Offering MEA members weekly updates of events and happenings in Michigan's Capitol.

Capitol Comments

Volume IX, Issue 16
Monday,
October 27, 2003

INSIDE THIS ISSUE:

Compiled by MEA lobbyists. Contact MEA Government Affairs Department at 800/292-1934.

Granholm Announces Budget Forums

Governor Jennifer M. **Granholm** today unveiled her schedule for forums to discuss the state's $900 million budget deficit. These events will offer citizens an opportunity to voice their feelings about how to solve the $900 million budget deficit.

"We have inherited a massive problem, and we need every citizen's input to solve it. Limiting our conversation to a relatively small audience limits the value of what our citizens can bring to this discussion," Granholm said. "This budget represents the people's money, and we want to hear what they will be willing to pay for and what they are willing to cut. We can't make these decisions behind closed doors in Lansing."

The Governor needs to hear from you on how these budget cuts have hurt education and the students we educate.

Below is the schedule announced by the Governor:

Wednesday, October 29 - WJR Radio (Detroit) 760 AM "Ask the Governor" with Lloyd Jackson, 7:00 p.m. (800) 859-0957

Monday, November 3 - Traverse City Budget Conversation WWTV 9 and 10 - 7:00 p.m.

Tuesday, November 4 - Marquette Budget Conversation WNMU TV 13 - 7:00 p.m. simulcast on WNMU public radio

Thursday, November 6 - Flint Budget Conversation WJRT-TV 12 - 7:00 p.m.

Monday, November 10 - Michigan Public Radio Statewide call-in show - Noon to 1:00 p.m.

Monday, November 10 - Michigan Government Television (MGTV) call-in show - TBA

Tuesday, November 11 - Southeast Michigan Budget Conversation WDIV-TV 4 - 8:00 p.m.

Wednesday, November 12 - Grand Rapids - Battle Creek Budget Conversation WOOD-TV 8 - 7:00 p.m.

Thursday, November 13 - Lansing Budget Conversation WILX-TV 10 - 7:00 p.m.

Alpena and Macomb county events TBA.

The MEA will keep you posted as more information becomes available regarding the schedule, format and procedures in effect at these events. Please watch future issues of *Capitol Comments* and the MEA Web Page for details.

Proposal to Reduce Retirement Benefits

Recently, MEA received a summary of draft legislation designed to gut the current defined benefit pension plan and to severely limit health insurance for school employees. So far, no bills have been introduced. MEA strongly opposes these proposed changes.

Some school administrative groups are supporting these concepts and, now, apparently some members of the Michigan Legislature are considering it.

The plan would force new school employees to switch from the current defined benefit retirement system to a defined contribution plan. Such a plan would pay significantly reduced pension benefits to school employees.

Defined Contribution Plan

According to the summary, a **Defined Contribution Plan** will be created for all new employees:

The school district will contribute 4% of payroll to the 401k account. The school district can match up to an additional 3% contributed by the employee for a total of 10%. This is the same as the state employees plan, which has resulted in state employees losing thousands of dollars in pension benefits. In addition, there is a provision where current Defined Benefit members can apply to transfer to the Defined Contribution Plan between 9/30/04 and 12/31/04.

The proposed contribution rate of 4%, combined with the possibility of an additional 3% contribution plus match, is insufficient to provide the pension and benefits that are guaranteed under the current system. Districts now pay 12.99% of their payroll into the retirement system.

Graded Premium Subsidy

Tied-barred to this concept is a **Graded Premium Subsidy** program for all new employees**,** a way to drastically reduce health benefits:

Employees would be vested for health benefits after 20 years of service. Upon retirement, an employee's health insurance premiums would be subsidized 3 % or each year of service. The maximum subsidy would be dependent on school employees working 30 years to receive 90% subsidy. As an example, someone who retires after 20 years of service would receive payment for 60 % of the health insurance premium and would have to pay the remaining 40 % out of his or her own pocket. Currently an employee with 10 or more years of service is entitled to a full insurance subsidy upon retirement.

Early Retirement Incentive

Tie-barred to the defined contribution plan and graded premium subsidy plan is an **Early Retirement** plan.

Many ERI details in this draft legislation are lacking, however the plan calls for an increase in the multiplier to 1.75% from 1.5% for those who elect to retire between December 1, 2003 and December 31, 2003. Retirements would be effective July 1, 2004.

Early retirees would be charged an additional $100 per month for health care insurance, and beginning July 1, 2006, this amount will be increased annually by the previous year's Consumer Price Index (CPI).

Each school district will be required to pay $15,000 per person to the pension fund, which will not offset the additional cost of the incentive. This plan would cost the retirement system millions of dollars if adopted. For example, the average teacher with a master's degree would receive more than $100,000 in additional benefits over a lifetime.

School districts would be prohibited from providing additional retirement incentives to employees.

Additional Changes in the Draft Document

Earnings limits are changed from one-third of **Final Average Compensation** to one-half of Final Average Compensation for those retirees who return to work in a Michigan public school.

Universal Buy-In Service Credit: a school employee can only purchase Universal Service after 15 years of service credit. This will have cost school employees thousands more dollars by forcing them to wait 15 years before such service credit can be purchased.

There are many in Lansing and in the ranks of school administrators who would like to eliminate the current defined benefit pension for school employees and replace it with a defined contribution plan. MEA has always opposed such proposals that want to limit pension and health benefits to school employees, and we will do so again if any ERI bill is tie-barred to defined contribution and graded premium subsidy plan. This proposed "draft legislation" would be highly discriminatory and is of no benefit to MEA members.

We will carefully review any legislation that is designed to benefit school employees and retirees, if it is ever introduced. MEA's position will be based on the well being of the school employees and retirees who are the members of MPSERS and the MEA. The MEA supports an increase in the multiplier to 1.75% for all school employees if such a plan can be achieved.

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