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Michigan Leads Effort to Shift Workers Away From Pensions.

LANSING, Mich. — Struggling under the weight of pension and health care obligations, Michigan lawmakers appear ready to take another whack at public employee benefits — a move that reflects renewed determination to shift workers to 401(k)-style retirement systems, even if it happens in baby steps.

Other states have made more modest changes, but the latest push shows that conservatives want to approve big reforms 20 years after Michigan became the first state to close pensions to future state workers. Republican Gov. Rick Snyder is pressing to address \$14 billion in unfunded liabilities, mostly from retiree medical costs, spread across more than 330 communities.

“As a state, we cannot get ahead if too many of our local communities have problems,” he said.

The proposals could serve as a national blueprint, and they will provoke a pitched battle with public unions that are desperate to preserve traditional benefits.

Michigan is taking a leading role because of its size and the fact that GOP legislators and Snyder turned what was once a stronghold of organized labor into a right-to-work state. They also forced teachers and state employees to contribute a portion of their paychecks to avoid receiving smaller pensions in retirement.

After ending pensions for new state workers in the late 1990s, Republican legislators are now considering moving all newly hired teachers and local government workers to 401(k)-type plans and cutting municipal retiree health benefits. Just one other state, Alaska, has ended teacher pensions.

The governor, a former accountant and venture capitalist, has not outlined specific retirement proposals other than to be cool to shifting new teachers away from pensions because of the large upfront costs. But he warns that if nothing is done, retiree obligations — especially medical costs — will squeeze city budgets further and jeopardize basic services.

Influential conservatives point to Detroit, where thousands of people had their pensions cut by 4.5 percent in the bankruptcy. Annual cost-of-living increases were eliminated, and health coverage was replaced with a monthly stipend to buy insurance through the federal exchanges.

“If any more of the cities go bankrupt, their workers are not going to get what they were promised. That’s just not fair,” said John Kennedy, president and CEO of Autocam Medical in Grand Rapids, who led an informal task force that Snyder formed to study the issue. He is also a board member at the West Michigan Policy Forum, a group of business leaders and GOP donors that has listed unfunded retirement costs as its top priority.

Municipal officials are eager to see changes, too.

“This is essentially a mortgage crisis. We can’t afford our payments, and they’re ballooning,” said Port Huron City Manager James Freed, who worries that his town of 29,000 people an hour’s drive outside of Detroit will have to cut spending by up to 20 percent in coming years if nothing is done.

"We've already gone through 10 years of budget cuts," Freed said. "At this point we're not talking about cutting services. We're talking about eliminating services."

Options that may be considered in the Legislature include prohibiting retiree health benefits from being a subject of collective bargaining, capping how much local governments pay toward retiree medical insurance and eliminating traditional coverage in retirement for new workers in favor of contributions toward tax-deferred accounts, which is already in effect for new teachers and state employees.

Critics say the state should not intervene in local labor contracts and describe the push as an attack on police and firefighters who risk their lives and typically must retire earlier than other workers.

"We thought what we had was bought and paid for," said 56-year-old Monty Nye, who retired from the Meridian Township Fire Department outside Lansing two years ago.

An officer in the statewide union, Nye said some new hires have already ceased to qualify for health care in retirement and will receive smaller pensions. Veteran firefighters agreed to smaller pay raises to keep intact the size of their pension, he said.

Nye said he pays \$800 a month for his family's health insurance — half of the premium. He also challenged a contention by Republicans that millennial workers prefer 401(k) systems because the plans are portable from job to job.

"That might be people that are looking to move around in the corporate world," Nye said. "But the people that go to fire departments go there for the stability of the job."

A pension, he said, lets first responders retire no matter how the stock market is faring.

"You don't want some 65-year-old firefighter trying to drag your butt out of a burning house," he said.

Oklahoma and Alaska are the only other states besides Michigan where new state employees are in mandatory 401(k)-style plans, which have been common in the private sector for many years.

If Michigan were to shift all new local workers and teachers to 401(k)-style plans, "it would be the first large state that's taken that kind of action. People would certainly look closely at it," said Greg Mennis, who studies public-sector retirement systems for the Pew Charitable Trusts.

The drive comes as President Donald Trump's administration explores how to implement at the federal level parts of a Wisconsin law that all but eliminated collective bargaining for public-sector unions in that state, according to Gov. Scott Walker.

Michigan conservatives are determined to take action.

"At some point, the political resolve needs to be applied to this problem," said Sen. Phil Pavlov, a Republican from St. Clair, north of Detroit.

Democrats say they are willing to talk about easing long-term liabilities but not without also discussing cuts in state revenue that have contributed to local budget woes.

Senate Minority Leader Jim Ananich of Flint said it would be foolish to rush bills while there is so much uncertainty over the future of the federal health care law and Medicare in the GOP-controlled Congress.

“You can’t talk about cutting benefits for teachers and firefighters ... and expect the federal government to come in,” he said. “After what their plans are, people are going to be more economically insecure.”

By THE ASSOCIATED PRESS

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