

**IN THE MATTER OF ARBITRATION BETWEEN**

**Caledonia Education Association  
(Chapter of the River Valley Education  
Association)**

**And**

**Opinion and Award  
BMS Case No. 11-PA-355**

**Caledonia Public School, Independent  
School District Number 299**

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**ARBITRATOR**

Joseph L. Daly

**APPEARANCES**

On behalf of **Caledonia Education Association  
(Chapter of the River Valley Education Association)**

Debra Corhouse, Esq.  
Education Minnesota  
41 Sherburn Avenue  
St. Paul, MN 55103

On behalf of **Caledonia Public School, ISD No. 299**

Jennifer K. Earley, Esq.  
Knutson, Flynn and Deans  
1155 Centre Point Drive Suite 10  
Mendota Heights, MN

**JURISDICTION**

In accordance with the Collective Bargaining Agreement between Caledonia Education Association Chapter of the River Valley Education Association and Caledonia Public School, ISD No. 299; and under the jurisdiction of the State of Minnesota Bureau of Mediation Services, the above grievance arbitration was submitted to Joseph L. Daly, Arbitrator, on briefs only, on September 20, 2011. The parties, through their respective attorney's, agreed that a hearing was not necessary and the case would be submitted on briefs only, including a reply brief from the Caledonia Education Association. The final Reply Brief was submitted on September 20, 2011.

Consequently the decision is based on the briefs and the exhibits provided by the attorneys representing the respective parties. The Award was issued on October 28, 2011.

### **ISSUES AT IMPASSE**

The issue raised by the Caledonia Education Association is whether the school district has met its obligation under the Collective Bargaining Agreement to the amount it committed to pay towards the employee's health insurance premiums by not returning any of the money it has received from the insurance carrier as of a "claims margin refund".

The Caledonia School District states the issues as:

- A. Does the Arbitrator lack jurisdiction to review a claim that does not constitute a "grievance" pursuant to the terms of the CBA?
  
- B. Does the Arbitrator lack subject matter jurisdiction to determine the grievance when the issue is related to the inherent managerial rights of the School District?
  
- C. Assuming the Arbitrator has jurisdiction over the Union's claim, did the School District violate the terms of the CBA when it did not distribute any portion of the claims margin return that it received to Union members?
  
- D. Has the union shown that its members are entitled to the amount of the "claims margin return" being requested? [See Brief of ISD 299 at 10]

### **Potentially Applicable Contract Provisions**

**Article VIII. Definitions: Sec. 1. A. :** A "grievance" is a claim based upon an event or condition which affects the terms and conditions of employment of a teacher or a group of teachers, and/or the interpretation, meaning, or application of any of the provisions of this Agreement.

**Article VIII. Sec.5. C.3:** Arbitration Hearing/Decision:...The arbitrator shall have power to decide only grievances involving terms and conditions of employment as defined herein and contained in this Agreement, and he/she shall have no power to alter, add to or subtract from any of the terms of the Agreement as written....

**Article XXI Insurance**

**Section 1. Insurance Coverage:** The District shall make available the following insurance programs for a twelve (12 month) period for each teacher and his/her eligible dependents for each school year the teacher is employed by the District.

A. *Health Care Coverage:* All teachers enrolled in one of the District’s plans as of July 1, 2000, and all new teachers employed at 75% time or more must be enrolled in the health insurance plan.

**Single Premium Contribution**

1. For the 2007-2008 school year, the maximum District contribution shall be \$7,758.00 per employee participating in single health insurance.
2. For the 2008-2009 school year, the maximum District contribution shall be \$8,600.00 per employee participating in single health insurance.

**Family Premium Contribution**

1. For the 2007-2008 school year, the maximum District contribution shall be \$8,758.00 per employee participating in the family health insurance.
2. For the 2008-2009 school year, the maximum District contribution shall be \$9,600.00 per employee participating in family health insurance.

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**Section 3. Insurance Period.** The District shall make payment of insurance premiums for each teacher to provide insurance coverage for the twelve (12) month period commencing September 1 and ending August 31.

**Section 4. Duration of Insurance contribution.**

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B. *Eligibility at Personal Expense:* A teacher on unpaid leave is eligible to continue to participate in group insurance programs if permitted under the insurance policy

provisions. The teacher shall pay the entire premium for such insurance commencing with the beginning of the leave, and shall pay to the District the monthly premium in advance. A teacher electing to remain in the group health insurance program at his/her own expense shall be responsible for the full deductible and/or co-pay costs for himself/herself and his/her eligible dependents as provided under the terms of the insurance policy. Failure to make timely premium payments will result in the loss of insurance coverage.

