Michigan cuts teacher health care, pensions

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Last week the Michigan state legislature passed a bill that strips retirement health care from all newly hired teachers and greatly increases the cost of their pensions while setting in motion plans to altogether eliminate them. By also mandating substantial increases to health care costs and/or reduced pensions to nearly all of the 450,000 current and retired teachers, the scope and depth of this attack on teachers' ability to secure affordable health care and a livable, let alone comfortable, retirement amounts to a direct assault on all teachers. It is the latest attack in an ongoing war on public education itself that is supported by the entire political establishment.

The bill, SB 1040, passed on August 15 by Republican majorities in both state houses and supported by Republican Governor Rick Snyder, is purported to cut $15 billion from a $50 billion shortfall in the teacher pension pool, the Michigan Public School Employees Retirement System (MPSERS), while saving school districts about $970 million over the next two years by capping contributions to the pool. Under the bill, new teachers will no longer have their health care premiums fully subsidized in retirement, but will be forced to cover as much of the cost of insurance as possible out of a "pre-funded" $2,000 health reimbursement account and a 401(k)-type retirement savings account containing up to 2 percent matching contributions.

Former Democratic Governor Jennifer Granholm along with a Democratic-run House and Republican-controlled Senate attempted in 2010 to implement a 3 percent employee contribution, and the teacher union leaderships responded by filing suit rather than mobilizing their memberships for a militant resistance of any overhaul of pensions and health care. The day after the legislature passed SB 1040, The Michigan Court of Appeals sustained a lower court ruling, striking down the imposed 3 percent payroll deduction from teacher paychecks for health care as unconstitutional because unlike universally applied programs like Social Security and Medicare, retiree health benefits can be reduced or even scrapped by future legislatures.

Through more than two years of adjudication and after an initial district court ruling striking down the paycheck deduction, the state has continued to collect the 3 percent from teachers and roughly $508 million now sits in an escrow account. Despite this fact and the passage of SB 1040 the day prior, the union leadership claimed victory. Michigan Education Association Public Affairs Director Doug Pratt told *MLive.com* August 17 that the appeals court ruling "serves as a reminder that even the extreme politicians in Lansing have to obey the constitution—something they've failed to do and that voters will remember in the fall."

American Federation of Teachers-Michigan President David Hecker similarly insisted, "Charging people for retiree health care while refusing to guarantee it is clearly unfair and unjust. We call on the governor and attorney general to accept the court's ruling and pay educators back all the money that has been withheld from their paychecks immediately."

Not to be swayed by the crowing of union officials, teachers have expressed widespread anger and distrust in online comments.

An appeal of the ruling by the state to the Michigan Supreme Court could now argue that passage of SB 1040 resolves the legal issues. Kurt Weiss, spokesman for the state Department of Technology, Management and Budget and the Office of Retirement Services cited the dissenting appellate judge's opinion and explained to *MLive.com* that under SB 1040 current teachers now had the option of giving up the health care benefit and eliminating the 3 percent withholding by moving to the 401(k) plan that provides for a 2 percent state matching contribution that new teachers will have.

Also under SB 1040, current teachers and retirees under 65 will see their contributions to health care premiums doubled, from 10 percent to 20 percent. While retirees over 65 are spared this increase, the bill does not leave them untouched, since they will no longer be allowed to apply their Medicare benefits toward their 10 percent portion of the premium. This, among so many aspects of the bill, amounts to a callous disregard of promises previously made. William McNany, 66, a high school social studies teacher for 36 years, told the *Detroit Free Press*, "I believe that when I was a teacher, I was told certain things about retirement, and the state had a moral obligation to follow through."

SB 1040 also sets a deadline of November 15, 2012 for completion of a $150,000 study of "the costs of ending pensions" for new hires. In other words, the study aims to determine the administrative cost of terminating teachers' access to the MPSERS. Pending results of the dubious study, the plan is to shift new teachers from the current hybrid defined-benefit and defined-contribution system to a strictly defined-contribution system. Senator Roger Kahn noted to *MLive.com* that it was fortuitous that the deadline landed in mid-November as this provided lawmakers the opportunity to complete the elimination of pensions during the lame duck session, i.e., after the election and with the political cover of outgoing legislators.

