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Judge OKs big pension, health care changes Michigan teachers and other school workers



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on November 30, 2012 at 6:25 AM, updated November 30, 2012 at 4:46 PM

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LANSING, MI - A judge on Thursday upheld most of an overhaul of Michigan's retirement system for public school workers, while Republicans moved quickly to address her lone concern that workers were not given enough time to make decisions under the new law.

Both the Senate GOP and a spokesman for Gov. Rick Snyder said Ingham County

Circuit Judge Rosemarie Aquilina ruled in their favor by finding the bulk of the law to be constitutional.

When the law was signed in September, she temporarily blocked it because school employees hired before mid-2010 were given less than two months to decide if they want to pay more toward their retirement or receive a smaller pension for future years of work. A third option is to freeze their existing pension benefit and convert to a 4



Ingham County Circuit Judge Rosemarie Aquilina

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percent 401(k)-style contribution for future years of service.

In a hearing Thursday, Aquilina rejected broader challenges from teachers unions that Public Act 300 is rife with unconstitutional provisions and contract violations affecting retirement benefits. Union officials could not be reached for comment, but an appeal is likely.

Later in the day, majority Republicans in the state Senate voted 26-12 along party lines to send the House a bill giving school workers until Jan. 9 - instead of Oct. 26 - to make their pension decision and to decide whether they want to opt out of retiree health insurance coverage. The law likely will not take effect at least until the new legislation is signed.

"This satisfies her issues," said Sen. Roger Kahn, R-Saginaw Township. "It's done of course until one side appeals it and it goes to another court."

According to a Senate Fiscal Agency **analysis** (<http://www.legislature.mi.gov/documents/2011-2012/billanalysis/Senate/htm/2011-SFA-1360-F.htm>) of the legislation, not allowing the law to take effect would cost the state and K-12 schools nearly \$200 million in anticipated savings this budget year. About \$30-\$40 million in savings already are gone because of the two-month delay.



State Sen. Roger Kahn

A key question now is whether employees being asked to pay more or get less later will have to do so immediately or if the status quo will stay during the appeals process. Aquilina had not issued a written decision as of late Thursday, and appeals judges ultimately could make the call.

"We're going to be able to begin to right the ship of the legacy costs attended to health care," Kahn said. "We'll be moving away from retiree health care into 401(k)s, which give some predictability. That's for new hires. We'll be prefunding the cost of health care. The interest on that will buy down our debt, we'll be improving our bond rating. That makes other things we want to do in the state of Michigan more likely to be cheaper to do."

He added that the law gives retirees more confidence that their pensions will be there when they retire.

Teachers hired before mid-2010 qualify for a pension in retirement. Those hired since participate in a hybrid system that includes both a pension and 401(k) plan.

The law also requires current school retirees to pay 20 percent of their health costs. New hires will not be eligible for health coverage in retirement and instead will get up

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to a 2 percent matching amount into their 401(k) account.

Earlier this month, the state Supreme Court **declined to step in early to the legal challenge** (http://www.mlive.com/news/index.ssf/2012/11/teacher_pension_law_michigan_s.html). The request was made by Snyder's administration.

Justice Stephen Markman dissented from the high court's order, saying the Michigan Public School Employees Retirement System will be underfunded by millions for each month the law is not in effect.

School employees also currently pay 3 percent of their wages toward health insurance in retirement. Though an appeals court declared the contributions unconstitutional because the future benefit is not guaranteed, they are continuing while the Snyder appeals the ruling to the state Supreme Court.

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