C. Eligibility Option for Covered Teachers and Dependents: Teachers who discontinue employment with the District or who change to part-time status shall be eligible to continue coverage in the group health care plan at their own expense for up to eighteen (18) months or until they become eligible for coverage by a new employer, whichever is sooner in accordance with the COBRA Laws.

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#### **Section 7. Group Premium for Retirement:**

A. Continuation of Coverage. A teacher who retires and is eligible to receive a disability benefit or an annuity from the DRA shall be eligible to remain in the District group health insurance plan at his/her own expense. In addition, teachers and their dependents who are eligible pursuant to M.S. 471.61, Subdivision 2B, shall be allowed to continue indefinitely on the District's health insurance plan at their own expense to the extent provided by M.S. 471.561, Subdivision 2B.

B. Continuation of Coverage After Age 65. A teacher who retires at age 65 or later, or who retires prior to age 65 and later reaches age 65, and who is eligible to receive an annuity under T.R.A. shall be eligible to continue to participate, at the teacher's expense, in the District group health insurance plan under the provisions of those of active employees and the coverage does not have to be identical to that offered active employees. A teacher electing to remain in the group health insurance program at his/her own expense shall be responsible for the full deductible and/or co-pay costs for himself/herself and his/her eligible dependents as provided under the terms of the insurance policy.

C. Premium Payments: To be eligible, the teacher must begin paying the entire premium for said insurance commencing immediately after eligibility for District contribution ceases as specified in Section 4A. The teacher shall pay to the School District the monthly premium in advance. Failure to make timely premium payments will result in the loss of insurance coverage.

D. *Not Retroactive.* This section shall not be applied retroactively from the date of District approval.

### **FINDINGS OF FACT**

1. The Caledonia Education Association (Chapter of the River Valley Education Association) and the Caledonia School District agreed in their Collective Bargaining Agreement that the District would contribute toward health insurance “[f]or the 2008-2009 school year, the maximum District contribution shall be” per member \$8,600 (single) and \$9,600 (family). Depending on the type of deductible and single/family coverage the employee or retiree chose, the employee or retired employee would contribute either nothing or up to \$750 per month.
2. In early 2010, the District received a “claims margin return” which represented one month premium on the premiums it submitted to the insurance carrier because fewer claims submitted. The “claims margin return” to the School District for the 2008-09 plan year was \$63, 174. The District did not distribute any of this “claims margin return” to any of the teachers who had to pay a portion of their insurance.
3. The School District is a member of the Southeast Service Cooperative (SSC) as authorized by Minnesota Statute §123A.21. The SSC is a public, non-profit cooperative. One of the primary purposes of the SSC is to assist school districts and other public entities in meeting their specific needs which could be better provided by a service cooperative than by individual members of the cooperative by maximizing resources and decreasing value through collaboration. See Minn.Stat.123A.21, subd. 2.

4. One of the services the School District receives by paying to join the cooperative is the administration of a self-insured health insurance benefit pool for school district employees.
5. There are benefits to a self-insured pool. The initial benefit is that the cooperative or pool can obtain lower insurance costs by negotiating lower administrative and “stop-loss” charges that are required as part of a self-insured plan as well as deeper discounts with health care providers.
6. The School District contends “in addition, if the claims made do not meet or exceed the money reserved for claims, the funds retained in excess of claims may stay in the pool for the benefit of the group.” Post-Hearing Brief of ISD 299 at 2-3.
7. On March 2, 2010, the District was notified that it would receive \$63,174.00 as a “claims margin return” from its insurer, the Southeast Cooperative. The cooperative explained that this money was being returned because the premiums submitted by the district, paid through a combination of employer and employee contributions, were in excess of the claims submitted by those covered for the two previous years. The Southeast Cooperative further explained that the “claims margin return” was based on premiums paid in 2008-2009 and was equivalent to 8.33% of the annual return, which equated to one month’s premium per individual.

