

LETTERS

Address public employee pension issues with care

Editor:

Understanding Michigan's municipal retirement landscape can be complex. (See "Time to focus on pension liabilities" and "Steps municipalities can take to pay pension, health care obligations," Oct. 6, Page 6.)

There are 869 municipalities across the state that offer retirement benefits to their public employees. The Municipal Employees' Retirement System of Michigan partners with 84 percent of these municipalities to offer retirement benefits that range from traditional pensions to defined contribution plans — and a mix of both, called a hybrid plan.

There is no one-size-fits-all approach to funding a secure retirement for our public servants. The retirement needs of a police officer in the western Upper Peninsula and a wastewater treatment plant worker in the Thumb can differ greatly.

Yes, pension unfunded liabilities exist; however, having unfunded liability is like having a mortgage. In our 70-year history, our municipalities have made their "mortgage" payments every month while pre-funding a portion of their entire mortgage. While paying off the en-

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Chris DeRose, Municipal Employees' Retirement System of Michigan

tire mortgage might be desired, having a mortgage is not a crisis.

Some municipal plans are very well funded, some are poorly funded and most are somewhere in the middle. In fact, 40 percent of the total pension liability in our state is from only 10 plans.

State law requires pensions to be prefunded, and most are proactively managing their retirement plans. In the past five years, 73 percent of our customers have taken steps to reduce unfunded liabilities; this includes a quarter choosing to make

additional payments.

By far, unfunded liabilities from retiree health care plans, commonly known as Other Postemployment Benefits, or OPEB, remain the biggest challenge facing Michigan municipalities. Unlike retirement plans, municipalities are not required to fund OPEB. A recent study by Michigan State University Extension found that OPEB liabilities are three times larger than pensions, and almost half the plans have no assets set aside.

This is a complicated public policy issue that needs to be addressed with great care to maximize taxpayer dollars while protecting public retiree benefits. The focus should be on the communities that have both poorly funded pension and health care plans and have a significant portion of their budget going to these costs.

We believe requiring a consistent set of assumptions will lead to more transparency and accountability. Our taxpayers and dedicated public servants deserve no less.

Chris DeRose

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