

AFT Michigan Retiree Legislative Update

January 2014

Legislation Pushing Defined Contribution Pensions for School Employees a Serious Effort

In late December, a package of bills was introduced in the Senate that would make several reforms to the Michigan Public School Employees Retirement System (MPERS). As detailed in [last month's report](#), SB 722-728 seek to close the existing hybrid pension plan and shift all newly hired public school employees into pension plan consisting only of a defined contribution option. Such a move has the potential to place greater strain on the existing MPERS plans as the systems become closed to new members. In addition, future employees would have a much less secure defined contribution option which gambles their retirement security on the performance of the market.

Backers of the plan insist that the changes would benefit both school employers and employees by closing a defined benefit system they claim is unsustainable. They also argue that employees in a defined contribution system have more control over their retirement investments and more flexibility and portability of their retirement assets.

After nearly succeeding in passing such a plan two years ago, the proponents of SB 722-728 are taking a slow and methodical approach this session. They are currently meeting with a number of school management officials to take questions and suggestions for the package. They also plan to sit down in the near future with school employee organizations such as AFT-MI. Senator Mark Jansen (R-Gaines Twp.), one of the prime sponsors of the package, says that there is no rush to ram through the legislation. However, according to Senator Jansen's key staff on this issue, there is also no willingness to compromise on the main component of the bills – that of shifting to a completely defined contribution pension for new hires.

If the backers of these bills are all taking such a narrow view of how best to provide retirement security, there may be little room to find common ground. At this point, there are no hearings scheduled, and we expect the Legislature to be focused on the budget process for at least the next few months. However, as we move into spring, we expect a strong push to pass these bills.

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