The annual health insurance premiums for 2008-2009 in the Caledonia plan were as follows:

- a. \$1500.00 deductible single: The District paid the full \$7152.00
- b. \$1500.00 deductible family: The District paid \$9,600, employee paid \$9,000
- c. \$1000.00 deductible single: The District paid the full \$8070.00
- d. \$1000.00 deductible family: Two employees married District paid 19,200,  
the two employees paid \$1,776
- e. VEBA single: The District paid \$8,600, employees paid \$343.96

The contract language in Article XXI, Sec. 1.A provided: “2008-2009 school year, the maximum district contribution shall be \$8600.00 per employee participating in single health insurance.” And for the “2008-2009 school year, the maximum district contribution shall be \$9600.00 per employee participating in family health insurance.”

The contract language led the parties to develop a shared contribution formula as follows:

- a. \$1500.00 deductible single: the district paid the full \$7152.00.
- b. \$1500.00 deductible family: the district paid \$9600.00 and the employees paid the remaining \$9000.00 per month.
- c. \$1000.00 deductible single: the district paid the full \$8070.00
- d. \$1000.00 deductible family: the only two employees on this plan were married to each other so the district paid \$19200 (\$9600.00 for two) and the employees paid the total of \$1776.00.
- e. VEBA single: the district paid \$8600.00 and the employees paid \$343.96.

In addition, they were two retirees who retired under language from the 1999- 2001 Collective Bargaining Agreement that stated:

The district will contribute up to, but not exceed, \$3500.00 per year, to the cost of health insurance for each retiree, to the age of 65. The retiree may choose any policy available to the active teaching staff. If the cost of the policy chosen exceeds \$3500.00 the retiree will reimburse the district for the additional cost monthly. To help pay the cost of this reimbursement, the district will make available to the retiree an amount equal to \$20.00 per day for all accumulated sick leave days. The amount needed to reimburse the district for costs beyond \$3500.00 per year will be paid from this account until the entire amount will be paid. In the event that an amount is left in the account when the retiree reaches the age of 65, that amount will be retained by the district.

These two retirees were enrolled in the \$1500.00 single plan. The district paid \$3500.00 for each of them and the two retirees each paid \$3652.00. There were also two more recent retirees who paid the full cost of their premiums. One chose the \$1500.00 deductible plan and the second chose the \$1000.00 deductible single plan.

8. The District refused to return any of the “claims margin return” to any of the teachers who contributed towards their premiums. Consequently the union filed a grievance on behalf of each teacher who contributed towards their premiums asking that the proper proportionate payment to each teacher be made.

9. Essentially the union contends:

- a. By retaining the full amount of the reimbursement the district has failed to honor its contractual commitment to make specific contributions toward premiums;
- b. This identical issue was resolved in favor of the teachers *In the Matter of Arbitration Between Valley and Lakes Education Association and Independent School District Number 544, Fergus Falls, MN*, BMS Case No. 95-PA-1656 (Arbitrator Christine VerPloeg October 18, 1995);
- c. The District has violated Article XXI of this collective bargaining agreement by failing to contribute the required amount towards teacher's health insurance premiums. Any argument that the District makes that the check from the Southeast Service Cooperative was made out to the District is irrelevant;
- d. The District did not meet its contractual obligations for a specific annual contribution towards the health insurance;
- e. The *Valley and Lakes* decision by Arbitrator VerPloeg is directly on point and the rationale of the decision requires that this grievance be sustained in Caledonia as well;
- f. This case is arbitrable.

10. The essential contentions of the School District:

- a. The claims raised by the Association are outside the scope of the Arbitrator's jurisdiction.
- b. The issues raised by the union were not intended to be the subject of Arbitration in accordance with the Collective Bargaining Agreement. The Collective Bargaining Agreement does not address the union member's entitlement to a claims margin return of health insurance premiums, therefore does not constitute a grievance subject to arbitration. Further, the Collective Bargaining Agreement does not address circumstances

related to a “claims margin return”. Therefore the determination as to how the money received by the School District should be distributed is a matter related to the School District’s inherent managerial right to make budgetary decisions and is outside the scope of the arbitrator’s authority;

c. The grievance must be denied on its merits since there has been no violation of the terms of the Collective Bargaining Agreement. Even if the arbitrator had determined that he had jurisdiction over this grievance, the union’s claim must fail on the merits;

