommended that all Teamster retirees be included in the audit as accusations of inconsistent charges even after retirees are folded into the Federal Medicare program have been made.



**FINANCE DEPARTMENT**  
124 W. Michigan Avenue, 8<sup>th</sup> floor  
Lansing, Michigan 48933-1603  
(517) 483-4508  
<http://www.lansingmi.gov/finance>

Virg Bernero, Mayor

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**TO: ALL RETIRED MEMBERS OF TEAMSTERS LOCAL 580**  
**Supervisory and CTP retired February 2004 or after.**

**FROM: Mark Colby**

**DATE: March 29, 2010**

**RE: BENEFIT CHANGES**

The purpose of this memo is to inform you of changes in insurance benefits.

As a Teamsters 580 retiree retiring February of 2004 or after your health benefits are the same as active teamsters 580 members and are changing as a result as recently negotiated contract.

The following items have changed as a result of the Teamsters 580 February 1, 2007 thru January 31, 2012 contract:

**MEDICAL INSURANCE CHANGES:**

***Effective May 1, 2010***

Blue Care Network will no longer be an option to retirees or active employee

Plan changes in both Blue Cross Community Blue PPO and Physician's Health Plan include:

\$20 Office/Urgent Care Visit co-pay

\$50 Emergency room co-pay

Mail order prescription co-pay of 90 days for 2 co-pays

Retail of 90 days for 2 co-pays

Mandatory Generic prescription fill that means that unless prior approval is received from the carrier by your physician, the member must accept the generic brand or pay the brand name co-pay PLUS the difference in cost between the generic and brand name drug cost.

Prescription co-pays will change to:

BCBS PPO	\$10 generic, \$20 name brand, \$40 non-formulary drugs
PHP	\$15 generic, \$25 name brand, \$50 non-formulary drugs

To access formulary lists visit the web sites [www.bcbsm.com](http://www.bcbsm.com) or [www.phpmm.com](http://www.phpmm.com).

City Teamsters 580 retirees that are married to City retirees are entitled to one contract only and are not entitled to opt out payments.

Teamster 580 Retirees will participate in a premium share beginning 03/31/2010. The monthly maximum amounts are as follows:

BCBS PPO	Single	\$16.66	Double	\$41.66	Family	\$54.16
PHP	Single	\$16.66	Double	\$41.66	Family	\$54.16

The contract does put a cap on the amount of premium share a retiree will pay. The retiree pays the lower of the above amount, for the coverage selected, or 1% of their monthly pension benefit.

If 1% of your monthly pension benefit is less than these amounts, for the coverage you have selected, then we have deducted this lower amount.

If you have questions please feel free to call Esther Croff at (517) 483-4518 or Mark Colby at (517) 483-4517.

Please be advised that this is merely a summary of your changes related to insurances. This summary does not alter or change the provisions of the Teamsters - Local 580 Bargaining Agreement or City policies.



CITY OF LANSING  
**DEPARTMENT OF HUMAN RESOURCES**

124 W. Michigan Ave  
4th Floor, City Hall  
Lansing, Michigan 48933

Benefits/Classifications  
Labor Relations/Recruitment  
Safety/Selection/Training  
Worker's Compensation

(517) 483-4004 (Voice/TDD)  
(517) 483-4490 (Jobs Hotline)  
(517) 483-6064 (General Fax)  
www.lansingmi.gov (Website)

Virg Bernero, Mayor

August 19, 2010

Denise Estee  
2923 Greenbriar Avenue  
Lansing, MI 48912

Re: Teamster Local 580 Clerical, Technical, Professional Unit (Retiree Healthcare Benefits)

Dear Ms. Estee,

This letter is in response to your correspondence dated April 14, 2010 regarding your Teamster Local 580 Clerical, Technical, Professional Unit retiree healthcare benefits. I apologize for the delay in responding to your inquiry and trust that this letter is responsive to your inquiry after researching the issue. In your correspondence, you inquire why February 20, 2004 was selected as the date to make effective the provision that retirees follow active employees with healthcare benefit changes.

We selected retirees on or after February 20, 2004 as the date to go back to because the 20th of the month of February began our new plan year at that time and this was the first February 20th that occurred after ratification of the 2003 - 2007 agreement. This same agreement provided that no changes would be made to current retirees until February 20, 2006. However, the changes were not made due to an oversight.

Subsequently, negotiations for the 2007 - 2012 agreement resulted in changed in healthcare benefits and the changes that had inadvertently not been made previously were made at that time. So, we made them during the implementation of the changes resulting from negotiation of the most recent contract ratified in January 2010. The changes were effective May 1, 2010 because that was the soonest BCBSM could make the changes effective. Simply put, we selected February 20, 2004 as the date to implement all of these changes to retiree benefits because it was logical to select that date since other changes were required as well.

Thank you for your inquiry. If you have further questions or require additional information, please do not hesitate to contact me directly at (517) 483-4016.

Sincerely,

Susan C. Graham  
Labor Relations Manager

Cc: Jerry Ambrose  
Terri Singleton  
Mark Colby  
Lisa Thelen

"Equal Opportunity Employer"

Attachment B - Page 1 of 1



## CITY OF LANSING

### INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Fax (517) 483-7630

## TEAMSTERS RETIREE HEALTHCARE QUESTIONNAIRE

Questionnaire Regarding Charges to Teamster 580 Retirees for Healthcare Coverage

July 22, 2014

The office of the Internal Auditor is attempting to establish whether the City is being consistent in its healthcare options offered to, and the contribution levels required of, retirees who retired as members of the Teamsters 580 CTP or Supervisory bargaining units in groups as defined by their dates of retirement from the City.