There was an attempt by a faction of Republicans to whip up hysteria over a "pension bomb" in order to immediately eliminate pensions for new teachers. Ultimately, Governor Snyder was wary of throwing support behind the maneuver, and the immediate conversion was shelved in favor of the three-month study.

The Governor's decision was touted as a victory by teacher unions operating under the newly formed Coalition for a Secure Retirement Michigan. Their web site states that "a majority of both state and school retirees receive less than $20,000 a year in pensions, according to the most recent Comprehensive Annual Financial Report." This statistic is cited not as a call to arms to defend and increase the paltry income, but as a reason for teachers to attend their own workshops on the many types of retirement income they should be considering, including "investments, savings, IRAs and 401Ks." The organization advocates here-today gone-tomorrow stock market based pensions over any genuine guarantees on pensions.

SB 1040 coerces current teachers into accepting the defined-contribution 401(k) pension plan now, before the study is completed. Teachers are compelled to begin making larger contributions under threat of receiving reduced payments in retirement. One need only notice the remaining $35 billion hole in the pension pool after SB 1040 to know that not only will the elimination of defined-benefit pensions for new hires be coming down the pike, but further cuts in wages, benefits, pensions, and conditions of teachers should be expected. At the same time, one can reasonably expect a continuation of the coordinated campaign of demonizing teachers as living high on the hog at the expense of students. This campaign will point to the fact that private sector workers have already engaged in their "shared sacrifice." In addition, this attack targets older teachers.

Republican Senate Majority Leader Randy Richardville told *MLive.com* that "people in the private sector are now paying between 20 and 30 percent of their health insurance premiums, and the change brings school employees in line with that. 'I don't think this is anything that anybody likes, but is a reality of the health care marketplace,' he said." The entire official debate surrounding SB 1040 can be characterized as a universal acceptance of the premise of applying "the reality of the marketplace" to education policy.

The attack on teachers occurs amidst an across-the-board decimation of wages and benefits among both public and private sector workers. The 2009 Obama Administration-forced bankruptcy of GM and Chrysler set the example, tearing up contracts and halving wages for new-hires. The bailout was predicated on the claim that since the economic crisis begun with the Wall Street crash of 2008, it was inconceivable that auto workers should maintain anything close to resembling the wages, pensions, and "Cadillac" health insurance plans won in a previous era of labor militancy.

Despite the official mantra that there is "no money" for a decent standard of living or retirement for teachers, Governor Snyder last year eliminated about $1.7 billion per year in business tax revenue. State Budget Director, John Nixon stated that every state faced "massive liabilities" in funding their retirement systems. Michigan, he said, "has taken a giant step forward in solving one of the biggest problems facing our state and nation." It is clear that, as with the auto bailout, the Emergency Financial Manager law, the proliferation of charter and cyber schools, and the "right-sizing" of Detroit, Michigan is a petri dish of social experimentation for deeply reactionary proposals which are becoming Michigan's new chief export to the rest of the country.

When Governor Snyder claims that making stock market-based investments the centerpiece of health care and pension overhauls will put us "back on a sustainable path," he speaks for both big business parties and the union leaderships. The irony however of this overhaul being necessitated by an historic stock market crash was lost on all participants and the media throughout this debate. "This is a win for our children and their education, as well as a win for our school employees who need to know that benefits are secured and on solid footing for the future," he said.

Numerous readers commenting on the news media's web sites proved more attentive, however. Ann W. responded to the *Detroit Free Press* by noting, "I noticed that there was no mention that Snyder and the GOP Legislators continue to use the projected Pension shortfall predictions based on the 2008 studies when the DOW was at 6500. This is so their Chamber of Commerce pals can benefit from these investments and allow the Bankster Gangsters another crack at another payday like in 2008. Only this time everyone will have been forced into 401s so their booty will make [2008] look like a Sunday school picnic."