

MPERS Retirement Revisions

Senate Bill 1227 (Gilbert, R-Algonac) has been signed by the Governor to become Public Act 75, 2010. This bill amends the Public School Employees' Retirement Act to make the following changes to the Michigan Public School Employees' Retirement System (MPERS):

Retirement Incentives for MPERS Employees

Currently MPERS employees have to be age 55 and have 30 years of service to be eligible to retire in the Basic Plan or may retire with 30 years with no minimum age requirement under the Member Investment Plan (MIP). Senate Bill 1227 expands the eligibility to anyone with a combination of years and service total of 80.

The bill allows employees to be eligible for an incentive if they **retire by SEPTEMBER 1, 2010**. Members must **apply before JUNE 11, 2010** and have until **JUNE 11, 2010 to withdraw** their application.

For members who **retire by September 1, 2010**, the bill provides a **1.6% multiplier** in the pension formula for those currently eligible to retire and a **1.55% multiplier** for members who qualify **under the "80 and out" criteria**.

Currently a member's pension calculation equals their final average compensation (FAC) multiplied by their years of service multiplied by 1.5%. The bill will cap the final average compensation to which the *additional multiplier (1.6 or 1.55)* is applied at \$90,000.

The bill allows for a superintendent or chief administrator to provide an extension to allow an employee to remain until September 1, 2011, and still qualify for the incentive. **EACH REPORTING UNIT WILL BE ALLOWED TO GRANT 1 EXTENSION**. Another 2,500 extensions will be available statewide to be distributed on a prorata basis by the Office of Retirement Services.

3% Contribution into Irrevocable Trust for Retiree Health Care

Beginning July 1, 2010, the bill requires that all MPERS employees contribute **3%** of their compensation into a funding account. Employees who earn less than \$18,000 will have to contribute 1.5% for FY 2010-11 but will contribute 3.0% in subsequent years. Funds deposited in the *irrevocable* trust will be used to pay for retirement health care benefits for retirees and their eligible dependents. (*According to ORS, your 3% contribution for retiree health care is not refundable like a health care savings account.*)

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Hybrid Plan for New Employees

The bill moves **all newly hired school employees hired after July 1, 2010** into a hybrid pension and defined contribution system. The pension will be similar to the existing MIP with the following changes:

- Increases final average compensation period from 3 years to 5 years, which will decrease the final average compensation for most employees.
- Increases the minimum retirement age to 60 with 10 years of service (currently minimum age for Basic Plan is 55 and the MIP has no minimum age with 30 years of service).
- Prohibits the purchase of service credit to meet service requirements.
- Eliminates cost of living adjustments to pension allowances.
- Provides a defined contribution benefit (Tier 2) with a 50% employer match on a maximum employee contribution of 2% of salary, for a maximum employer contribution of 1%. An employee will automatically be enrolled with the maximum contribution of 2% unless they affirmatively elect not to contribute or contribute a lesser amount. An employee will also be allowed to contribute additional funds without the match and subject to Department of Technology, Management, and Budget and the Internal Revenue Code. The employee will vest in the employer match as follows: 50% after 2 years of service, 75% after 3 years of service, and 100% after 4 years of service.

In addition, employee unions could negotiate higher contributions up to a maximum of a 50% employer match on an additional employee contribution of 4% of salary (for a total maximum employer contribution of 3%). Additional employer contributions and matches will be subject to negotiations for both employees in the new hybrid plan as well as those in the Basic Plan and the current Member Investment Plan.

- Provides for a regular interest rate for the Hybrid of between 0% and 7%, and assumes a rate of return of 7%.
- Allows other entities that receive direct or indirect funding from the School Aid Fund to opt into the new hybrid system (contractors and public school academies).

Rehired Retirees

For members who retire on or after July 1, 2010, and return to work directly for a MPSERS reporting unit, the bill allows them to maintain pension and health benefits if they **earn less than 1/3** of their final average compensation. If they earn more than 1/3 of their final average compensation, *their pension and health care benefits will be suspended until the employment ends.*

For those members who retire on or after July 1, 2010, and afterward perform core services for a MPSERS reporting unit but who are employed independently or by a third party, *the bill will suspend their pension and health care benefits during their employment.* In both cases, if the retirant desires to retain MPSERS health care benefits, they shall pay for such benefits.

How Did *Your* Legislator Vote?

Senate Bill 1227 Conference Report, May 14, 2010 – AFT Michigan Position - “NO”:

Yeas—21: Allen, Birkholz, Bishop, Brown, Cassis, Cropsey, Garcia, George, Gilbert, Jelinek, Kahn, Kuipers, McManus, Nofs, Pappageorge, Richardville, Sanborn, Stamas, Switalski, Thomas, Van Woerkom.

Nays—14: Anderson, Barcia, Brater, Cherry, Clark-Coleman, Clarke, Gleason, Hardiman, Jacobs, Jansen, Olshove, Prusi, Scott, Whitmer.

Excused—3: Basham, Hunter, Patterson.