Arbitrator Ver Ploeg’s decision in the *Valley and Lakes* [see above] matter relied on specific language contained in the parties’ agreement which provided not only that the School District would pay a specified dollar amount but also if the union does not use the amount of fringe benefit that amount could be devoted to the remaining portions of premiums to other fringe benefits not fully provided for or to buy additional amounts of coverage if available. Therefore both the facts and the language of the Collective Bargaining Agreement in the *Valley Lakes* arbitration differs significantly from those in this matter;

d. The union has not shown that its members are entitled to the remedy requested. As set for by the SSC letter providing payment of “claims margin return”, payment was not made based upon the amount paid for any individual. Rather the School District received a return of approximately one month of payments for the entire group that it insured. The union miscalculated the reimbursement it requested and it fails to take into account that the School District’s per person “refund” applies only to its members. The figures used by the union are not accurate. The union is requesting reimbursement for certain union members. Those reimbursements would provide a wind-fall for those specific members;

e. The union’s claim overreaches the rights of its members as set forth in the Collective Bargaining Agreement. There is no provision in the Collective Bargaining Agreement which address the application of the rights of members to a “claims margin return”. As such, the unions claim does not constitute a grievance subject to the arbitrator’s jurisdiction. Further

the Collective Bargaining Agreement does not address the claims margin return issue. That money is attributable to the School District's budget and is within the School District's inherent managerial authority to decide how those funds should be distributed. The union fails to support its requested remedy. The School District was provided with a return of one month of premiums for the entire group of employees, including non-employees that it insured. Yet the union request payment not only of the amount that its employees contributed toward premiums, but the entire monthly, and in some instances the entire yearly, amount that was contributed on behalf of its members. These figures are not justified and should not be awarded.

11. The union in its Reply Brief counters: The fundamental flaw in the District's argument is that it is arguing as a monthly analysis rather than an annual analysis. The proper consideration is how much the teachers paid during the course of the year. The District asserts that the teachers paid \$62,365.44 toward premiums in 2008-2009. This is significantly more than the \$12,472.26 the union is seeking as its proper portion of the \$63,174.00 "claims margin return". The union is in no way seeking a wind-fall, nor is it using inaccurate figures. If the District does not meet its contractual obligation for the sixteen teachers at issue to reimbursement for the full amount of the claims margin return attributable to their plan, the school district will have received a \$12,472.26 wind-fall.

## **DECISION AND RATIONALE**

### **A. Is the matter Grievable?**

Article VIII, Section 1 states: "A 'grievance' is a claim based upon an event or condition which affects the terms and conditions of employment of a teacher or a group of teachers, and/or the interpretation, meaning, or application of any of the provisions of this agreement." The claim that the Caledonia Education Association has made is whether the District paid "the set amount of money toward the cost of the employees health insurance premiums" that it is required to do under Article XXI of the Collective Bargaining Agreement. The Caledonia Education Association claims that when the School District received the "claims margin return" from the Southeast Service Cooperative and did not return the portion of the money to sixteen specific teachers "who overpaid" then Article XXI was violated.

This “grievance” “is based upon an event...” which “affects the terms and conditions of employment of a teacher or a group of teachers and/or the interpretation, meaning, or application of [a] provision[s] of this agreement.” Consequently the arbitrator does have jurisdiction to determine this grievance.”

**B. Is this a matter involving the sole inherent managerial authority of the School District?**

While the School District has the inherent managerial right to negotiate with, choose the health insurer/manager for the employees of the School District and spend money as it chooses, in this Collective Bargaining Agreement the School District has agreed “the maximum District contribution shall be” \$8,600 (single) and \$9,600 (family).

Members of the Caledonia Education Association and non-members of the union are included in the self-insurance health program of the School District. Since the Collective Bargaining Agreement with the Caledonia Education Association calls for a “maximum District contribution” to be paid by the School District; and since the “maximum District contribution” amounts are in contention, the grievance filed by the Caledonia Education Association is not an inherent managerial right of the School District any longer. The School District has collectively bargained with the Caledonia Education Association for “maximum District contribution[s]” to be paid towards the health insurance of the members of the union. Consequently the arbitrator has subject matter jurisdiction over this claim to determine the meaning of the specific language in the CBA. So while this dispute does have characteristics of “inherent managerial authority”, it also has overtones of interpretation of a term and condition of employment under the Collective Bargaining Agreement, which is within the province of an arbitrator to consider.

