

House Bill 4804: Frequently Asked Questions

Leon Drolet, Chair

Michigan Taxpayers Alliance

ldrolet@mitaxpayers.org

1. What does HB 4804 do? HB 4804 allows local units of government that have their own charters (mostly cities, but also a few counties) to amend their charters in a manner that prohibits future employees from being provided defined benefit pension plans.

2. Why do we need HB 4804? Current state law, the Public Employment Relations Act, prohibits any local government from enacting structural fiscal reforms that curtail employee benefits. HB 4804 amends PERA to allow communities to enact limited pension reform through voter-approved charter amendments.

In 1973, the Detroit City Council attempted to address the City's increasingly unsustainable employee retirement benefits through a voter-approved charter provision that enacted structural reforms. In 1974, the Michigan Supreme Court ruled that Detroit's attempt at reform was unenforceable because any changes in public employee retirement systems are mandatory subjects of collective bargaining under the Public Employment Relations Act, 1947 PA 336. (*Detroit Police Officers Association v. City of Detroit, February 14, 1974*)

HB 4804 amends PERA to allow communities to enact structural reform that can help prevent fiscal distress and municipal insolvency.

3. Does HB 4804 ban defined benefit retirement plans? No. Charter communities are simply given a tool that provides an option for local governments.

4. Does HB 4804 unduly interfere with collective bargaining? If a charter community adopts a charter provision or ordinance that prohibits future employees from being offered defined benefit retirement plans, that specific subject becomes a prohibited subject of bargaining in the same manner that state employee hires are only offered defined contribution plans and not defined benefit plans. All other compensation and benefit options remain subject to the collective bargaining process.

5. Does HB 4804 reduce pension benefits for existing local government employees? No. Employees hired before the adoption of a charter amendment or ordinance allowed under HB 4804 are covered under existing contracts and their pensions are constitutionally secured.