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Rhode Island American Federation of Teachers/Retired Local 8037 v. Johnston School Committee, 212 A.3d 156 (R.I. 2019)

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Labor and Employment Law. *Rhode Island American Federation of Teachers/Retired Local 8037 v. Johnston School Committee*, 212 A.3d 156 (R.I. 2019). Retired teachers are entitled to life insurance at the rate at which the policy existed upon retirement so long as they continue to pay premiums, and the town cannot raise those premiums pursuant to Rhode Island law.

FACTS AND TRAVEL

Under a collective bargaining agreement between the town of Johnston, Rhode Island and its teachers, the town provided actively employed school teachers with life insurance and paid the insurance policy premiums.¹ Upon retiring, teachers could remain on the life insurance policy so long as they assumed payment of the premiums.² For many years, the annual cost of the life insurance policy was the cost “in effect at the time of the teacher’s retirement.”³

In 2010, the town changed its insurance carrier to Minnesota Life Insurance Company (Minnesota Life) and selected a policy which “lowered the premium rate for active teachers and increased the rate for retired teachers.”⁴ Teachers who retired on or after January 1, 2011 were required to pay the new higher premium rate.⁵ In August 2013, the town of Johnston entered into another new policy agreement with Minnesota Life, which again “significantly increased the annual rate for retired teachers.”⁶

As a result of the increased rates, the plaintiffs, the Rhode Island American Federation of Teachers/Retired Local 8307 and several retirees of the Johnston School Department (the

1. R.I. Am. Fed’n of Teachers/Retired Local 8037 v. Johnston Sch. Comm., 212 A.3d 156, 157 (R.I. 2019).

2. *Id.*

3. *Id.*

4. *Id.*

5. *Id.* at 157–58.

6. *Id.* at 158.

Association) filed for declaratory judgment in Rhode Island Superior Court against the defendants, the town of Johnston, the Johnston School Department, the Johnston School Committee, and various municipal officials (collectively, the Town).⁷ The Association argued per Rhode Island General Laws section 16-16-42 (the statute),⁸ that the Town is statutorily “required to provide the life insurance policy at [the] annual cost that was in effect on the last day of [a teacher’s] employment.”⁹ The Association then moved for summary judgment, arguing that the plain language of the statute prohibited the Town “from assessing increased life insurance rates.”¹⁰ The Town filed a cross motion for summary judgment, countering that while the statute was “clear and unambiguous,” the plain, ordinary meaning of the statute only required the Town to provide retirees with “the option of retaining the life insurance policy at ‘an amount equal to the annual cost of the policy for the individual at the time of the individual’s retirement.’”¹¹ The Town contended that if the price of the insurance premium rate increased, it would be for the retiree to cover in full.¹² The Town argued that it complied with the statute by “providing the retirees with the option of continuing the insurance coverage at the rate in effect at the retiree’s retirement.”¹³

The Superior Court justice, after hearing arguments on both motions, granted the Association’s motion for summary judgment and declared that the Town was “required to provide life insurance to each retiree at the same annual cost that was in effect on the last

7. *Id.*

8. 16 R.I. GEN. LAWS § 16-16-42.

9. *R.I. Am. Fed’n of Teachers*, 212 A.3d at 158 n.5.

10. The association argued the plain language of the statute requires the Town to provide life insurance to retired teachers at the same annual cost it paid before the teacher retired. *Id.* at 158.

11. *Id.*

12. *See id.* at 157–58.

13. *Id.* at 158.

day of his or her employment.”¹⁴ The Town subsequently appealed to the Rhode Island Supreme Court (the Court).¹⁵

ANALYSIS AND HOLDING

On appeal, the Town contended that the Superior Court erred in granting the Association’s motion for summary judgment and denying the Town’s cross-motion for summary judgment.¹⁶ The Town argued that the trial justice “incorrectly interpreted [the statute].”¹⁷ The Court reviewed the applicability of the statute *de novo*.¹⁸ The statute provides:

Notwithstanding any other provision of law to the contrary, any member who, at the time of retirement from service, has in effect life insurance provided for as a benefit of his or her employment shall, after retirement, be entitled to keep the policy of life insurance in effect by paying to the city or town an amount equal to the annual cost of the policy for the individual at the time of the individual’s retirement. The policy of insurance shall remain in effect for so long as the member continues to make annual payments.¹⁹

Although both parties agreed that the statutory language was “clear and unambiguous,” they each presented a different interpretation of the statute.²⁰

The Town argued that a plain and ordinary reading of the phrases “at the time of retirement from service” and “at the time of the individual’s retirement” makes clear that the Legislature intended to provide retirees “with the opportunity to continue their life insurance policy at the time period after they have

14. The Superior Court justice found the statute to be clear and unambiguous, and reasoned “[a]s there is no other annual cost, the only plausible meaning is that the Legislature intended the retiree to be substituted as the payor on the already established plan at the rate paid by the [t]own.” *Id.*

15. *Id.*

16. *Id.* at 159.

17. *Id.*

18. *Id.*

19. 16 R.I. GEN. LAWS § 16-16-42.

