



# MAPERS

## COMMENTS FROM MAPERS REGARDING HB 5301-2 AND 5313 NOVEMBER 27, 2012

The Michigan Association of Public Employee Retirement Systems (MAPERS) represents nearly 120 independent local pension plans throughout the state of Michigan, ranging geographically from Monroe to the Upper Peninsula. MAPERS was pleased at the changes made by the House to HB 5301-2 and 5313 regarding the issue of public pensions and believes that these changes provide a more workable road map to public transportation reform than those in the bills as originally introduced.

As introduced, these bills required all new hires in road agencies to be moved into defined contribution plans. The assumption underlying the original version of the bill appears to be based on the belief that defined contribution plans are inherently less expensive to employers (and thus in this case to the public) than defined benefit or hybrid plans. In fact, the cost of a pension system to employers depends instead very much on a combination of plan design and the demographics of members of the plan. No one type of benefit plan is inherently less expensive than others. Therefore MAPERS believes that it is best to leave the final decision at the local level, where specifics of that plan design can be reviewed in detail and considered as part of total compensation for employees.

The House version of the three bills provides options for local units of government to select from for the benefits of newly hired employees, including either:

- A combination of a cap on retirement benefits of annual employer contributions plus, for defined benefit plans, maximum multipliers and final average compensation, as well as a minimum employee share of the health care benefits (if medical benefits are offered).
- Compliance with PA 152 of 2011 regarding publicly funded health insurance benefits OR certification that no medical benefits are provided.

MAPERS believes that providing these options is preferable to a "one size fits all" approach in that it recognizes that pension costs are a significant element of total compensation—but only one element of that package. Furthermore, the House-approved changes in these bills reflect consistency with standards now attached to revenue sharing. It is very helpful for local units of government, including their pension plans, to have consistency in the standards they are being asked to meet.

MAPERS thanks the Senate Transportation Committee for the opportunity for input into this important issue.

Michigan Association of Public Employee Retirement Systems

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