Senate Bill 1227 Conference Report, May 14, 2010 – AFT Michigan Position - “NO”:

Yeas—56: Agema, Amash, Angerer, Ball, Bolger, Booher, Byrnes, Calley, Caul, Clemente, Constan, Corriveau, Crawford, Daley, Denby, DeShazor, Dillon, Elsenheimer, Espinoza, Genetski, Green, Griffin, Haines, Hansen, Haveman, Hildenbrand, Horn, Johnson, Rick Jones, Knollenberg, Kowall, Kurtz, Lori, Lund, Marleau, McMillin, Meekhof, Melton, Meltzer, Moss, Nathan, Nerat, Opsommer, Pavlov, Proos, Rogers, W. Schmidt, Schuitmaker, P. Scott, Scripps, Sheltroun, Slezak, Spade, Stamas, Tyler, Walsh.

Nays—45: Barnett, Bauer, Bennett, Bledsoe, L. Brown, T. Brown, Byrum, Dean, Donigan, Durhal, Ebli, Geiss, Gonzales, Gregory, Haase, Hammel, Haugh, Huckleberry, Jackson, Robert Jones, Kandrevas, Kennedy, Lahti, LeBlanc, Lindberg, Lipton, Liss, Mayes, McDowell, Meadows, Polidori, Roberts, Rocca, R. Schmidt, B. Scott, Segal, Slavens, Smith, Stanley, Switalski, Tlaib, Valentine, Warren, Womack, Young.

Not Voting—7: Cushingberry, Leland, Lemmons, Miller, Moore, Neumann, Pearce.

Did YOU contact your State Senator and Representative urging them to oppose Senate Bill 1227? Your personal contact is IMPORTANT to them! They need to know that their jobs may be on the line right along with yours.

PLEASE become politically active! Sign up for important email updates on our website at: www.aftmichigan.org. Promote and contribute to your local political action committee (PAC). It takes money to elect public officials who support public education.

TAKE ACTION TODAY!

Considering Retirement – ACT NOW!

Senate Bill 1227 has been signed by the Governor to become Public Act 75, 2010. The Office of Retirement Services estimates that for those currently eligible to retire, the 1.6 multiplier will increase your pension amount by 6-2/3%. For the “80 and out” group, the 1.55 multiplier will increase your pension by 5 1/2%.

Public school employees who are or may be eligible to retire have been mailed a *personalized letter*. To access your account, run estimates, and learn more about your eligibility, visit www.michigan.gov/orsmiaccount.

You can sign up to receive email notices from the Office of Retirement Services as new content about the retirement reforms are posted or revised at: <http://www.michigan.gov/orsschools>. ORS will be offering webinars and tutorials related to the incentive and reform legislation as soon as it has been signed by the Governor. Check the tutorials, webinars, and seminars page frequently for updates.

If you are considering retirement under this legislation, you need to ACT FAST TO COMPLY WITH FILING DEADLINES:

The bill allows qualified employees to be eligible for this incentive if they retire by SEPTEMBER 1, 2010. Members must apply before JUNE 11, 2010 and have until JUNE 11, 2010 to withdraw their application.

Log on to [miAccount](http://www.michigan.gov/orsmiaccount) for personalized account access at www.michigan.gov/orsmiaccount. [miAccount](http://www.michigan.gov/orsmiaccount) allows you to see your service credit, estimate the cost of service credit purchase, calculate a pension estimate, and apply for retirement.

To access [miAccount](http://www.michigan.gov/orsmiaccount), you will need your Member ID from ORS. Your member ID can be found on the front page of your member statement or any other communication you receive from the ORS office. You can also use the [miAccount message board](http://www.michigan.gov/orsmiaccount) to ask that your Member ID be mailed to you.

If you have reviewed the ORS website and still have questions, use the miAccount Message Board feature to communicate with ORS. Once you log into this secure site, you can send confidential information such as your social security number and specific account information with confidence.

If you do not have access to the internet, you can contact the Office of Retirement Services office at (800) 381-5111.

IMPORTANT! If you have already filed an application. . .

The Office of Retirement Services will send you a letter stating that your application fulfills the incentive requirements and will be processed as such. Those with a July, August, or September effective date will not need to do anything. **If you requested a June 1 retirement effective date, you will need to change your retirement effective date through [miAccount](http://www.michigan.gov/orsmiaccount) before June 1.** This will be explained in the letter.

2010 - 2011 Higher Education Budget

Senate Bill 1157, Sub. H-1 (Stamas, R-Midland) recommends higher education funding totaling **\$1,625,634,800** for 2010 - 2011, \$13,391,500 more than current year funding. Listed below are highlights of the House's budget recommendations:

University Operations: The House concurs with the Governor to replace \$40.5 million funding available for FY 2009-10 only from the State Fiscal Stabilization Fund under the Federal American Recovery and Reinvestment Act with an equal amount of GF/GP funding, holding each university's gross appropriations flat from FY 2009-10. (Central - \$82,436,000; Eastern - \$78,212,100; Michigan State - \$291,841,700; UM-Ann Arbor - \$325,347,400; UM-Dearborn - \$25,437,100; UM-Flint - \$21,498,900; Wayne State - \$220,329,200; Western - \$112,766,800.)

