



CITY OF LANSING
DEPARTMENT OF HUMAN RESOURCES

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Virg Bernero, Mayor
Janene McIntyre, Director

September 14, 2015

Dear Teamster 243/580 Retiree:

As you know, in April, May and June of this year your pension check was adjusted because of a recalculation of your retirement health care contribution. Some of the affected retirees have asked to see the review/opinion conducted by this office that precipitated the adjustment.

Enclosed for your information is my memorandum to the Mayor that lead to his directing the corrective action. Portions of the memo that related to possible employer discussion with the Teamster243/580 Union regarding this subject have been redacted to comply with Michigan law.

Also, for reason that the exhibits to this memo are quite lengthy, the exhibits have been removed from this transmittal. However, if you would like to receive a copy of the exhibits, please advise and we will be glad to send them to you.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Janene McIntyre".

Janene McIntyre
City Attorney/Interim Human Resources Director

BACKGROUND

A. 1969-2000

In 1969, the City of Lansing began providing retirees and their spouse's retirement health care benefits (Exhibit A). Initially the health care insurance was described as Blue Cross medical hospital insurance and there was no employee cost for participation. For the Teamsters 580 Union (T-580) retirees, this citywide practice was memorialized in their CBA's. The general T-580 CBA statement of the health care benefit may be found in the 1997-2000 CBA. It states only the following:

RETIREE HEALTH CARE COVERAGE

Eligible retirees shall be covered by the same insurance as active bargaining unit members.

B. 2000-2007

Commencing in 2000, a number of new concepts for the health care benefit were introduced for T-580 members. These concepts are reflected in the 2003-2007 CBA that references the 2000-2003 changes. (See Exhibit B, Article 7, Section 3, Hospital, Surgical Insurance). For active employees, these concepts included:

1. "Base Plan" insurance coverage with the City paying 100% of the premium;
2. Optional insurance coverage that included a choice of either of two health maintenance organizations (Blue Care Network and PHP); and
3. Differential costs requiring the employee to pay the difference in cost between the base plan premium and the premium of the two alternative health maintenance plan.

Also reflected in Exhibit B is that the "base plan" in 2000 changed the insurance paid for by the City from the BCBS Traditional to BCBS Community Blue PPO 1.

In this CBA, the health care language for retirees remained substantially unchanged from the 1997-2000 CBA language. See Exhibit B, Article 7, Section 3, Subsection H. Under this provision, retirees were still to be "covered by the same insurance as active bargaining members" but could elect to continue to be covered by BCBS Traditional if the retiree paid the cost difference between the Traditional coverage and the Base Plan. Regarding the cost to retirees, the CBA also provided that there would be no charge for retirees to receive the Base Plan coverage. Specifically, it stated:

Effective October 1, 2000 the City agrees to provide and pay one hundred percent (100%) of the premium . . . coverage (up to the appropriate premium under the Base Plan) . . . Employees who terminate employment with the

Employer prior to October 1, 2000 shall not be eligible for modifications to retiree health care language that takes effect October 1, 2000.

C. 2007-2012

The next big change to health care came about as part of the 2007-2012 CBA. However, because agreement for this CBA time period was not reached until 2010, the change did not take effect until after the Tentative Agreement (TA) for the CBA was ratified on February 8, 2010 (Exhibit C, 2010 TA). The change has been characterized in the summary of the TA, prepared by the City, as cost sharing of insurance premium by both active employees and retirees. It is noteworthy that under this TA, for the first time, retirees are treated differently than active employees in that the retirees' costs are capped at 1% of an individual's pension. This TA cost sharing provision, however, was never reduced to an agreeable CBA text due in part to a dispute over the intended meaning of the "me too clause," in the TA. This meaning was ultimately resolved by mediation between the City and the Union (Exhibit D, November 2011 Opinion and Award of Arbitration). In the mediation, the dollar amount of the premium share for active employees was reduced to the same premium share dollar amount for UAW Union employees. Recently, it has been discovered by the OCA that the dollar cost contribution in this TA was never charged to the retiree.

