

Board poised to cut retirement benefits

Written by STEVE OSTERMANN
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School officials back plan to drop insurance coverage in favor of annuity payments but agree to delay full change for two years

Faced by a looming budget deficit, the Grafton School Board on Monday agreed to begin paring retirement benefits for district employees but will not fully implement the cuts for two years.

The board discussed a cost-cutting proposal that calls for eliminating health insurance for retirees in favor of giving them annual annuity payments and raising the number of years employees must work in the district to be eligible for retirement benefits.

The proposal was recommended by Supt. Mel Lightner, who explored cost-savings options as part of an ad hoc committee that unveiled its findings Monday.

“It’s a very tough decision, but we have to look at this in terms of the bigger picture,” said Lightner, who last month asked for a committee to explore ways to pare a projected \$850,000 deficit the district faces for the 2014-15 budget.

“We’re at a time now where there is less and less public support for public education. Next year, we have less money to operate the district than this year. It’s a real dilemma.”

Because nearly 80% of the expenditures in the district’s \$23 million budget will be for employee salaries and benefits, that area must be pared, Lightner said.

The committee — which included Lightner, board members Paul Lorge, Eric Oleson and Carrie Walls, Director of Business Services Kristin Kollath and Human Resources Manager Jill Ziegelbauer — proposed two major changes:

n Eliminating district health insurance for retirees. Eligible retirees currently receive seven years of paid health and dental insurance.

In lieu of insurance, retirees would be given an annual \$15,000 payment in a tax-sheltered annuity for five years. Retirees could then use the money as they chose, including buying their own insurance.

n Requiring employees to work 20 years in the district, rather than the current 15 years, to receive benefits. Employees would still have to be at least 55 years old to be eligible for retirement.

Lightner said the changes would be made through the employee handbook, which was adopted in response to the state budget-repair law. The law stripped public-employee unions, including the Grafton Education Association, of the ability to negotiate any terms of their contracts except base salaries.

The district spent \$671,000 on retirement benefits last year, and “that has got to be reduced,”

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Lightner told the board. He said the rising cost of insurance, which is expected to increase 8% annually, makes paring the benefit imperative.

Monday's meeting was attended by more than a dozen teachers, including Grafton Education Association representatives James Johnson and Jim Girmscheid, who urged the board to get input from staff members before cutting retirement benefits.

"I'm worried that we're moving forward without seeking any new ideas," Johnson said. "I hope we can get back to the collaboration that we've had in the past."

Girmscheid asked the board to give employees more time to provide input and make retirement decisions. As an elementary school teacher with 39 years in the Grafton district, Girmscheid said he is considering retirement but is being unfairly rushed by a March 1 filing deadline.

Girmscheid asked the board to extend the application deadline to June 1 to give himself and other retirement-eligible teachers more time to make decisions.

"People will feel they have to work longer before they retire," Girmscheid said. "If teachers stay five more years, that increases their salaries, which doesn't save the district money. That doesn't make good, positive sense."

Lightner said he didn't seek input from staff members on cutting retirement benefits because he first wanted a directive from the board. The proposed changes, he said, are not designed to make teachers work longer but will give them that option.

"I reject the idea that higher-paid teachers should be encouraged to retire," Lightner said. "They should teach as long as they want."

Lightner recommended the board approve the committee's benefits-reduction plan effective with the 2014-15 school year.

"I'm calling a spade a spade," he said. "To put the decision off doesn't help us."

However, several board members said they were uncomfortable with the proposed cuts.

Member Michael Holloway said he is "concerned about pulling the rug out" from teachers who are within one or two years of retirement. He suggested retirees be allowed to buy district insurance and that the district provide annuity payments for teachers who can't reach the 20-year requirement.

Lorge, the board treasurer, suggested a "step-down phase" for implementing the changes over two years. With that approach, he said, retirees would receive a reduced insurance benefit effective with the 2014-15 school year and annual \$15,000 annuities in lieu of insurance starting in 2015-16.

"As much as I'd like to collaborate (with teachers) on a plan, we've got to start somewhere,"

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Lorge said.

Other board members and Lightner agreed in principle to Lorge's idea, which was referred back to the committee for another recommendation.

The board also agreed to extend the retirement application deadline to April 15.