State Competitive Scholarship Program: Concurs with Governor and Senate to remove \$1.4 million in unavailable Federal funds for this need-and-merit-based program and adds \$8.4 million GF/GP to fund an increase in maximum scholarship award from FY 2009-10 level of \$510 to an estimated \$800 (HFA estimate).

Tuition Grant Program: Maintains current-year funding but adds \$100 point of difference. Assuming proposed increase in State Competitive Scholarship maximum award to \$800, HFA estimates that the Tuition Grant appropriation of \$31.7 million would allow Tuition Grant maximum award to be maintained at FY 2009-10 level of \$1,610 (cap of \$3.0 million per institution under current-year boilerplate provisions is maintained. (Sec. 302)

Tuition Incentive Program (TIP): Includes \$7.3 to fund projected costs under current provisions, funded from GF/GP. (Sec. 310)

ARRA Compliance: Changes establishment of P-16 longitudinal data system to a P-20 system. (Sec. 216)

Students from Macomb County: Retains requirement that universities report regarding outreach efforts to enrol students from Macomb County. (Sec. 463.)

Competitive Bidding: Does not include new section added by the Senate stating intent that each university submit a report on the university's use of competitive bid processes for procurement of services, including custodial and food services. (Sec. 482)

Senate Bill 1157 has been approved by the House Higher Education Appropriations Subcommittee and no goes to the full House Appropriations Committee.

2010 - 2011 Community College Budget

Senate Bill 1151, Sub. H-2 (Hardiman, R-Kentwood), as reported by the House Appropriations Committee, recommends community college funding totaling **\$299,100,500** for 2010 - 2011, \$260,000 more than the Senate's recommendation. Listed below are highlights of the House's budget recommendations:

Community College Operations: Concurs with the Governor to maintain FY2010-11 operational funding for each community college. (The Senate reduced FY 2010-11 operational funding by 3.1% for each college.) (*Henry Ford - \$20,898,900; Kirtland - \$2,842,800; Lansing - \$29,762,500; and Wayne County - \$15,889,900*)

Renaissance Zone Reimbursements: Concurs with the Governor and Senate to reduce funding from \$3,480,000 to \$3,220,000 based on projected payments pursuant to Public Act 376, 1996.

At-Risk Student Success Program: Concurs with the Governor and Senate to maintain FY 2009 - 2010 funding levels for each community college with full payment by November 1. (*Sec. 401*)

Capital Outlay: Concurs with Senate to restore the current language prohibiting the use of appropriations in Part 1 for the construction or maintenance of a self-liquidating project. Provides that community colleges shall comply with current Joint Capital Outlay Subcommittee (JCOS) use and finance requirements. (*Sec. 217*)

Tuition Restraint Policy: Concurs with the Governor and Senate to remove this section. (*Sec. 248*)

Transparency of Unrestricted Net Assets. Requires community colleges with General Fund unrestricted net assets equal to more than 20% of its General Fund operating revenue and General Fund net non-operating revenue to submit a report outlining the college's intended use or purpose for carrying the unrestricted net assets to the Senate and House Appropriations subcommittees on Community Colleges, the Senate and House Fiscal Agencies, the State Budget Office no later than December 1, 2010. (*Sec. 514*)

Senate Bill 1151 was amended and approved by the House Appropriations Committee. It now goes to the House floor.

School Aid Budget

As we put this in the mail to you, the School Aid Budget has been discharged to the floor of the House. This move is highly unusual, as the bill sits there in its Senate-passed form with no House input or deliberation at the committee level.

The Revenue Estimating Conference is scheduled for Friday, May 21. Here fiscal experts will reach consensus on revenue projections for the rest of this fiscal year and next (2010-11).

Some of these fiscal experts have already released their estimates. They predict the School Aid Fund to be stronger than previously indicated and the General Fund to be in worse shape. This scenario could make the School Aid Fund a target for siphoning funds to pay for other budgets.

As it stands, it appears there will be enough money in the school aid fund to enact a "flat" budget. This means the \$165 per pupil reduction will carry over into 2010-11, but the \$118 per pupil cut will be restored.

Stay tuned for updates by getting on the activist list, as this is our "*rapid response system.*"

Alternative to Algebra II Waiting for Signature

As originally purposed, **Senate Bill 757, (Kahn, Saginaw)**, was to require schools to provide each student with the opportunity to develop an EDP during 7th grade, and to **ensure that each student reviews the plan during 8th grade and revises it as appropriate before beginning high school.** The bill was amended in the House to allow students to substitute **statistics or functions and data analysis** for algebra II and still qualify for graduation.

Senate Bill 757 retains current provision that an EDP be developed by a student under the supervision of a school counselor or other designee who is qualified to act in a counseling role and is selected by the high school principal. The plan must be based on a career pathways program or similar career exploration program.

This bill also requires that the EDP be **based on high school readiness scores.** Further, the bill specifies that the plan be **designed to assist students to identify career development goals as they relate to academic requirements.**

Senate Bill 757 has passed the House and Senate and now awaits the Governor’s signature. It would take effect on July 1, 2011.

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