

AFT Michigan Retiree Legislative Update

February 2014

Charter School Advocates Unhappy with Governor's K-12 Budget

Part of Governor Snyder's School Aid budget proposal for the upcoming fiscal year would use an additional \$100 million of School Aid fund dollars to further reduce the MPERS rate for public schools. The percentage of payroll MPERS employers are required to pay into the MPERS system each year for their MPERS-member employees is called the MPERS rate. Recent changes to MPERS contained in PA 300 of 2012 capped the MPERS rate at 20.96% for the Unfunded Accrued Liability Portion of the pension costs. The Governor has proposed reducing that rate on the UAL portion by an additional 1.2% for the upcoming and subsequent budget years. This will create savings for public schools participating in the MPERS system.

Since this proposal means that approximately \$100 million from the School Aid Fund will be used to help reduce costs for MPERS employers, the proposal has created a backlash among non-MPERS public education employers, particularly from charter school advocates.

At a recent meeting of the Senate Appropriations K-12 Subcommittee, Gary Naeyaert from the Great Lakes Education Project referred to MPERS as a zombie that is eating public education funds. Setting aside the offensiveness of the remark, it also blissfully ignores the fact that a large amount of the unfunded accrued liability that is creating problems in the MPERS system stems from the advent of charter schools which diverted new public school employees away from the MPERS system. The Great Lakes Education Project, joined by the Michigan Association of Public School Academies, lobbied the committee to reject the Governor's proposal and place the \$100 million into the foundation grant.

Senator Bruce Caswell (R-Hillsdale) argued that, while he is supportive in many cases of privatization and charter schools, shifting employees out of the MPERS system through such mechanisms has led to much higher costs for MPERS members. He referred to the recent legislation that capped UAL costs for MPERS employers, but also significantly reduced benefits for MPERS employees.

This will no doubt be a continuing point of contention as the K-12 budget moves through the process.

Coalition for Secure Retirement Receives Federal Grant

The Coalition for Secure Retirement (CSR), an organization co-founded by AFT-MI, advocates on behalf of state and public school employees and retirees to protect their well-earned pension benefits. They were successful in 2012 as part of a group effort to stave off a shift of the Michigan Public School Employees Retirement System from a hybrid plan to a full defined contribution plan, and they will be on the front lines again this year as we expect similar legislation to be pushed hard in the Michigan Legislature.

Fortunately, the National Public Pension Coalition has recently awarded CSR a grant for the purpose of generating grass roots support for public pensions, bolstering the economic arguments supporting defined benefit pension systems, and organizing public employees in Michigan to advocate for a secure retirement. The \$40,000 grant will be used over the course of the next year to conduct research, grass roots communication and membership education on these important issues.

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