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October 5, 2011

Honorable Mark C. Jansen, Chair
Senate Reforms, Restructuring, and Reinventing Committee
S-310 Capitol Building
Lansing, MI

Dear Senator Jansen and Members of the Senate Reforms Committee:

The Michigan State Employee Retirees Association, which represents over 55,000 current state employee retirees and the interests of future state employee retirees, thanks you for the opportunity to comment on **HB 4087**. This bill would amend the Michigan Legislative Retirement System Act to eliminate retiree health insurance for legislators whose first term of legislative service began after January 1, 2007.

A strong retirement system attracts and retains the best and brightest – Just as we testified regarding the state employee retirement system, we support the proposition that a strong retirement system with a decent pension and health care benefit helps to attract and retain the highest quality people to an organization. This principle is no different for attracting and retaining high performing legislators. Eliminating entirely the retiree health care benefit for future legislators will diminish, rather than enhance, the motivation of highly qualified people to run for the House and Senate.

According to the Kaiser Family Foundation's latest report on health care benefits, among large firms (200 or more workers), about one in four (26 percent) offered retiree health benefits in 2011, unchanged from last year but down considerably from decades ago. Among firms offering health benefits, virtually all large firms offer them to early retirees under the age of 65 (91%). The State of Michigan should not join the ranks of those organizations abandoning retiree health care, especially for its elected policy makers.

Tie legislative retirement to state employee retirement benefits – In 1996 your predecessors redesigned the state employee retiree health care benefit. If a state classified employee hired subsequent to March 30, 1997 stayed with state government for at least 10 years, they would have 30% vesting in their retiree health care with an additional 3% added for each year they worked thereafter until it totaled 90% vesting after 30 years. Michigan SERA believes that if legislators had the same retiree health care benefit as regular state employee retirees, it would be more acceptable to the public than setting your own retiree health benefit. This would take it out of the political arena and somewhat screen you from the valid criticism that you are voting on your own benefits and treating yourself too generously at the taxpayers' expense. Under this scenario, the maximum retiree health care a legislator could receive would be 42% of the health care premium. We would suggest that age 60 be the earliest that the benefit could be claimed. Legislators who continued to work for state government in some other capacity should be allowed to continue to accrue credit toward full 90 per cent vesting of retiree health care after 30 years of service.

Promises to current legislators should be kept – Whereas we agree that the legislative retiree health care benefit is too liberal as it is currently structured (90% vesting after 6 years of service and available at age 55), it is our view that it is ill-advised to change any current legislator's retirement benefit that has already been earned. The reason is that candidates ran for the legislature and began their terms of office under a system that they presumed would be kept during their tenure here. If not in fact a contract, it is an implied contract. Those promises should be kept. If you want to change the legislative retiree health care benefit, change it for those newly elected (not re-elected) subsequent to January 1, 2012.

Summary - In summary, the Michigan State Employee Retirees Association urges you to reject HB 4087 as it is currently presented and design a reasonable legislative retiree health care bill that is modeled on the state employee retiree health care plan.

Sincerely,

/s/

Bob Kopasz
Chair, SERA Coordinating Council

Mary Pollock
Legislative Representative