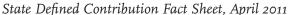
CENTER for RETIREMENT RESEARCH at BOSTON COLLEGE





## MICHIGAN PUBLIC SCHOOLS - PENSION PLUS RETIREMENT PLAN

Type of Plan: Mandatory Hybrid Plan

YEAR EFFECTIVE: 2010

Workers Covered: Michigan public school employees hired after July 1, 2010.

ACTIVE PARTICIPANTS: 11,617 members (as of 2011).

Contribution Rate: Public school employees contribute 6.4 percent of salary to the defined benefit plan. They also contribute an automatic 2 percent of salary to the defined contribution plan, with optional additional contributions up to the IRS limit. The state matches 50 percent of employee contributions up to 1 percent of salary.

VESTING SCHEDULE: State contributions to the defined contribution components are 50 percent vested after two years, 75 percent vested after three years, and fully vested after four years. Public school employees are vested in the defined benefit portion of their plan after 10 years.

INVESTMENT OPTIONS: 27 funds, with the default a target-date fund.

ORIGIN OF PLAN: The MPSERS hybrid plan was implemented to reduce employer costs. State contributions to pensions and health care had reached 16 percent of payrolls in 2010, and were projected to increase. The hybrid plan is less generous than the traditional DB plan had been, thereby reducing employer contributions.

MPSERS' plan design has historically been linked to SERS pension reform. In 1997, Michigan adopted a mandatory defined contribution plan for its general state employees on the condition that it would retain the traditional pension plan for public school employees. Since then, two financial crashes reduced MPSERS funded ratio from 97 percent in 2001 to 79 percent in 2009. Republican lawmakers called for a system that would insulate employers from large contribution increases when the economy weakens.

Jud Gilbert (R) introduced Senate Bill 1227 in 2010 to reform MPSERS and create a new hybrid plan. It met with initial opposition from Democrats, including then-governor Jennifer Granholm, but a compromise measure eventually passed.

## LEARN MORE

- Christine Williamson. 2010. "Michigan System Gets Hybrid Plan Up and Running." *Pensions and Investments* (October 4).
- Jeannette Neumann. 2010. "States Shift to Hybrid Pensions." Wall Street Journal (July 10).
- Michigan Public Schools Office of Retirement Services. Available at: http://www.michigan.gov/orss-chools.