



## About HB 4647 & SB 401

## MASA POSITION: OPPOSED

- » HB 4647 and SB 401 would **close the MPSERS Pension Plus hybrid plan to all new hires**. School employees who start after Sept. 30, 2017, would be placed into a Tier 2 401(k) plan.
- » Just like the previous bills proposed in the House and Senate, these bills **will not address one dime of the unfunded liability** associated with MPSERS legacy costs.
- » Closing MPSERS is unnecessary and **will cost the state more than \$1.8 billion over the next five years** with no dedicated source of funding. Failing to address this fiscal impact is reckless and hearkens back to the days of accounting gimmicks that led to Michigan's structural deficit.
- » Since 2008, the state of Michigan has made three significant reforms to reduce pension costs. **These reforms worked**, considerably decreasing normal costs. However, liabilities that accrued prior to these reforms are now significantly underfunded and still represent the bulk of the state's and school districts' pension costs.
- » Closing the hybrid plan and putting all new employees into a defined contribution plan **would not reduce the unfunded liability**, and **would result in a significant increase in costs** for school districts. Normal costs of the defined contribution plan would be significantly higher than normal costs for the hybrid plan.

### HB 4647 & SB 401 WOULD RESULT IN:

<b>\$410 million</b> increased cost in 2018-19	<b>\$1.8 billion</b> increase over next 5 years	<b>\$46.4 billion</b> increased cost over 40 years
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Source: House Fiscal Agency

### THE HYBRID PLAN

- The Facts:**
- Has \$0 in unfunded liabilities
- Currently 100% funded
- 1/3 less risky than the legacy plans

Source: Michigan Department of Technology, Management & Budget



## FOCUS POINTS: HB 4647, SB 401



Will close the fully funded hybrid system in exchange for a 401(k)-style plan



Unnecessarily adds 20 years of unfunded liability payments to MPSERS



Does not address unfunded liability associated with the Legacy Pension Plan