



Indiana Professional Educators, Inc.

Professional Viewpoint

Educators By Calling, Professionals By Choice

Celebrating over 30 Years
Serving Indiana's
Independent Teachers.

ISTA INSURANCE TRUST NEAR BANKRUPTCY

The insurance fund that is managed by ISTA is facing a \$67 million deficit due to "high risk investments." There have been reports that the FBI and the state's securities division are investigating these allegations.



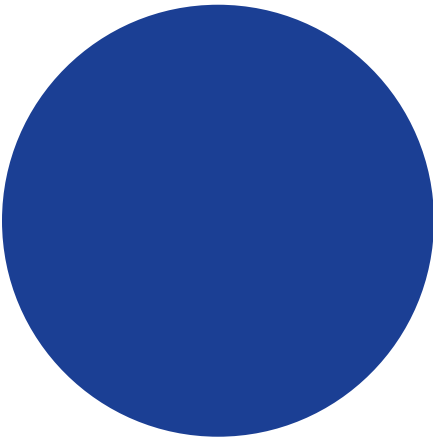
According to Bill Ruthhart, of the Indianapolis Star, "The health program was losing money and cashing in its investments to keep up the claims payments. As a result, [the Indiana Department of Insurance] helped broker a tentative deal with United Healthcare, which is expected to take over the health insurance program July 1."

"In the process, however, state regulators say what they found was startling: more than a dozen high-risk investments in hedge funds and private equities accounting for 88 percent of the trust's \$19 million in assets."

It has been stated, much of what remains cannot be liquidated since the money is in long-term investments. Even worse, the trust has about \$86 million in liabilities. Reportedly, they are about \$40 million short in the long term disability obligations alone.

The ISTA Executive Director Warren L. Williams and Morgan Stanley investment broker David Karandos had control of all the investments. Warren approved a 50 percent fee hike for Karandos "despite large losses in the portfolio" and the fact that Karandos was getting full commissions on his more than 4,000 trades over a nine-month period. Williams announced his impending retirement last month, resigned immediately.

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MEMBERSHIP RENEWAL
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Insurance commissioner, Jim Atterholt said, "They need to open their books. We don't think ISTA membership is aware of how serious the situation is, and we don't even know how well-informed their board is."

ISTA Deputy Executive Dan Clark stated it was unclear how much the union's board knew. "It is my understanding the (William and Karandos) reported information to the boards, but there are some issues about how well of the information was explained."

There were some doubts raised about an April 28th memorandum from the ISTA's insurance trust director, Richard Darko to the union's Uniserv directors. In this memorandum, Darko never mentioned the trust's financial issues, and insists Uniserv directors keep district's from dropping the long term disability coverage. This insistence was to the point of threatening grievances against any district that tried to opt out.

Darko stated, "it is CRITICAL that you remind your local leaders that long ter, disability insurance, and all other insurance, is a mandatory subject of bargaining. A school corporation cannot drop an insurance plan, add an insurance plan, or change an insurance plan, without the agreement of the local collective bargaining agent. We implore you to suggest strongly to your local leaders that there be NO AGREEMENT on a change in regard to long term disability coverage carried by the Trust, for the next 30 days."

"ISTA's Prgrams ad Legal departments will vigorously assist any local association in filing proceed-

ings with the Indiana Education Employment Relations Board to stop attempted, unilateral, changes in long term disability coverage." (Darko)

It has been reported that the directors of the trust made some efforts to create more income and close the deficit, but on at least one occasion, the school board did not by in to the "pitch."

"The ISTA Financial Services Program has faced controversy before. Several ISTA members sued the union subsidiary and MetLife for misinformation about their 403(b) retirement plans. With strange timing, the U.S. District Court was scheduled to grant the union's motion to dismiss that two-year old lawsuit" (some time in May). Cite: EIA Communique 5/18

Indiana is the second NEA affiliate this year to become part of a financial scandal because of a subsidiary. (All information cited: EIA Communique)

The problems seem to be too monumental for ISTA to overcome. The NEA has now established a trusteeship over the state union. ISTA's financial problems are reported to extend well beyond the trust.

The NEA has a \$346 million budget and does not have \$67 million in the discretionary fund for such an endeavor. "It is, however, financially healthy, and it may be enough for NEA to guarantee a loan or credit to sustain ISTA, the trust, or both." Cited: EIA Communique 5/26

ISTA has more than 47,000 members, which makes them NEA's

17th largest state affiliate. If the issues that ISTA is now facing are only occurring within ISTA and not other state affiliates, then NEA and ISTA may be able to overcome this obstacle. However, if there are other similar difficulties there may not be enough to sustain.

ISTA president Nathan Schnellberger sent the following e-mail to activists about the current situation:

" ISTA Members,
As you may know, the ISTA Insurance Trust has recently experienced a number of sever difficulties. Additionally, like most organizations in this economic downturn, ISTA itself is experiencing some financial distress that must be addressed.

In a response to both of these situations, Saturday afternoon the ISTA Board of Directors met in a special session and unanimously agreed to ask NEA to institute a Trusteeship over ISTA. The purpose of this trusteeship is to assure ISTA's current financial viability and continued long-term success.

