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Mackinac Center: Public Benefits 'Significantly' Above Private Sector

Michigan government's two largest pension systems -- the Michigan Public School Employees' Retirement System (MPSERS) and the Michigan State Employees' Retirement System (MSERS) -- offer their members benefits that are out of line with those in Michigan's private sector and are unlikely to prove affordable in the long-term, according to a new study published by the Mackinac Center.

Using proprietary data from the human resources consulting firm Aon Hewitt, Mackinac Center Adjunct Scholar Rick DREYFUSS, the study's author, compares MPSERS' and MSERS' pension and retiree health care benefits to plans offered by 24 major Michigan businesses in 2010.

Dreyfuss found that none of the employers offered new employees traditional "defined-benefit" pension plans like MPSERS', which provides public school employees with an annual retirement income based on their final pay. Only six companies (25 percent) had any kind of defined-benefit pension plan available for new hires, and these were "cash balance" plans, which emphasize career earnings and tend to be less generous.

As for retiree health care benefits, only three of the 24 companies -- 12.5 percent -- offered employer-subsidized insurance coverage, as MPSERS and MSERS do. Four companies (17 percent) offered retiree health insurance that was 100 percent paid by the employee.

According to the most recent actuarial reports, state taxpayers will be forced to pay an additional $15.1 billion plus interest over the next 27 years to cover MPSERS' and MSERS' unfunded pension liabilities.Taxpayers are currently scheduled to pay further costs of $24.6 billion to $40.2 billion to provide MPSERS' and MSERS' retiree health benefits, assuming the state continues to offer these benefits at their current level, according to the Mackinac Center.