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Iris Salters: Labor Voices

School retirement system needs review

Make state reforms that sustain benefits; minor changes won't do



Would it surprise you to find out that the president of the state's largest teachers union believes there are problems with the pension system for public school employees and the financial demands it places on local school districts?

Or that the Michigan Education Association supports a comprehensive evaluation of the program to ensure that neither school retirees nor state taxpayers are being taken advantage of?

Well, I do. And the MEA does.

School employee scapegoats

Increasingly, the people who work in our public schools – secretaries, aides who help children with disabilities, classroom teachers, food servers, bus drivers and others – have become the political whipping post of a sagging state economy.

They've been blamed for the school funding crisis, despite the fact that the Legislature has repeatedly undermined or failed our neighborhood schools by not providing adequate funding for necessary programs, including the people who provide those expert services.

Too much attention and newspaper ink have been wasted, deriding these valuable employees. What we have in Michigan is a loud minority of misinformed critics who think that taking away health insurance or limiting pensions will help kids. A recently introduced package of bills would undermine the retirement system for public school employees to the detriment of our state.

It doesn't help kids to make these cuts. And it won't help our economy, either.

Much of the criticism focuses on the wages and health insurance provided for school employees and on the pensions and health care they'll receive upon retirement.

Some have lost sight of the fact that public education is a people-intensive business. While corporate America may have figured out how to build widgets with fewer (or no) employees, without qualified people, there isn't an effective way to teach all students the skills they need to get jobs or to go to college. Buses can't drive themselves, and most children can't learn advanced math or critical writing without teachers.

Education requires people

Most of the money spent in public education pays the employees who work in the schools, and it should. The money pays people to train our work force. What better economic development is there?

Employment in education is a good source of income for hundreds of thousands of Michigan workers, too, providing them with sufficient money to buy groceries and pay mortgages. Michigan businesses – from small-town hardware stores to big box corporations – all benefit when schools pay decent wages and health care and provide retirement benefits.

The portion of money invested to provide pensions and health care for public school employees is significant, no doubt. But school employees don't get rich in retirement. While the average retiree receives under \$18,000 a year, about 50,000 retirees – almost one-third of those currently drawing from the pension system – receive less than \$10,000 a year. Could you live on less than \$10,000 a year?

Did you know that many retirees must work to afford their insurance (yes, they pay for it), food and other basic needs?

The Detroit News' recent series about the system raised some important questions, and there are others that need to be addressed, too.

Is a comprehensive review of the retirement system needed? Yes.

Check administrator practice

We need to look at the provision that allows schools to hire administrators as contract employees after they have retired and are collecting pensions and health care coverage.

Perhaps the biggest problem facing the pension system is something called the "unfunded accrued liability," which is

an amount school districts must pay to make up for the poor stock market performance following Sept. 11. During the past school year, the unfunded accrued liability cost districts 5.7 percent of payroll, or more than the basic cost of funding a pension for employees, which was 5.49 percent of payroll. The state needs to maximize its investments, and there have been signs that it is trying to do so.

Another significant problem is the fact that Michigan doesn't pre-fund retiree health care costs. We operate on a pay-as-you-go basis, which is unstable by nature.

But, it seems, there isn't enough political courage in Lansing to look at the entire system. Instead, some lawmakers want to pick it apart without supporting data to show how the system may remain viable in quality and cost.

Help retirees and districts

Just last week, three legislators introduced a series of bills attacking public school employee pensions and retiree health care. The proposed legislation falls short of what's needed to protect retirees, school districts and the state from financial hardship.

Schools need solutions that sustain benefits and costs. Switching plans, cutting benefits or making minor changes that affect a few won't work long-term.

Our Legislature needs to work with school employees, taxpayers, parents, business owners and others to ensure Michigan has a public school retirement package that's fair to all. It's time for a comprehensive review of the system to enable us to collectively identify strategies to help schools, retirees and the state economy.

We can do this together – we just need the commitment from all parties. The MEA stands ready to help.

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Labor Voices

Labor Voices columns are written for The News on a rotating basis by United Auto Workers President Ron Gettelfinger, Teamster President James Hoffa, Michigan AFL-CIO President Mark Gaffney and Michigan Education Association President Iris Salters. The News hopes to provide a forum for discussing workplace issues that are critical to a large segment of Michigan's population, whether or not they are union members. Look for Labor Voices every Friday in The News.

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