D. 2011-2013

Prior to the end of the 2007-2012 CBA term, the City and Union modified the parties' agreement. (Exhibit E). By the modification, the contract term was extended until January 31, 2013 but health care was also changed effective September 1, 2011. This date becomes significant in the review of the City's insurance contribution practice discussed below in the Implementation section of this report. In the modification agreement, the health care changed to PHP from BCBS? as the base plan insurance and changed the premium sharing arrangement. The premium share was converted from a fixed dollar amount to a percentage; 10% of the premium costs. Like the 2010 TA, the 2011 modification agreement was never reduced to agree upon CBA text, so any dispute in its meaning has remained unresolved.

The City's understanding of the 2011 modification agreement on retiree health care cost contribution is reflected in the Department of Human Resources June 30, 2011 letter to T-580 retirees. (Exhibit F). In summary, the City began to charge retirees 10% of the retiree group PHP insurance premium and in addition, for retirees who continued with the "new" optional BCBS Community Blue PPO (the former base plan), the City charged the difference in premium between PHP and BCBS CBPP. The City capped the 10% premium share, as provided in the 2010 TA, at 1% of an individual retiree's pension.

E. 2013-2016

This brings us to the current 2013-2016 draft CBA. In this contract, the retiree health care cost is provided as a new 3 tier set of options. These are the same options provided active employees. In meetings to settle upon acceptable text to be incorporated in the CBA, the Union has taken the position that the cap on retiree health care cost contained in the 2010 TA has never been eliminated. The Union, however, claims that the dollar amount of the cap was reduced by the mediation to the UAW limits. After internal discussion and review, the City's original draft 2013-2016 CBA transmitted to the Union contained the retiree premium share languages with the higher 2010 TA cap. The proposed draft text says:

In the event the active employees becomes responsible for a share of the insurance premium (premium share) under Article 8, Section 3, Plan A or B because of the stated mandated hard cap, a person who is receiving retirement health care, which is the same insurance as the active bargaining until members, shall pay the same premium share as the active employees by a deduction from his or her pension payment, except that the payment shall be capped at one percent (1%) of the pension payment or \$200/500/650 annually, whichever shall be less.

It is the understanding of the OCA that except for the dollar limit, which the Union wants to be 125/225/325, this text is acceptable to the Union as a current statement of the meaning of the parties' agreement.

IMPLEMENTATION

A. Issue

During the meetings between the OCA and the T-580 Union held to reach consensus on the text of the draft 2013-2016 CBA, the Union expressed disagreement with how it understands the City calculates the charges for retirees for health care contributions – the Union maintains that retirees are charged more than actives for the same insurance coverage in violation of the CBA.

To fully evaluate the Union's contention with respect to this issue, this office asked the HR Department to explain how the retiree health care contributions are calculated and charged.

B. City Retiree Cost Sharing Practice

As reflected in the attached March 10, 2015 memo from Lisa Thelen, Employee Payroll/Benefits Administrator (Exhibit G), it is clear the City does indeed calculate premium share for active employees and retirees based on different group health insurance rates for the same coverage for each group. Stated differently, the cost to retirees is higher for the same insurance coverage as actives because the retirees' group policy rates are higher than the actives for the same coverage.

It is also clear that the City has been charging retirees in this way since it began charging them part of the insurance premium cost in September of 2011 (See Exhibit G).

As part of the OCAs review of past City practices, it was discovered that the retiree health care contributions contained in the 2010 TA was never implemented. Instead, the City began charging retirees a premium share cost of 10%, with the cap, in September 1, 2011, being the effective date of the June 27, 2011 modification agreement. (Exhibit E).

C. Analysis

Whether the City's current retiree costs sharing practice is in compliance with the CBA is really a function of the meaning of long standing CBA provision, "eligible retirees shall be covered by the same insurance as active bargaining unit members."

The common understanding of the meaning of the "same insurance as active bargaining unit members" is accept, then the City should not be charging retirees premium share at a dollar amount that is more than it is charging active T-580 employees. This analysis leads to the recommendations below.

D. Recommendations

This office recommends that aforesated interpretation be considered the meaning of the phrase "same insurance as active bargaining unit members." Further, based on this interpretation, the OCA recommends:

1. that retirees' premium insurance contributions be the same dollar amount as active members, even if the group plan rates for retirees for the same coverage is more for retirees than active members;
 2. that the differential cost for active employees to buy up to an optional insurance plan also be used for retirees, despite the fact that such buy up cost is less than the amount if calculated using the retiree group insurance rates for the same level of coverage;
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Let us know if you have any questions or need any additional information.