**C. Did the School District violate the terms of the Collective Bargaining Agreement when it did not distribute any portion of the “claims margin return” to Association members?**

**The Association contends** that the School District agreed to a “maximum District contribution” of \$8,600.00 per employee participating in single health insurance and \$9,600.00 per employee participating in family health insurance. Article XXI Section 1. The union contends that when the School District received the “claims margin return” from the Southeast Cooperative, in the amount \$63,174.00, sixteen teachers were eligible for a proportionate amount based on the

amount each contributed, totaling \$12,472.26. That amount, contends the Association, represents the amount the School District failed to contribute toward the “maximum” agreed to in Article XXI, i.e. \$8,600.00 per employee participating in single health insurance and \$9,600.00 per employee participating in family health insurance. In other words, the Association argues that the School District received a wind-fall because the School District did not meet its contractual obligations to the sixteen teachers. If those sixteen teachers are not reimbursed, contends the Association, the School District will have received a \$12,472.26 wind-fall at the expense of the Association members and several retirees who had to contribute too much toward their health insurance because the School district did not contribute the “maximum” amount it agreed to in Article XXI of the Collective bargaining Agreement.

**The School District argues** there has been no violation of the Collective Bargaining Agreement. The School District contends the members got what they bargained for, which was health insurance coverage at the amount they agreed to pay. The School District contends the “claims margin return” was not made based on any amount paid by any individual. Rather the School District received a return of approximately one month’s payment for the entire group that it insured- both Association employees and non-Association employees. The School District argues that the “claims margin return” was provided for the “entire group of employees, including non- [Association] employees that it insured.” The School District further argues that the Association requests payment not only of the amount that its employees contributed towards premiums, but the entire monthly, and in some instances the entire yearly, amount that was contributed on behalf of its members.

The Caledonia Education Association says that “the District has failed to honor its contractual commitment to make specific contributions toward premium” of the sixteen employees. The Association cites *Valley and Lakes Education Association and Independent School District Number 544, Fergus Falls, MN*, [Arbitrator Christine VerPloeg October 18, 1995]; where Arbitrator VerPloeg awarded the Valley and Lakes Education Association the amount of money overpaid to the insurance carrier.

The School District contends that the *Valley and Lakes* case can be distinguished because the arbitrator “relied on the specific language contained in the parties’ agreement which provided not only that the school district would pay a specified dollar amount but also that if the union member does not use the amount of any fringe payment provided by the school district, that amount may be devoted to the remaining portions of premiums for other fringe benefits provided for or to buy additional amounts of coverage if available.” Post-Hearing Brief of School District at 17.

The School District agreed to pay “the maximum” of \$8,600 (single) and \$9,600 (family) for specific types of health insurance coverage. When the School District received the “claims margin return” did the sixteen effective employees have lesser amounts than the Collective Bargaining Agreement called for? What does the language “the maximum District contribution shall be” mean?

The School District agreed to pay up to a specific maximum. The Association and the School District when they collectively bargained for the contract understood that if there were fewer claims made there was a possibility of a refund. Nothing in the CBA addresses that possibility. The Association interprets Article XXI to mean that the School District must contribute \$8,600 (single) and \$9,600 (family) respectively. But the School District sees the “maximum District contribution” as a cap. So when the “claims margin return” came back to the District as a month’s refund because of the fewer number of claims submitted, the School District viewed this refund as a benefit of being self-insured through a Cooperative. Further, the School District viewed this not as a “wind-fall”, as the Association claims, but “[i]n addition, if the claims made do not meet or exceed the money reserved for claims, the funds retained in excess of claims made stay in the pool for the benefit of the group.” Post-Hearing Brief of School District at 2-3.

Looking at the language of the CBA, Article XXI, Section 1.A.1, the School District has agreed to contribute a “maximum” of \$8,600 (single) and \$9,600 (family). The Association members who had to contribute agreed to pay a “specific” amount depending on the type of coverage each chose. When the “claims margin return” was refunded by the Cooperative, the School District did not violate Article XXI when it chose to keep the entire amount. The School District agreed

to pay a “maximum” so the members of the Association and other employees could have a defined and specific insurance coverage. The members of the Association received exactly what they bargained for and what they paid for under the CBA. The School District in its discretion has made a decision to use the refund based on its inherent managerial authority. Based on the interpretation of the Article XXI it is held that the School District did not violate the terms and conditions of the CBA. The School District has the inherent managerial authority to decide how to spend the “claims margin return”. The members of the Association have received what they bargained for under Article XXI of the CBA. The grievance is denied.

The *Valley and Lakes* arbitration can be distinguished. Arbitrator Ver Ploeg interpreted the specific language of the contract, which is very different from the language in this instant contract. This arbitrator has interpreted the specific language of this CBA.

10/28/2011

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Joseph L. Daly  
Arbitrator