



Updated - June 23, 2017

MPSERS Reform

Bill Number(s): SB 401 and HB 4647

Status: Sent to the Governor

MASB Position: **OPPOSED**

What does it do? The bills are identical and would make changes to the Michigan Public School Employees Retirement System's hybrid and 401K plans. They create an enhanced 401K-style plan with the employer contributing 4% of the employee's salary, and, if the employee opts to contribute an additional amount up to 3%, that would be matched as well. The funds to match the employee contribution shall be paid out of the School Aid Fund. The new matching amount applies to all employees in the straight defined contribution plan beginning on Oct. 1, 2017. If a person hired on or after Feb 1, 2018 does not make an election for either the hybrid or DC plan, the person will default to the DC plan.

A new hybrid system would be established for employees hired on or after Feb 1, 2018. It requires a 50-50 split between employer and employee on normal costs, as well as any unfunded portion of the plan. It includes a trigger to close the new hybrid system to new hires if it is funded at 85% or less for two consecutive years and the Legislature does not act to fund it within 12 months. It also creates a mechanism for the MPSERS retirement board to change the age for retirement and that change would affect those more than five years away from the current age unless the board extends the protection to people less than nine years away from the current age.

Finally, the bills prohibit the purchase of service credits for any reason except military service for ALL school employees.

How does it affect public schools? Analysis by the [Senate Fiscal Agency](#) shows costs for the plan growing each year. The first year is approximately \$24 million and \$38 million the second year. Over five years it will cost more than \$250 million, over 30 years it is more than \$10 Billion. This is money that will come out of the School Aid Fund, thereby diminishing funds available for districts for the classroom. The bills also do not address the unfunded liability portion so districts will have to continue to pay down that liability, as well as the costs to run the new hybrid system and increased contributions into the 401k-style system.

Why is MASB opposed? [MASB opposes any plan](#) that will increase costs to our districts with no guaranteed long-term savings. Also, they are attempting to fix a problem that was already solved by creating the hybrid plan, which is currently fully funded. This new hybrid puts considerable risk on employees who won't have control over the creation of unfunded liabilities, the amount they will have to pay to cover them or a change in their retirement age. While we support the enhanced DC portion of the plan, there are too many serious issues with the new hybrid to make this a positive change for our districts and their employees.