

Michigan governor signs bill attacking school employee pensions

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Michigan Republican Governor Rick Snyder signed legislation Tuesday requiring the state's 475,000 active and retired public school employees to contribute more toward their pensions and eliminating fully paid retiree health care benefits for newly hired teachers. The bill is widely seen as the first step in a move to eliminate school pensions altogether.

Within hours of Snyder signing the legislation an Ingham County Circuit Court judge granted an injunction temporarily blocking full implementation of the law. The court ruled that the October 26 deadline set by the legislation for teachers and other school employees to decide whether to remain in the pension and retiree health care systems did not provide enough time.

The legislation, SB 1040, strips new teachers of fully paid retiree health benefits. Instead, they will have either \$1,000 or \$2,000 deposited into a health reimbursement account and receive up to 2 percent in matching contributions to a 401(k) account that can be used toward the purchase of retiree health care. In addition, current teachers and retirees under age 65 will see their contributions to health care premiums doubled from 10 percent to 20 percent. It caps district contributions to pensions at 24 percent of payroll. School employees who are eligible for Medicare will pay 10 percent of their own premium in addition to their monthly Medicare premium.

The legislation also increases pension contributions for current employees. Those in the basic plan will see their contribution rise from 0 to 4 percent. Those in the Member Investment Plan will rise to 7 percent from the current 3 to 6.4 percent. Employees can avoid the higher contribution if they leave the current pension system, a hybrid of 401(k) and defined benefit plans, and accept in its place a strictly defined contribution

401(k) type plan. School employees were to have made this decision by October 26.

SB 1040 also commissions a study on the costs of eliminating defined benefit pensions for all new school employees and converting them to a defined contribution 401(k) plan.

Governor Snyder also announced that the state will appeal an August Michigan Court of Appeals ruling that declared a 3 percent deduction from school employee pay to fund post-retirement health care unconstitutional. The administration of former Democratic Michigan Governor Jennifer Granholm attempted to implement the 3 percent employee contribution in 2010 with bipartisan backing. The appeals court upheld a lower court ruling that found the 3 percent deduction violated due process. Some 227,000 school employees have had \$508 million deducted since 2010, which is sitting in an escrow account awaiting the outcome of litigation.

SB 1040 also stipulates that if school employees give up retiree health insurance coverage they can avoid the 3 percent deduction. As in the case of the proposed new pension deductions, employees would have until only October 26 to make a decision.

In signing SB 1040 Governor Snyder claimed that the measure would eliminate \$15 billion of the current \$45 billion in unfunded pension liabilities for the Michigan Public School Employees Retirement System. He indicated this was only the first volley in a war on school employee pensions, vowing over the course the course of the next several years to eliminate the entire unfunded liability at the expense of school employees and retirees. "We took care of 15 of the 45 and we are putting in place a system to fund the other 30," he declared.

Republican State Senator Roger Kahn of Saginaw

Township, who sponsored SB 1040, warned that his bill “is not the end of school financial reform in Michigan, it is not even the end of the beginning. It’s only a start.”

Predictably, the teachers’ unions have mounted no serious opposition to this latest round of sweeping attacks on public education. The lawsuit filed by the American Federation of Teachers against SB 1040 challenged the law on the narrow grounds that the legislation as enacted gave teachers and other school employees too little time to make decisions regarding their pensions and retiree health care benefits, not that the entire law should be thrown out. “It’s our contention that all of these people were hired by public school employers with a very clear idea of what their retirement benefits are going to be,” said AFT attorney Mark Cousens. “That breaches a very clear and reasonable understanding of what all these public employees had of what their retirement is going to be.”

Over the past several years the teachers’ unions have stood by while both Democratic and Republican administrations have imposed round after round of education cuts. They have endorsed Obama’s campaign for re-election even as his administration implements right-wing attacks on public education, including the promotion of charter schools and attacks on teacher tenure.

Michigan is being used as a model for an assault on public education being carried out across the United States. A series of state-appointed emergency managers have carried out draconian cuts to education in school districts around the state. Earlier this year in Muskegon Heights the state-appointed emergency manager fired all teachers and staff and began soliciting bids from private companies to run the schools as charters.

In Detroit, the largest public school district in the state, public education has been gutted. Scores of public schools have been closed down and converted to charters while the pay and benefits of teachers have been slashed. Earlier this year Detroit Public Schools Emergency Manager Roy Roberts announced that fifteen schools would be assigned to a state run Education Achievement System (EADS). Teachers at the schools had to reapply for their jobs while their wages were cut. In addition, teachers at the EADS schools no longer participate in the state school employee retirement system.

Democratic and Republican politicians, along with the big business media, claim there is no money to fund education or pay teachers decent retirement benefits. At the same time Michigan-based auto companies, Ford, Chrysler and General Motors, are posting record profits after slashing the wages of new-hires by 50 percent and wiping out tens of thousands of jobs. Meanwhile, the gutting of public education has been accompanied by the slashing of taxes for big business.

The fight to defend school employee retirement health care and pensions is part of the broader fight to defend public education. This requires the independent mobilization of the entire working class in a political struggle against both the Democrats and Republicans and a break with the AFT and MEA. The defense of public education, whose basic principle is equality, is bound up with the socialist transformation of society. The resources to fund public education can be secured only by placing the banks and big corporations under the democratic ownership and control of the working class.



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