

SEIU Local 517M E-Former – January 2012

New Solutions for Michigan!



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School Employees Retirement Lawsuit Still Unresolved

The Michigan Supreme Court has not ruled in the case of the 3 percent retirement contribution for school employees. The Court has ruled only in the case of SEIU Local 517M v. State Employees' Retirement System (SC docket No. 143829), dealing with the state employee retirement contribution. The refund mentioned in that ruling **ONLY APPLIES TO STATE EMPLOYEES.**

There is a separate lawsuit filed on behalf of school employees since they are in a different retirement system and there are different arguments in the case. The final outcome of that litigation has not been determined. Until that happens, the 3% contribution will continue to be placed in an escrow account as per a lower court ruling.

We will keep you updated when final resolution of the matter has been determined.

State Employees Win Court Case, 3% to be Refunded

On December 14, 2011 the Michigan Supreme Court upheld the ruling by the Michigan Court of Claims that the State of Michigan violated the Michigan Constitution when it started deducting 3 percent towards state employee retirement healthcare. The Governor has stated that the collection of the 3 percent pension contribution will end with the pay period ending December 24, 2011. The courts had ordered that the contributions be held in escrow pending the final outcome of the lawsuits filed by SEIU and the other state employee unions.

In *SEIU Local 517M v. State Employees' Retirement System* (SC docket No. 143829), the Supreme Court issued a standard order rejecting the request to hear the state's appeal, saying, "(W)e are not persuaded the question presented should be reviewed by this court."

The refund of the funds, with accumulated interest, will appear in the January 19, 2012 paychecks.

We have included a link to a Question and Answer chart on the refund:

http://www.michigan.gov/documents/mdcs/FAQ_for_HCC_Refund_371284_7.pdf

State Employee Retirement Changes

On December 15, 2011 House Bills 4701 and 4702 were signed by Governor Snyder. SEIU's legal team is currently reviewing what legal action is appropriate.

The law refunds the 3 percent that state employees have been contributing to cover health care expenses. This issue is now moot due to the Supreme Court ordering it returned on December 14, 2011, the day before the legislation was signed into law.

The law gives workers in the defined contribution plan hired between March 31, 1997 and before Jan. 1, 2012, the choice of remaining in the plan for retiree health care or cashing in their existing years of service and moving the money to the state's 401(k) or 457 plan. For new hires, as well as those electing to switch to the new plan, the state will provide an extra 2 percent match to be deposited into the state's 401(k) plan as an incentive to save for their post-retirement health care needs. Employees hired after Jan. 1, 2012, will also receive a state deposit of \$2,000 into a health reimbursement account upon retirement.

The legislation does not change the retiree health care plan or coverage available to defined benefit pension employees hired before March 31, 1997, which is when the state moved away from a pension plan in favor of a defined contribution plan. Employees who are still members of the pension plan, will now be given the choice to pay 4 percent of their salary to maintain the benefit and remain in the pension plan. Those choosing not to pay the 4 percent would exit the defined benefit program for future service, have the level of their pension frozen at current levels, and switch to the defined contribution plan.

A great information resource is the December 12, 2011 Senate Fiscal Agency analysis of the bills which can be found at: <http://www.seiu517m.org/files/2011/12/2011-SFA-4701-C.pdf>

A complete record of the language can be found at: [http://www.legislature.mi.gov/\(S\(vfxwsz5501za5k32klwuw45\)\)/mileg.aspx?page=getObject&objectName=2011-HB-4701](http://www.legislature.mi.gov/(S(vfxwsz5501za5k32klwuw45))/mileg.aspx?page=getObject&objectName=2011-HB-4701)

City of Detroit Employees Working on New Solutions to Help City

Since the threat of an Emergency Manager (EM) to take over the City of Detroit's finances began; both the City of Detroit and the City's 48 unions have been working around the clock to develop a solid new solution plan to avoid an EM and filing bankruptcy. The City of Detroit currently has a \$200 million dollar budget deficit and a cash shortage of \$5 million dollars. According to the City of Detroit; there will be payless pay days as early as March of 2012.

