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Time is Right to Fix Michigan's Broken Teacher Retirement System

State Senate Encouraged to Stand up for Teachers in Face of Outlandish Scare Tactics

LANSING, MI, December 1, 2016 –Michigan Freedom Fund President Terri Reid today praised state Senator Phil Pavlov and members of the state Senate Appropriations Committee for taking the first step to address public schools' unfunded liabilities by reforming the state's educator retirement system. The Committee yesterday advanced a package of bills to the full Senate sponsored by Pavlov, a champion who has long advanced reforms to protect educators' retirement from chronic underfunding in Lansing.

The bills would address the \$26.7 billion unfunded liability in the public school employees retirement system (MPERS) by moving new teachers into a competitive, portable 401(k) retirement plan like those provided to state employees and the vast majority of private sector employees with retirement plans.

"We've seen what happens when we don't take funding retirees' future seriously," said Reid. "Underfunding. Benefit cuts. Districts pushed to the brink of insolvency, with Michigan taxpayers stuck paying for the mess. Our teachers deserve better than that, and the MPERS reform bills advanced by the Senate Appropriations Committee yesterday represent a tremendous and important move to put Michigan's fiscal house in order, while protecting the retirement benefits of every educator in the state."

"We urge the full Senate to act on these important bills as soon as possible."

Reid encouraged lawmakers to stand up to the scare tactics from opponents of the reform, including the Office of Retirement Services.

"With a \$26.7 billion unfunded liability, MPERS is already facing a crisis," said Reid. "None of the scare tactics introduced by opponents like the Office of Retirement Services are actually found in the Senate bills. In fact, ORS has a vested personal financial interest in maintaining the broken status quo. Simply and directly, this legislation does not include any of the costs or mandates that would lead to the costs threatened yesterday in testimony by ORS."

To fully fund the benefits Lansing has guaranteed our teachers, the fund needs \$67.7 billion in the bank, but has only \$41 billion in the fund.

16 years ago, the school pension system took up 12.2 percent of school payrolls, and most of that investment covered new pension credits earned in that year. Today, the pension system swallows up 38 percent of school districts' payroll. Annual required contributions to the pension system have increased to \$2.2 billion a year, crowding out other school spending.

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