I have reviewed past Collective Bargaining Unit Agreements (CBAs) and now need information from those who negotiated and are responsible for implementing them. Please complete this questionnaire and return to me by August 8, 2014. Upon request, this questionnaire will be provided to you as a Microsoft Word document. If you have any questions, please do not hesitate to contact me. Thank you.

Jim DeLine  
Internal Auditor

Person completing questionnaire

Date completed

1. Do Teamster retirees consist of groups defined by retirement date which have differing healthcare options and contribution requirements?
2. How many groups are there?
3. What are the parameters that separate each group?
4. City Human Resources Only: Please provide plan options and contribution requirements for each group of Teamster retirees.



5. Is grouping a set of retirees based on retirement date appropriate or should all Teamster retirees have the same options at the same contribution rate regardless of retirement date?
6. On what do you base your answer to question 5?
7. Within a group do you believe there is any inconsistency in contribution scheme?
8. Please substantiate / document your answer to question 7.

Thank you for your assistance.

**TEAMSTERS & CHAUFFEURS  
LANSING, MICHIGAN  
LOCAL UNION NO. 580**

Affiliated with the International Brotherhood of Teamsters



**MIKE PARKER**

Secretary-Treasurer  
Principal Officer

**Lynne Meade**

President

August 6, 2014

City of Lansing Internal Auditor

124 West Michigan Avenue

10<sup>th</sup> Floor, City Hall

Lansing, Michigan 48933-1605

R.E., Questionnaire Regarding Charges to Teamster 580 Retirees for Healthcare Coverage.

Person completing questionnaire: Lynne Meade

Date completed: August 6, 2014.

1. Do Teamster retirees consist of groups defined by retirement date which have differing healthcare options and contribution requirements? Answer: Yes. For some reason not known to me, we have retirees that have been separated by the City. There are those retirees who retired before February 20, 2004 who pay nothing towards their healthcare. There are those retirees who retired after February 20, 2004 who are charged for their healthcare.
2. How many groups are there? Answer: Two (2) groups that are further broken down into eight (8) separate groups by the City according to the healthcare coverage that they are able to choose.
3. What are the parameters that separate each group? Answer: Date of retirement.
4. N/A
5. Is grouping a set of retirees based on retirement date appropriate or should all Teamster retirees have the same options at the same contribution rate regardless of retirement date? Answer: For a time, Teamster retirees upon retirement were given a certain healthcare "package" at no cost. If this was the case when those individuals retired, then the City should

honor this agreement with the retiree. Both collective bargaining agreements have language regarding retirement health care coverage for those who are eligible upon retirement.

6. On what do you base your answer to question 5? Answer: Teamster collective bargaining agreements as well as memorandums of understanding between the City of Lansing and Teamsters Local 580.
7. Within a group do you believe there is any inconsistency in contribution scheme? Yes.
8. Please substantiate / document your answer to question 7. Representation here at Teamsters Local 580 has never really understood the February 20, 2004 date of when the complimentary health care coverage was no longer offered for any coverage other than the designated "base" plan. When the agreement was made with the City to "cap" the cost of the health care at 1% of the retirees pension benefit, with the annual dollar amount cap at, \$125 for single coverage, \$225 for double coverage and \$325 for family coverage, this language is still in the agreements today. No changes to this language or any retirement health care language has been made. New language regarding employees hired after the ratification of the 2013 – 2016 bargaining agreements was made for retiree healthcare only.

Lynne Meade

President, Business Representative

Teamsters Local 580, Lansing, Mi

## DeLine, Jim

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**From:** DeLine, Jim  
**Sent:** Thursday, August 14, 2014 3:10 PM  
**To:** Taylor, Terri; Lynne Meade  
**Subject:** Need questionnaires back

Lynne and Terri:

A couple weeks ago I sent you questionnaires related to retiree healthcare charges with a request that they be returned to me Friday, August 8. I would like to wrap up this report in the next week or so. Can we set a time for me to stop by and pick up the questionnaire from you? Once I go over each of them, I anticipate that I will have some follow-up questions.

Thank you for your cooperation.



### **Jim DeLine**

[Jim.DeLine@lansingmi.gov](mailto:Jim.DeLine@lansingmi.gov)

Internal Auditor

Voice: (517) 483-4159

Fax: (517) 483-7630

## DeLine, Jim

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**From:** DeLine, Jim  
**Sent:** Thursday, August 28, 2014 2:37 PM  
**To:** Taylor, Terri  
**Subject:** Retirement Questionnaire

Terri: I hope your recruitment drive is going well.

On July 25, 2014 I sent you a questionnaire regarding the premium share amounts being charged to Teamster retirees. I requested it be returned by August 8, 2014. On August 14, 2014 I sent a reminder noting that I would be writing my report soon. Next week I will be writing my report. If you will not be responding to my request for financial and other records which were requested in the questionnaire, you are invited to provide a statement for inclusion in my report.



### **Jim DeLine**

[Jim.DeLine@lansingmi.gov](mailto:Jim.DeLine@lansingmi.gov)

Internal Auditor

Voice: (517) 483-4159

Fax: (517) 483-7630