

AFT Michigan Retiree Legislative Update

November 2014

Republicans Keep Control of State Government – Expand Majorities in Legislature

It was a big night for the Republican Party as they rode another wave election to victory up and down the ticket. Despite the fact that Democrats were largely successful in statewide races (Gary Peters was elected to the U.S. Senate, Richard Bernstein to the Michigan Supreme Court, and Democrats won all but one of the statewide education seats), Republicans won nearly every other competitive race. Governor Snyder was re-elected by a safe margin, as was Attorney General Bill Schuette and Secretary of State Ruth Johnson. Republican Justices Brian Zahra and David Viviano were also re-elected to the Michigan Supreme Court.

Things didn't go any better for the Democrats in the State House and Senate races. Republicans gained seats in the House to create a 63-47 majority, and if Margaret O'Brian's victory in the Kalamazoo Senate race stands, they may even have extended their supermajority in the Senate. In the House, nearly every competitive race went to the Republicans, with the only exceptions being incumbents Henry Yanez and Winnie Brinks holding on to narrow wins. Two Democratic incumbents were defeated – Collene Lamonte and Theresa Abed – and the Republicans managed to protect all of their vulnerable incumbents, including Ray Franz, Ben Glardon and Kevin Cotter. The Democrats were able to hang onto one open seat that was vacated by Diane Slavens with Kristy Pagan eking out a victory. Elsewhere the Republicans swept.

In the Senate, where most observers felt a few months ago there was no way for the Democrats to have a net loss of seats, the Republicans performed even better than the House. Vulnerable incumbents Patrick Colbeck and Geoff Hansen were victorious, and the GOP was successful in winning every competitive open seat. They sealed their night with a squeaker as Margaret O'Brian defeated Sean McCann by less than 100 votes. Assuming that withstands a possible recount, the Republicans will have a 27-11 majority for the next four years.

MPSERS Defined Contribution Legislation Expected to get Hearing in Senate

Legislation that would make several changes to the Michigan Public School Employees Retirement System – most notably converting it to a defined contribution plan for new hires – will reportedly receive a committee hearing in December. Senator Mark Jansen (R-Grand Rapids) expressed his desire to try and move the bills as far as possible in the few remaining session days. They will likely be taken up by the Senate Appropriations K-12 Subcommittee.

The bills break down as follows:

SB 722 (Meekhof) – allows a school employer to designate its own account plans for employees who are qualified participants of Tier 2 (though it prohibits the creation of a local defined benefit pension for this purpose)

SB 723 (Pavlov) – tied to SB 722; amends sections of Public School Employees Retirement Act to reflect changes in SB 722

SB 724 (Hune) – eliminates ability for MPSERS members to purchase service credits

SB 725 (Jansen) – eliminates disability retirement for future MPSERS members

SB 726 (Caswell) – requires retirement system to pay 90% of health care premiums for members whose income is below the federal poverty level

SB 727 (Jansen) – places all future school employees into a defined contribution pension system

SB 728 (Colbeck) – makes technical amendments to incorporate new changes in bill package

CSR urges its coalition partners and members to continue to contact their State Senators and urge them to oppose this legislation.

Senate Committee Examines MPSERS Audit

On November 13, the Senate Appropriations Subcommittee on General Government brought in officials from the Office of Retirement Services to answer questions about a recent MPSERS audit. Phil Stoddard testified that the audit had found no material weaknesses in the MPSERS system. However, staff persons from Senator Jansen's office highlighted four reportable conditions contained in the audit and used that as a basis to attack the health of the entire MPSERS system.

Mr. Stoddard reported to the committee that investment returns for MPSERS have been in the 94th percentile nationally over the past four years. He said that unfunded liabilities have been shrinking overall, and the relatively new hybrid plan is 105% funded. Mr. Stoddard stated that ORS runs one of the most sophisticated retirement systems in the country.

After Mr. Stoddard concluded his testimony, Deborah Drick and Mike Maloney from Senator Jansen's staff testified before the committee. They claimed that the MPSERS system is in fact teetering on the edge of disaster. They stated that the assumed rate of return is wildly overblown, and that the plans are woefully underfunded. Their opinion of the performance audit differed substantially from that of ORS, and they claimed that the audit paints a picture of denial and political expedience.

Mr. Maloney testified to the committee that the actuarial assumptions in the MPSERS plan are completely wrong. He stated that the mortality rate is wrong, the assumed rate of return is too high, and that the system is on the brink of collapse.

Committee Chair John Pappageorge (R-Troy) suggested that persons with such wildly different opinions as to the accuracy of the rate of return assumptions should try to come to some agreement on an accurate number. This issue will continue to receive legislative attention as the Senate examines Senator Jansen's proposed legislative package in December (see above article).

November 13, 2014