In response, NEA agreed to appoint a trustee. His name is Edward Sullivan. Ed has had a distinguished career in the NEA family. Until his retirement last year, Ed served for 24 years as the Executive Directors of the Massachusetts Education Association. I have met with Ed, and I am confident that he will provide sound leadership as we work to resolve the financial issues that confront us.

Ed will have complete authority over the operations of ISTA. As he explained it to me, his mission will be keeping the regular business operations of ISTA running smoothly while exploring various financial options for the ISTA and

ISTA INSURANCE TRUST NEAR BANKRUPTCY

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instituting whatever corrections are needed.

Your elected officers and the Board of Directors will give Ed dull support and cooperation for the duration of the trusteeship and ask that you do that same.”

(Federal Law allows for a trusteeship to last for up to 18 months)

The 2006-07 IRS form 990s, for ISTA Insurance Trust and the union itself, were not filed until 2008 and are the most recent forms available. These documents reveal that these issues did not happen over night. The key figures show that two years ago they had \$17.5 million invested in publicly traded securities and \$19.5 million in hedge funds and private investments. There was a \$2.7 million deficit (in the trust) in 2006-07, overall at that point the trust was

still \$734,000 in the black. The ISTA’s financial disclosure report may indicate that money problems were around for some time. The union ran a \$3.5 million deficit in 2006-07, and was already in the red \$728,000 from 2005-06, for a total deficit of \$4.2 million.

It may likely that there will be budget cuts and an increase in dues but may be moderate. NEA is to subsidize the operations until this situation improves.

Reported in the Indianapolis Star, there has been the first teacher lawsuit filed to recoup ISTA fund’s money. The Southport teacher is seeking the defendants to “pay all profits which the participants would have made if the defendants had fulfilled their fiduciary obligations.”

EARLY BIRD RENEWAL TIME

It is early bird renewal time. Send in your renewal membership by July 31st and pay \$97.00 instead of \$107.00.

Also, remember if you refer a friend and they join IPE you will receive \$10.00 off of your membership fee for each individual that joins.

Also, all custodial workers, cafeteria workers, bus drivers, administrators, certified teachers, principals, and counselors can join!



LOWERING INDIANA’S DROP OUT RATE

HB 1343 creates a School Dropout Prevention Fund that will target the students who are at risk of dropping out of high school. This fund is to provide grants to school corporations that will create programs that identify and give intervention for those potential drop outs. High school drop outs tend to have a more difficult time finding jobs than those who graduate. According to the Indiana Chamber of Commerce, those without a high school diploma

earn, on average, of 20 percent less than those who have a diploma. In 2007, more than 9,000 students dropped out. Out of every 100 students, in Indiana, only 72 graduate. And of those 72 only about half (44) will go on to college. “Statistics show that, over 25 to 30 years, a drop out can cost a community as much as \$500,000 in public assistance, health care and incarceration costs.” Cite: Accelerating Indiana’s Progress 4/27

FAIR SHARE FEES

As a reminder, after June 30, 1995 Fair Share Fees were no longer to be collected by the teacher’s union. Recently, there have been reported cases, in certain counties, where the union is still attempting to collect these fees.





The Professional Viewpoint is published periodically by the Indiana Professional Educators, Inc. as information for members. Views expressed in this newsletter are not necessarily those of the Indiana Professional Educators, Inc. Members are welcome to submit articles or news items for publication consideration.

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IPE Is Dedicated To:

- Maintaining the right of Indiana's children to an uninterrupted education;
- Ensuring the right of Indiana's educators to choose their professional affiliations;
- Protecting Indiana's citizens' rights to control public schools through duly-elected officials.

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Professionals By Choice.*

EMPLOYEE FREE CHOICE ACT

The Employee Free Choice Act (EFCA), will amend the National Labor Relations Act, was introduced in Congress on March 10. The EFCA will act to amend the federal law with regards to the rights of workers to unionize. The EFCA will make it easier for workers to unionize by the card check system. The

card check system will allow unions to replace secret ballot voting with a signature collection method that will encourage intimidation of workers by the unions. It would only take a majority of workers to sign a union card to have the union become the official bargaining unit.

EIA PUBLIC EDUCATION QUOTES OF THE YEAR

CITED: EIA COMMUNIQUE 1/7

“Obama’s right that the NCLB-inspired testing mania is out of control, but wrong to give teachers ‘ownership over the design of better assessment tools.’ That’s a recipe for no assessment, because the teachers unions, for all their lip service, don’t believe their members should be judged on performance. They still believe that protecting incompetents is more important than educating children.”-Columnist Jonathan Alter. (July 21 Newsweek)

“I had an experience in the past couple of weeks that really evolved my thinking about charter schools. I used to think charters were the epitome of all evil, and just created solely to bring down public schools. After my experience, I find I need to alter that view a lot. The people I met at this charter conference, I must say, are just like

me, just like you. People who were simply fed up with the status quo and were tired of hitting their head against the system that will not change.”-Julie Washington, elementary president of United Teachers Los Angels. (August 6 Socialist Worker)

“You’d think it would be a no-brainer that people who don’t perform get the axe and those who do get raises. Isn’t that the way it works in most non-unionized professions? But the teachers union apparently exists in some alternate universe where everyone is rewarded equally regardless of the quality of their work.”-Leonard Pitts Jr. (November 12 Miami Herald)

“When the scores go up, it’s not just meaningless. It’s worrisome.”-Alfie Kohn (October 18 Salt Lake Tribune)

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