

Court of Appeals Rejects Public School Employee Lawsuit on Mandatory Pension Contributions

A three-member panel of the Court of Appeals unanimously found in favor of the state in a lawsuit brought by school employee unions against provisions of a 2012 law. Public Act 300 of 2012 requires members who are in the basic plan of the Michigan Public School Employees Retirement System to pay 4% of their salary toward their pension. The law did allow affected employees two options to avoid paying the 4%, though both options are arguably unfavorable to school employees. The options were to either convert their pension into a defined contribution plan or freeze their pension at its current number of years of service and final average compensation and begin essentially a new defined benefit plan for future years of employment with a reduced multiplier.

AFT-Michigan and the MEA filed suit against the law claiming that it violated the section of the Michigan Constitution that protects against diminishment of pensions. The Court of Appeals decision upholds the law by finding that, because it gives options for employees to avoid paying the 4% of their salary toward their pension, it does not therefore diminish their pension.

In response to the ruling, AFT-MI President David Hecker stated, "Once again, Michigan educators have been let down by Michigan courts, which today upheld Gov. Snyder's attempt to retroactively cut the pensions earned by hard-working school employees. Republicans appear bent on pulling the rug out from under the women and men who have devoted their lives to educating our children, breaking the promises made to them by the state for decades. This just makes it even more clear how badly we need leaders who will promote a secure retirement for Michigan's working families, not take it away from them."