

To: CSR-MI Board
From: Todd Tennis, Cara Dobie and Courtney Austin
Date: November 17, 2023
RE: Legislative Update

On November 14, the Michigan House and Senate adjourned for the year, making it the earliest “sine die” in decades. It did not come as a surprise, as rumors of an early adjournment have been swirling in Lansing since before the summer recess. However, it is certainly a unique event, making the remainder of the year much quieter in the Capitol than is usual.

The rationale for the early adjournment is so that a number of bills that did not receive sufficient votes to be granted “immediate effect” would take effect earlier than they would if the Legislature had adjourned on its usual late December date. One in particular that gets most of the attention is the change to the Michigan Presidential Primary date that moves it up to February. If the Legislature had not adjourned early, that bill would have been meaningless for the upcoming presidential election.

Another factor in the decision was the outcome of two key mayoral races on November 7. Representatives Lori Stone (D-Warren) and Kevin Coleman (D-Westland) were both elected mayor of their hometowns and will have to resign from the Michigan House before the end of the year. This means that the current 56-54 majority in the House will become a 54-54 tie, at least until a special election can be called to fill those vacancies. Both of the House seats are in Democratic districts so there is a low risk of a partisan change in the House. However, many of the key pieces of legislation that House Democratic leaders hope to move in the coming year will be unlikely to win any Republican support. Therefore, much of the House agenda will await the outcome of the special elections which could be as late as next May.

Efforts to Offer Better Pension Options to State and School Workers Teed up for 2024

This year, Senators John Cherry (D-Flint), Kristen McDonald-Rivet (D-Bay City) and Sue Shink (D-Northfield Twp.) introduced a package of bills that would allow certain state workers to opt into the Michigan State Police Retirement System. Those bills were voted out of the Senate Labor Committee in September, but are awaiting the outcome of an actuarial study before they can move any further. Section 20h of PA 314 states that a system must provide an actuarial analysis before the adoption of pension benefit changes. Funding was appropriated in the FY 2024 budget to provide for such an actuarial study.

The Legislative Service Bureau is also working on bill drafts that would reopen the Michigan State Employees Retirement System for all state employees, and also add the Member Investment Plan in the Michigan Public School Employees Retirement System as an option for new and current MPSERS members. These bills, if passed, would provide a defined benefit option for state workers who have not had one since 1997, and for public school employees who have only had a hybrid option since 2010.

Working with national allies such as the National Public Pension Coalition and the National Institute for Retirement Studies, CSR-MI plans to use the early part of 2024 to educate lawmakers and the public about the connection between diminished retirement benefits and the critical staffing shortage plaguing many parts of the public sector. We hope to be able to make a strong case that restoring defined benefit pension options will not only help alleviate these staffing shortages, but they will provide a longer-term glide path for the state to pay off existing unfunded pension liabilities. Moreover, because the annual cost of a defined benefit pension similar to the old MSERS or MPSERS plans are actually cheaper than the current defined contribution plans, the state can use those savings to pay off existing liabilities even faster.

Bill to Flip Default Option for MPSERS Heads to Governor for Signature

In 2010, newly hired MPSERS members in K-12 schools and some higher education institutions were shut out of the defined benefit retirement options given to their predecessors. Instead, they were placed in a hybrid pension system known as Pension Plus. In 2012, newly hired MPSERS members were also given the option of foregoing the hybrid system and instead enrolling in a purely defined contribution 401(k)-style plan. Workers were given less than three months from their date of hire to make this decision, and an astonishingly high number never made any decision at all. The law automatically would “default” members who failed to make a decision into the hybrid Pension Plus system.

That default option was changed in 2017, when former Governor Snyder signed PA 92 of 2017 into law. That legislation seriously deteriorated the benefits of the hybrid Pension Plus system by creating a new “Pension Plus 2” plan. PP2 was also a hybrid, but it added provisions that spread more of the risk of bad investment returns onto the backs of employees. One of the most important provisions was changing the default for new hires that failed to make a declaration of which system they preferred to be placed into the defined contribution plan. Almost instantly, nearly half of new public school employees were being placed in a higher-cost, lower-benefit defined contribution plan.

This year, Representative Matt Koleszar (D-Plymouth), chair of the House Education Committee, introduced House Bill 5021 that would flip the default option back to the hybrid pension system. This change will strengthen the system by ensuring that its membership does not decline precipitously which would make it much less able to withstand and recover from down investment years. The change will also be a major positive impact on thousands of new MPSERS members who will learn in a few years that their retirement prospects are much better than if they had been defaulted into a defined contribution plan.

House Bill 5021 passed the House and Senate and is awaiting Governor Whitmer’s signature.

Working People Made Strong Gains in 2023 Legislation; More to do in 2024

Right to Work, repealed. Prevailing Wage, restored. Pension tax, repealed. Public school collective bargaining rights, restored. PA 54 (prohibition on step increases for public employees while contracts are expired), repealed. These were some of the headline victories for working families this year. Other victories included positive labor gains in other areas such as language in the clean energy package that

will make it more likely that new green jobs will go to unionized workers. After decades of one union-busting law after another, labor made up some of those losses this past year.

However, labor also learned that a razor-thin Democratic majority in both chambers is far from a lay-down hand. Several major initiatives that would roll back cuts to unemployment benefits, undo attacks on workers compensation benefits, and of course reverse major losses to public sector pensions have yet to be even introduced this session. There is a sense among some legislative leaders that labor is getting everything it really needs and that any further wins will be harmful in protecting the narrow House majority in 2024.

It is clear that working families and organized labor have several strong allies in the Democratic Legislative caucuses. It has also become clear that we must win over each and every member of those caucuses individually and obtain direct commitments to support specific goals. CSR-MI and its affiliates will need to meet with every House and Senate member to address concerns and questions member to member. 2024 will be a busy year.