

Michigan Supreme Court Ruling on Public Act 300 of 2012

On April 8th the Michigan Supreme Court issued a ruling regarding the pension and retiree healthcare benefit and cost reforms under PA 300 of 2012.

The reforms, which were signed into law in September 2012, were meant to cut the state's unfunded liability in the school employee retirement fund. State public school employee unions challenged the constitutionality of the changes in lower court and then appealed that court's decision to the Michigan Supreme Court.

The Supreme Court has now ruled that the reforms of PA 300 of 2012 are constitutional.

The reforms changed the cost and benefits for public school employee's retiree healthcare and defined benefit pension plans. Employees enrolled in the Michigan Public School Employees Retirement Plan (MPERS) were required to make one of the following changes in their benefit or contribution amounts:

1. Maintain their pension multiplier at 1.5% by increasing their contribution.
 - MIP members contribute 7% of income.
 - Basic members contribute 4% of income.
 - Additionally, members could choose to return to their prior contribution amount after 30 years of service and receive a 1.25% pension multiplier for any service in excess of 30 years.
2. Decrease their pension multiplier to 1.25% without an increased contribution.
 - Service years prior to September 2012 are paid at 1.5%
 - Service accumulated after September 2012 is paid at 1.25%
 - MIP members continue to contribute between 3% and 6.4% of income.
 - Basic members do not have a contribution requirement.
3. Freeze their existing pension benefits and move to a defined contribution plan.

The Courts decision does not affect the mandatory 3% retiree healthcare contributions made by members (from July 2010 until September 2012) under PA 75 of 2010.

It is anticipated that the Supreme Court will be issuing an order in the near future that specifically addresses the constitutionality of that provision.

Until that time, ORS will continue to hold members' contributions in escrow, and will provide additional information to members and reporting units as soon as the Supreme Court renders a decision.