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June 14, 2017

Honorable Members of the Michigan House Education Reform Committee
Honorable Members of the Michigan Senate Education Committee

Dear Member,

The Retirement Security Initiative, a national, bipartisan advocacy organization focused on protecting and ensuring the fairness and solvency of public sector retirement plans, supports the House and Senate substitutes to House Bill 4647 and Senate Bill 401. This legislation is common sense pension reform that protects both Michigan's teachers and taxpayers.

With more than \$29 billion in unfunded liabilities, the current public school employee pension system is structurally broken. Without substantial reform, Michigan will likely pass more debt onto future generations and teachers will face financial insecurity in their retirement years.

As the system currently exists, only 20 percent of all new teachers receive their full benefits; while 50 percent of new teachers *receive no benefits at all*. Under this reform, future teachers will automatically be enrolled in a competitive, portable and modern defined contribution retirement plan. And should they want to choose a separate hybrid option, they will be given that ability. Current teachers and retirees will not be affected by the legislation.

The reform legislation protects taxpayers by employing a shared risk model and including a first-in-the-nation mechanism that will prevent the future accumulation of unlimited debt. This legislation will require the hybrid system to be closed if it begins to accumulate unfunded liabilities as we have observed in the current system.

This pension reform legislation is a significant policy achievement, one that will help Michigan meet its existing retirement commitments to teachers and address its substantial unfunded pension liability, while providing a new retirement structure that is both more sustainable and provides adequate retirement security for new teachers.

The Retirement Security Initiative believes that:

- All workers deserve safe and secure retirements.
- Retirement plans should place employees on a path to a secure retirement, regardless of tenure.
- Retirement benefits should be fair, sustainable and predictable.
- State and local governments should fully fund employee benefits, as they are earned, and incentives to underfund commitments should be eliminated.
- Unfunded liabilities should be paid down over a reasonable time period.
- Decision making and management of retirement plans should be open, transparent and non-political.
- Solutions should be designed around the specific problems and financial resources of each jurisdiction and there is no single solution that will work everywhere.

The House and Senate substitutes to House Bill 4647 and Senate Bill 401 significantly advance these principles and will help move Michigan and its teachers towards a healthier, sustainable and secure financial future. We wish you the best in the coming week as you finish your work to reform Michigan's public school employee pension system.

Sincerely,

Pete Constant
Chief Executive Officer