NEWS RELEASE

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Michigan Association of School Administrators

Anderson Economic Group: MPSERS Proposals will Sharply Increase Costs for State, Schools

Schools will get hit hard up front; state will see long-term costs rise

LANSING – The Michigan Association of School Administrators today released a report from the highly-respected Anderson Economic Group with key findings that show the MPSERS reforms proposed in the Michigan House and Senate will have dire financial consequences for the state of Michigan and for schools – increasing long-term costs for the state and immediately increasing pension costs for school districts.

"Too much work has gone into stabilizing MPSERS and paying down its unfunded liabilities, while also reducing costs for the state and for school districts," said Chris Wigent, Executive Director of the Michigan Association of School Administrators. "These proposals will undo all the progress that has been made and kick the can down the road, guaranteeing that a future legislature will have to fix the problems this will create."

The AEG report examined three proposed reforms from last session: SB 102 of 2015, which would close the MPSERS hybrid plan to all future hires; and SB 1177 and 1178 of 2016, which would change the amortization schedule for paying off MPSERS's unfunded liability from legacy plans.

Jason Horowitz, Senior Consultant with the Anderson Economic Group, states in the report: *"Closing the hybrid plan and putting all new employees into a defined contribution plan would not reduce the unfunded liability, and would result in significant costs for school districts."*

The report finds that additional costs for school districts would range from $223 million to $813 million annually by 2048, money that won't find its way into the classroom.

The report also states that extending the amortization period would result in higher long-term costs for the state, and that school districts would see much higher long-term costs – over $100 billion more than districts are projected to pay under the current amortization schedule.

Furthermore, the AEG report found the three sets of MPSERS reforms put in place in 2008, 2010 and 2012 that lowered employee benefits and increased employee contributions are working to set the state on solid fiscal footing. Governor Rick Snyder, who sought the 2012 reforms, has signaled that he is not interested in enacting more changes to MPSERS.

"This report confirms what we already know – closing MPSERS wastes billions of dollars with no return," Wigent said. "The MPSERS reforms are working, and the legislature should focus its attention on ensuring our schools have the funding they need to provide every child in this state with a world-class education. Any proposal to close out MPSERS is a fatally flawed solution in search of a problem and should be dead on arrival."

The full report can be found at www.AndersonEconomicGroup.com.

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