NAME YOUR NEWSLETTER!

A Publication for Southwestern Michigan Education Association Members

1170 W. Michigan Avenue, Suite 4, Three Rivers, MI 49093 Phone: (269)279-5285 or 800-540-1796 FAX: (269)273-1968

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ST. JOSEPH COUNTY INSURANCE CRISIS UPDATE

- St. Joseph County school districts are risking tax money on self-funding insurance schemes. The districts claim they will save money on these insurance plans. However, the facts do not necessarily prove this to be true.
- About five years ago the Traverse City School District lost well over $1 million tax dollars on a self-insurance plan for its teachers. Although the district predicted savings of about $600,000, it actually cost $1.3 million more than if they had kept their MEA insurance plan.
- We must understand that self insurance plans risk huge pay-outs of tax dollars. Instead of paying the fixed monthly premium of a traditional insurance plan, which is determined by spreading the costs among thousands of individuals, a self funded plan's costs are determined by the actual medical costs of a very small number of individuals.
- For example, a catastrophic insurance claim such as a premature baby can cost upwards of $500,000. In a traditional insurance plan the cost of that claim can be spread over, lets say, 100,000 individuals so that the cost per individual is $5 and the affect on monthly premiums is minimal. If the same claim were to occur in a group of 100 individuals, such as many of our Districts, the cost per individual would be $5,000 or 1000 times greater.
- Business analysts, more and more, are warning against the risks of self-funding small groups, as businesses become devastated when they gamble and lose.

2002-2003 FUND BALANCE UPDATE

From reports of K-12 district Fund Balance's received thus far in Michigan, 2002-2003 Audits are looking much the same as 2001-2002. MEA Research staff is expecting little change over the 20% statewide Fund Balance average reported for 2001-2002.

EDUCATOR ACCESS CARD SAVINGS

Have you received and activated your MEA Educator Access discount card? If not, you're missing out on a lot of savings. Depending on where you shop or what hotels you might stay in this year, ACCESS DISCOUNTS COULD SAVE YOU THE FULL COST OF YOUR MEA DUES.

Members have received as much as $100/night discounts in downtown Chicago hotels.

The "Members Only" link on the MEA website (**www.mea.org**) provides information and continual savings updates for available local and nationwide discounts.

Contact your local association or Uniserv Office to receive a discount card.

NEW ATTACK ON OUR RETIREMENT PLAN

Recently, MEA received a summary of draft legislation that is 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.

According to the plan: **Defined Contribution Plan** is 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. Additionally, there exists a provision whereby current Defined Benefit members can apply to transfer to the Defined Contribution Plan between 9/30/04 and 12/31/04.
- The proposed combined contribution rate of 4%, 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.

Tied-barred to this concept is a **Graded Premium Subsidy** program for all new employees.

- Employees would be vested for health benefits after 20 years of service. Upon retirement, an employee's health insurance premiums would be subsidized 3 percent for 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 percent of the health insurance premium, and would have to pay for the remaining 40 percent out of his/her own pocket. Currently an employee with 10 years or more service is entitled to a full insurance subsidy upon retirement.

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

- Many 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 retires would be charged an additional $100 per month for health care insurance, and beginning July 1, 2006; this amount will be increased by the previous year 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 defined benefit plan hundreds of thousands of dollars if adopted. For example, the average teacher with a Master's Degree would receive more than $100,000 in additional benefits over his/her lifetime.
- School districts would be prohibited from providing additional retirement incentives to employees.

Additional changes contained in the draft document include:

- Earnings limits are changed from 1/3 of Final Average Compensation to ½ of Final Average Compensation for those retirees who return back 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 the effect of costing school employees thousands of more dollars by forcing them to wait 15 years before such service credit can be purchased.