20. *R.I. Am. Fed’n of Teachers*, 212 A.3d at 159.

permanently” separated from service.²¹ The Town further reasoned that the statute does not read “on their last day of active employment,” and, therefore, the plain meaning of the statute is that the cost of life insurance for retired teachers is “that which [was] ‘in effect at the beginning of the retiree’s retirement.’”²²

The Association, however, argued that the statute “requires the [T]own to provide retirees with the option of maintaining the insurance policy that was in effect at their retirement at the same annual cost that each retiree paid before retirement.”²³ The Association contended the phrase “at the time of retirement” referred to “the day the teacher separates from employment” and the phrase “after retirement” referred to “when the teacher has retired.”²⁴ Thus, according to the Association, teachers are entitled to pay the same annual cost for their life insurance policies that they paid while they were employed, not at a different retirement rate.²⁵

Per the “well established statutory analysis,”²⁶ set forth in prior Rhode Island Supreme Court precedent,²⁷ the Court “constru[ed] the language of the statute in accordance with its plain and ordinary meaning.”²⁸ The Court concluded that the statute did not anticipate a “separate retiree rate.”²⁹ Thus, the Town’s teachers were “entitled to retain the insurance coverage in effect at the time of retirement by paying the same annual cost that the retiree paid . . . as an active employee.”³⁰

21. *Id.*

22. *Id.* In other words, in order to continue their life insurance policies, the retirees were required to pay “the rate set for retirees, not the premium before the teacher retires.” *Id.*

23. *Id.*

24. *Id.*

25. *Id.*

26. *Id.*

27. *Id.* at 159–60; *See also* Alessi v. Bowen Court Condominium, 44 A.3d 736, 740 (R.I. 2012) (“When the language of a statute is clear and unambiguous, this Court must interpret the statute literally and must give the words of the statute their plain and ordinary meaning” (internal citation omitted)); Webster v. Perotta, 774 A.2d 68, 75 (R.I. 2001) (“In matters of statutory interpretation our ultimate goal is to give effect to the purpose of the act as intended by the Legislature”).

28. *R.I. Am. Fed’n of Teachers*, 212 A.3d at 160.

29. *Id.*

30. *Id.*

The Court found that the Legislature's use of the phrases "at the time of retirement" and "after retirement" "assigned independent significance to each phrase."³¹ The Court concluded the phrase "at the time of retirement" referred to "the day of or the day before a teacher retires from active employment."³² The Court "was satisf[ied] that the proper interpretation of the statute provid[ed]" that any teacher who, at the time of his or her retirement or on his or her last day of active employment, was entitled to keep his or her life insurance policy in effect by paying the Town the same premium rate he or she had paid at the time of his or her retirement, or at the time of his or her last day of active employment.³³ Accordingly, the Court affirmed the decision of the Superior Court justice.³⁴

COMMENTARY

The Court clearly acknowledged that the Court's primary objective in cases interpreting "clear and unambiguous" statutes is to give effect to the Legislature's intent and ensure that each word, phrase, or sentence express its intended purpose.³⁵ However, given the fact that both parties came to different and reasonable conclusions about the statute's meaning, it seems that the statute was not entirely clear or unambiguous.³⁶ Under the Town's construction, the statute permitted it to pass the new insurance policy premium rate onto retirees every time its contract with Minnesota Life was renegotiated.³⁷ The Association, on the other hand, construed the statute to allow retirees to pay the same premium rate that they had paid while they were actively employed.³⁸ To the Association, if the Town renegotiated the Minnesota Life policy, then it was up to the Town to pay those costs.³⁹

31. *Id.*

32. *Id.*

33. *Id.*

34. *Id.*

35. *Id.* at 159–60 (quoting *State v. Clark*, 974 A.2d 558, 571 (R.I. 2009) and *Webster v. Perotta*, 774 A.2d 68, 75 (R.I. 2001)).

36. *See id.* at 159.

37. *See id.* at 157–58

38. *Id.* at 159.

39. *See id.*

Ultimately, the Court adopted the Association's interpretation.⁴⁰ However, the Court's analysis of the statute seems rather abrupt. The Court simply states that, because the Legislature "incorporate[ed] the phrases 'at the time of retirement' and 'after retirement,'" independent significance was assigned to each phrase.⁴¹ Further, the Court concluded that the two phrases collectively mean "the day of or the day before a teacher retires from active employment."⁴² The Court's analysis ends there—it provides no further explanation for its decision. The Court should have gone into further detail regarding why the Town's interpretation was unreasonable to ensure a full and robust analysis of the statutory language. Perhaps, if the Legislature had intended for the Association's interpretation to be the true interpretation of the statute, the Legislature would have been explicit in stating that the rate the retirees would be required to pay would be the same rate as the day of their retirement. The very fact that two reasonable interpretations came from the same statute suggests that the statute was, in fact, ambiguous.⁴³ As such, the Court should have gone deeper into the statutory interpretation, perhaps looking to the statute's legislative history and purpose, rather than just the statute's "plain meaning."⁴⁴

The Court also seems to ignore the potential financial implications its interpretation of the statute could have on the Town. By adopting the Association's interpretation, the Town is now on the hook for covering the cost of retirees' insurance policies. Given that teachers may retire around 60 years of age, the Town would ultimately be responsible for these ever-increasing policy rates for myriad retirees for the rest of their lives, so long as they desire life insurance coverage. These drastic financial implications call into question the Court's understanding of the legislative intent animating the statute. Did the Rhode Island Legislature truly intend to require the Town to pay for these life insurance rates?

40. *See id.* at 160.

41. *Id.*

42. *Id.*

43. *See id.*

44. *See id.*

CONCLUSION

The Rhode Island Supreme Court held that Rhode Island General Laws § 16-16-42 requires cities and towns to provide retired teachers the ability to continue their individual life insurance policies at the same premium rate as the teacher paid on the last day of his or her employment.⁴⁵ The Court affirmed the Superior Court justice's ruling on the matter and the case was remanded back to the Superior Court for further deliberation.⁴⁶

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45. *Id.*

46. *Id.*