LOCAL VIEWPOINT

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Ingham County working to responsibly fund pensions

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There is no question that underfunded public pensions are a complex, serious concern and, in some cases, a real threat to the financial future of municipalities and other public employers. Ingham County is not immune to the challenges posed by pensions. Unfortunately, the Mackinac Center for Public Policy's Sept. 4 viewpoint shed no light on the status of Ingham County's pension funding.

Instead, the column grossly oversimplified the issue and left out key facts, like the steps that the County has taken over the past decade to address its pension liability and the reasons that the "underfunded" percentage recently grew, seemingly overnight. By presenting a skewed report, the Mackinac Center missed an opportunity to educate Ingham County taxpayers.

Ingham County is not in the dire shape that the Mackinac Center described. In fact, through careful planning and saving, Ingham County is in a better position than many other public employers to fund its pensions. And we continue to work on this issue while adjusting to changes outside our control.

In June 2016, the county's pension administrator, the Municipal Employees Retirement System (MERS), implemented major changes that directly affect the county's pension liability. MERS (1) adopted new actuarial assumptions to reflect retirees' actual life expectancies; (2) lowered the assumed rate of return on its investments; and (3) imposed a fixed amortization period.

This means that – starting in 2017 – Ingham County needs to make significantly larger annual payments to MERS because MERS now requires that pensions be fully funded by a much earlier date. Because of these changes, the "funded" portion of county pensions dropped from 71 percent to approximately 66 percent.

While these changes were unexpected, the county has proactively worked for years to deal with its pension liability. In 2012, the Board of Commissioners recognized that the existing defined-benefit system was not sustainable. In response, the board adopted a "hybrid" pension composed of defined benefits and defined contributions.

Even earlier, in 2008 and in every year since, the Board of Commissioners has budgeted at least $3 million from the county's general fund for pensions and other post-employment benefits. This foresight largely spares the county's proposed 2017 budget from major cuts because a portion of these savings will be used to pay the additional $2 million that MERS requires in 2017.

It is disappointing that the Mackinac Center omitted essential facts about Ingham County's pension situation. But it is worth noting that the Mackinac Center vehemently opposes traditional pensions for public employees. Instead, it favors riskier, privately administered 401(k)-style plans – or nothing at all.

The Mackinac Center sounds the alarm about underfunded public pensions, but it seems to be untroubled by the possibility of a future filled with impoverished retirees. This is the actual pension crisis that lurks as workers see their retirement benefits whittled down or completely taken away.

The private sector started this devastation, which now threatens public servants. Instead of asking why only some workers can look forward to a decent retirement income in their golden years, we should ask why everyone who has worked their entire lives can't count on the same thing.

Ingham County's employees and retirees have worked hard every day to serve the public. And regardless of our individual political differences, the Board of Commissioners remains committed to acting as good stewards of taxpayer dollars while also protecting the retirement benefits our current and former employees have earned.

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