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Teachers Pay High Fees for Retirement Funds. Unions Are Partly to Blame.

Groups representing municipal employees and teachers are often paid to endorse investment products

The pitch from the president of the Indian River County teachers union couldn't have been clearer.

Liz Cannon, who heads the Indian River chapter of the Florida Education Association, urged union members to buy retirement investments from Valic Financial Advisors Inc. through a firm owned by the union. That way “we also make money,” she said in a November 2017 newsletter, through regular dividends.

What Ms. Cannon didn't mention was that investments from Valic, a unit of giant insurance company American International Group Inc., can carry high costs that may translate to a smaller nest egg when teachers retire.

The setup is one of an array of similar deals in which unions and other groups get income from endorsements of investment products and services—often at the expense of teachers and other municipal employees.

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The Wall Street Journal

By Anne Tergesen and Gretchen Morgenson

Dec. 18, 2019 10:57 am ET

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