



# SCHOOL EQUITY CAUCUS

*Making a difference for the public school children of Michigan*

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## INFORMATION ALERT

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### Changes to the MPSERS Reform Legislation

The MPSERS reform legislation (**SB 1040**) as originally proposed would have shaved up to \$9 billion from the estimated \$45 billion in unfunded liability – a good first step in securing the system's future. However, late last week Governor Snyder, Senate Majority Leader Richardville, and House Speaker Bolger announced that in "the interest of fairness" changes will be offered that if passed will significantly reduce the \$9 billion dollar projected savings and probably reduce the projected 3.5% MPSERS rate rollback.

Both the requirement to be at least 60 years of age to receive retirement health care benefits and the retroactive graded health care for school employees hired before July 1, 2012 were eliminated from the proposal.

Current and future beneficiaries of MPSERS will probably welcome these proposed changes. However, as the system bears the consequences of continuing massive liability, we should all be concerned for its future stability and reliability and the impact on the rate paid by schools.

We expect a substitute to SB 1040 later this week or next. While advocating for a fair approach for all employees and retirees, we still hope to see a bill that will at last deal with the massive unfunded liability and be sustainable for the long term.

Recognizing that this situation is largely the result of state policies, we could hope that the state would step up and fulfill its original fiscal obligations to the system, but that seems extremely unlikely. The alternative to a legislative fix, then, is ever-growing MPSERS rates, increased employee contributions, severely reduced retirement benefits, and/or a possible system crash in the not too distant future.

The Revenue Estimating Conference is scheduled next week. Shortly thereafter we should see rapid movement on the SAF budget proposals, MPSERS reform legislation, and other funding proposals.

*Jerry*