Out of 48 Unions only one-third has collectively presented cost savings and a New Solutions plan which will not only reverse the current financial crisis; but will also generate future revenues while improving services. Co-chairing the coalition talks with the City of Detroit are **Ed McNeil** (AFSCME Council 25) and **Joe Valenti, Jr.** (Teamsters 214) along with AFSCME's legal team. Although the Unions current contracts will not be prematurely opened; the administration wants to negotiate a 3 year agreement on 4 items; (Wages, HealthCare, Pension, and work rules). This means extending wage concessions to 2015. Current contract language contains a 3 year wage concession ending in 2013.

New Solutions for Michigan Update

As you know, during the course of this year's state employee contract negotiations, Governor Snyder requested that Civil Service provide his office with a comprehensive review of the management to staffing ratios throughout state government after our Coalition of Unions released their New Solutions for Michigan report. This report made quite a media stir throughout the summer, and many of the findings in the report were endorsed by several Michigan newspapers and editorials. The Governor has requested that Civil Service complete its report in January, 2012.

Civil Service has contacted SEIU Local 517M to see who they could contact at SEIU International that could provide background information on our "New Solutions" report which highlighted current ratio at one manager' supervisor for every 5.8 staff workers in Michigan state departments.

A copy of the Civil Service report will be posted on the SEIU Local 517M website as soon as it is made available.

First SEIU Local 517M Retirees Group Meeting



The first meeting of SEIU Local 517M Retiree Group met in Lansing on December 6, 2011. Representatives from Blue Cross/Blue Shield fielded numerous questions about retiree health benefits, filing for Medicare, and how Medicare primary benefits coverage is supplemented by the Retiree State Health Plan.

A discussion on developing retiree programs at the Local level was led by **Lisa Tilson** from SEIU International. The number one reason members attend a retiree meeting is for information, according to Lisa. Attendees provided very positive feedback about the first meeting and expressed an interest in meeting on a regular basis. **Chris Hull**, retiree from DEQ, commented "the meeting was very informative, especially on health insurance issues. I hope that this group serves as a nucleus for advocacy for state employees, retirees, and working people in general."

Several attendees also expressed an interest in participating in the retiree meetings to become more active and advocate on behalf of working families and retirees. Recent legislation passed that taxes public pensions, and other legislations attacking unions has increased the interest for activism. **Fernando Calera**, retiree from DEQ, was very enthusiastic and said: "I came here with the intent of establishing viable-active lobbying to protect the rights that we have earned in the performances of our duties as public employees."

The next meeting is tentatively scheduled for February, 2012. If you are anticipating retiring soon and would like information concerning upcoming meetings, do not hesitate to contact **Mary Charley**, the Retiree Liaison at mcharley@seiu517m.org or the 517M office.

Scientific and Engineering Unit Facebook Page

The Scientific and Engineering unit has started a Facebook page to facilitate two-way communication with the unit membership. You can access the page at:

<http://www.facebook.com/pages/SEIU-517M-Scientists-Engineers/232371810155409>

School Retiree Can Use Military Credit

In the case of James McCloughan v. the Public Schools Employees Retirement System (PSERS) and Public School Employees Retirement Board, the retirement board ruled McCloughan was not eligible for military service credit in calculating his retirement benefits.

He started his job in the summer but before he could start receiving his pay he was drafted. He served the next two years in Vietnam and was honorably discharged in 1970. After returning, he worked for the school district until his retirement at the end of the 2008 school year. He was recognized by the South Haven Board of Education for 40 years of service.

PSERS denied the application to receive intervening active-duty service credit for his military service on the basis that petitioner had not begun his employment before he began military service. The dispute then centered on whether the contract alone created an employee-employer relationship or whether the contract's effective date was more relevant.

The circuit court reversed the retirement board decision and the Court of Appeals (COA) agreed with the circuit court saying the proper test was whether McCloughan was "a person who has been hired to work for another" at the time he was inducted into the army.