Blitman & King LLP

www.bklawyers.com

Client Alert
Summer 2016

ARBITRATOR RULES THAT CITY'S UNILATERAL INCREASE IN RETIREE HEALTH INSURANCE PREMIUMS VIOLATED COLLECTIVE BARGAINING AGREEMENT

In a high-stakes arbitration, Arbitrator Thomas Maroney recently ruled that the City of Syracuse violated its collective bargaining agreement with the Syracuse Firefighters, Local 280, IAFF, AFL-CIO, when it unilaterally increased the health insurance premium contributions that hundreds of retired firefighters were required to make to maintain coverage. Local 280, represented by Blitman & King LLP attorneys Nat Lambright and Nolan Lafler, successfully argued that the City's unilateral action was arbitrable and inconsistent with both the parties' bargaining history and the Collective Bargaining Agreement, and that the premium increases were therefore improper. All told, the City was ordered to restore the lower, negotiated rates and reimburse a class of affected retirees tens of thousands of dollars in overpaid contributions. Additionally, the Arbitrator made clear that the City is strictly prohibited from raising retiree health insurance premium contributions in the future absent agreement with Local 280. Hence, no retiree under the current collective bargaining agreement should pay any more for health insurance.

A. Interest Arbitration Panel Rejects City's Proposal To Increase Retiree Premiums

The origins of this dispute can be traced back to 2000 when the City and Local 280 began negotiating over retiree health insurance rates. In 2013, the parties met to negotiate a successor to the 2011-2012 collective bargaining agreement which, among other things, set forth the rates payable by both active firefighters and retired firefighters for health insurance coverage. Unable to reach agreement on a successor contract, the Union and the City convened for interest arbitration where the City argued that the health insurance premiums payable by both active and retired firefighters should be increased. The Panel awarded the City some relief with respect to the premium amounts paid by active firefighters, increasing the monthly contribution by those employees from $45.00 for single coverage and $75.00 for family coverage to $65.00 and $130.00 respectively. The panel, however, rejected the City's proposal to increase the rates paid by retirees beyond what they were currently paying.

B. City Unilaterally Increase Premiums For All Post-2007 Retirees

Despite the panel's rejection of its retiree health insurance demand, the City nevertheless in July 2015 unilaterally increased the monthly premium contributions paid by all post-2007 retirees from $45.00 for single coverage and $75.00 for family coverage to $65.00 and $130.00 respectively. Applying what it designated the "floating with actives" theory, the City claimed that it had authority to unilaterally raise premiums for retirees because, it claimed, the premiums for retired employees had historically mirrored the premium paid by active employees, despite that its demand for increased retiree contributions had been rejected by panel during interest arbitration. Local 280 immediately grieved the City's action, and filed an improper practice charge with the Public Employment Relations Board.

C. Arbitrator Maroney's Ruling

The case was heard before Arbitrator Thomas Maroney over the course of three days in the spring of 2016. Before reaching the substance of the dispute, Arbitrator Maroney ruled, consistent with Local 280's position, that the dispute was subject to the grievance arbitration procedure set forth in the labor agreement. Local 280 successfully argued that the Union had standing to represent the retirees in arbitration and that the arbitration clause in the parties' agreement was so broad as to encompass grievances filed by retirees who retired under prior contracts.

From there, Arbitrator Maroney rejected the City's substantive argument that there was a past practice between the parties whereby retired and active firefighters paid the same premium rates for coverage and that the City therefore had a right to unilaterally increase the retiree rates. The City's past practice evidence contrasted markedly from comprehensive testimony provided by Union witnesses, including that of Blitman & King attorney Chuck Blitman, whom the Arbitrator credited as being authoritative on the subject of the parties' bargaining history. The Union's witnesses testified that the parties had negotiated over retirement benefits for retirees since the early 2000s and that the rate hikes previously instituted were agreed upon by the Union. The witnesses also highlighted several periods of time where, in fact, active and retired firefighters did not pay the same premiums.

In sum, the Arbitrator concluded that the City violated the collective bargaining agreement when it unilaterally increased the rates payable by post-2007 retirees because the parties had a long history of negotiating over the matter and no enforceable past practice existed which would permit the City to increase rates without the Union. To remedy the violation, the City was ordered to reimburse all affected retirees for any premium contributions paid in excess of the negotiated rates. Moreover, the City was required to restore the negotiated rates and refrain from increasing those rates in the future without the Union's

agreement. This would include the current collective bargaining agreement where the parties agreed that any increases would be dictated by the Arbitrator's award.

The Arbitrator's award marks an important victory for organized labor as local governments across New York strategize to reduce health insurance benefits for retirees. Additionally, the Local 280 case teaches that unions with a documented history of bargaining for retiree benefits and whose labor agreements that clearly cover retiree health insurance rates and that have broad grievance arbitration clauses may resort to arbitration in lieu of the courtroom in the event that an employer unilaterally adjusts retiree premium rates.

* * *

This client alert is not intended to provide legal advice with respect to any particular situation and no decision should be based solely on its content. Please feel free to contact Nathaniel G. Lambright at (315) 422-7111 or nglambright@bklawyers.com, or any Blitman & King attorney, with any questions or concerns regarding the issues raised in this client alert.