

MICHIGAN

Policy

The 1993 Michigan charter school law governing charter school participation in the Michigan Public School Employees' Retirement System (MPERS) is unusual because it affords charter schools the option to participate in MPERS by virtue of how they hire their employees. If a charter school's board hires its employees directly, they are compulsory members of MPERS. If the board contracts with a third party to hire its employees, or hires them through a management company, then those employees are excluded from MPERS. Charter schools can alter whether or not their employees can participate in MPERS by changing their hiring practices. Charter school operators indicate that it is relatively simple to do so.

Participation Rate

The National Center for Education Statistics' (NCES) Common Core of Data (CCD) lists 283 charter schools operating in Michigan during the 2008-09 school year. Of these, seventy-eight were listed as participating employers in the MPERS, meaning 28 percent of charter schools in Michigan opt in to the state retirement system (see Table 9).

Table 9. Michigan Participation Rate	
Total number of charter schools	283
Number of opt-in schools	78
Participation Rate	28%

Why Opt Out?

Charter schools that do *not* opt in to MPERS cite the high cost of employer contributions. In 2009, the annual employer contribution rate to MPERS was 9.73 percent of the employee's annual salary.³⁵ Michigan state law requires charter schools to pay in to Social Security regardless of whether or not they participate in MPERS. If a charter school refrains from opting in to MPERS, it can reduce payroll costs by offering a 401(k) or 403(b) retirement plan with a contribution rate lower than MPERS. Michigan also has a relatively high percentage of charter schools operated by CMOs that are typically less inclined to participate in retirement systems than are freestanding charters.

35. Michigan Association of School Administrators, *MPERS Employer Contribution Rate Changes in Cost Per Pupil, FY 1994-1995 to FY 2011-2012* (Lansing, MI: MASA, 2010).

Alternative Retirement Plans

A random 20 percent sample of charter schools in Michigan that were not listed as participating employers in MPSEERS in 2008-09 yielded forty-one schools. Thirty-three responded to the survey, for an 80 percent response rate. Of those, thirty-two offer 401(k) retirement plans with a variety of employer contribution rates and vesting periods, and one school offers no retirement options (see Figure 7).

Most of the schools offering 401(k) plans offer matches, either dollar for dollar or a percentage on the dollar, ranging up to 6 percent. A handful of plans offer straight contributions, ranging from 3 to 10 percent. Another handful offer 401(k) plans with a straight contribution as well as a match (around 4 percent for each). The vesting periods vary from immediate vesting to seven-year vesting periods.

