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Michigan Supreme Court Releases Ruling on Benefits Coordination

On July 15, 2016, the Michigan Supreme Court released its decision in Arbuckle v General Motors LLC. The Court ruled in favor of General Motors (GM). The Court held that, in light of postretirement changes made to Mr. Arbuckle's pension plan, GM can coordinate his workers' compensation benefits with his disability pension benefits. The Court's decision was authored by Justice Larsen and was unanimous. You will recall MSIA participated in the case filing an amicus curiae brief supporting GM's position.

A brief recap of the case is worthwhile. The collectively bargained pension plan in place at the time of Arbuckle's retirement in 1993 did not permit reduction of his workers' compensation payments by the disability pension benefits he was receiving from GM. In 2009, however, the UAW and GM agreed to change this practice going forward saying employer-provided disability pension benefits can be used to reduce workers' compensation payments as of January 10, 2010. GM and the UAW created a formula for arriving at the amount of the reduction. Arbuckle challenged the reduction of his workers' compensation benefits via a Rule 5 hearing at the Workers' Compensation Agency.

Following the Rule 5 hearing, then-Director Nolish ruled in Arbuckle's favor. The Director's reasoning was the GM-UAW formula considers, amongst other things, the amount of a person's social security insurance disability benefits (SSDI) and this violates Section 354 (11) of the Act. GM appealed to the Board of Magistrates. The Magistrate also ruled in Arbuckle's favor, but on different grounds. The Magistrate disagreed with the Director's reasoning on SSDI but held that the UAW had no authority to collectively bargain in 2009 regarding Arbuckle's beneits. GM appealed to the Michigan Workers' Compensation Appellate Commission. The Appellate Commission reversed the Magistrate and held GM can coordinate. The Appellate Commission said the coordination formula does not offend the SSDI provision and the GM and the UAW can legitimately collectively bargain on whether employer-provided disability pension benefits continue to be exempt frorn coordination. Arbuckle appealed to the Michigan Court of Appeals. The Court agreed with Arbuckle saying the UAW could not bargain away Arbuckle's initial exemption from coordination. GM then appealed to the Michigan Supreme Court.

In its just released decision, the Supreme Court first said it must apply federal substantive law because the case involves collectively bargained agreements. The Court then noted federal law's distinction between vested and nonvested benefits. A union can bargain for already-retired employees with respect to nonvested benefits but not vested benefits. The Court said Arbuckle's initial exemption from coordination was a nonvested benefit. It was nonvested because the exemption from coordination was explicitly something that lasted only 3 or 4 years (until the next bargaining session) rather than for life. The exemption from coordination was subject to change at each bargaining session. The Court therefore held:

> *Under a proper reading of the relevant (collectively bargained) agreements and the application of federal substantive law, defendant's subsequent co-ordination of plaintiffs*

> *workers' compensation benefits with his disability pension benefits did not violate the terms of plaintiff's disability pension plan, nor did it violate MCL 418.354 (the coordination of benefits provision).*

The Court consequently reversed the Court of Appeals and -without remand -reinstated the Appellate Commission's order allowing GM to coordinate Arbuckle's workers' compensation benefits with his GM disability pension benefits. (The Court noted Arbuckle failed to adequately brief his position on SSDI's use in the coordination formula and, therefore, abandoned that issue).

This is a most welcome decision for GM and for all employers. It makes clear employers and unions can legitimately bargain regarding retirees' nonvested benefits, including use of coordinatable beneits to reduce workers' compensation benefits. It should result in the summary dismissal of the hundreds of cases brought by GM retirees pending at the Workers' Compensation Agency and held in abeyance awaiting this decision.

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