



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

COUNTY PENSIONS: INCLUDE CREDIT UNIONS

House Bill 5578 (Substitute H-1)
First Analysis (12-6-88)

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Sponsor: Rep. Thomas E. Scott
Committee: Senior Citizens and Retirement

Mich. State Law Library

THE APPARENT PROBLEM:

Since 1969, Genesee County Credit Union employees have believed a) that they were county employees, and b) that they were members of the Genesee County Employees' Retirement System. In that year, the credit union board of directors passed a resolution "formally" transferring credit union employees to Genesee County Personnel Department. Since then, credit union employees' wages — although funded by the credit union — have been distributed by the county, with payroll deductions being made for fringe benefits, including contributions to the retirement system, and at its December, 1970, meeting, the Genesee County Employees' Retirement System "accepted" the transfer, 'as a service to Credit Union employees.'

In 1986, the retirement system, realizing that there was no legal basis for including credit union employees in the system, since they were not county employees, requested that the county employee retirement act be amended to allow county credit unions to be covered by its provisions.

THE CONTENT OF THE BILL:

The county employee retirement act authorizes county boards of commissioners to provide insurance, pension, or retirement benefits to county employees, and employees of county offices, boards, or departments, including the boards of county road commissioners. The bill would amend the act to allow certain counties to extend these benefits to employees of county credit unions. Under the bill, county boards of commissioners in counties with populations of 400,000 or more could offer insurance and retirement benefits to employees of credit unions incorporated under the credit union act, provided that the credit unions' membership included county employees and elected and appointed county officials. The county board of commissioners could also, by resolution, provide for retroactive effective dates for membership. The bill would also strike obsolete language from a subsection that formerly contained language relating to mandatory retirement option.

MCL 46.12a

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have no fiscal impact on the state. (12-1-88)

ARGUMENTS:

For:

The employees of the Genesee County Credit Union have been placed in an inequitable position through no fault of theirs: they have been led to believe — for almost 20 years — that they were Genesee County employees and members of that retirement system! The bill would provide the means of rectifying this inequity.

Response: The bill is attempting to legalize an illegal

act: there is no employee/employer relationship between the credit union and the county; credit union employees are not subject to the same hiring procedures and evaluation process that county employees are. The county should solve this problem by "grandfathering" present employees who have been in the retirement system, and by excluding future credit union employees from the system.

Against:

While the bill intends to address only the unique situation outlined above, it could, instead, set a dangerous precedent as it is presently worded. First, the provisions of the bill would apply only to counties having populations of 400,000 or more. (According to the latest figures, this would involve Kent, Wayne, Genesee, Oakland, and Macomb counties). Second, the bill would allow credit union employees to be members of certain county retirement systems provided that the credit union's members includes county employees. It is conceivable that credit unions in the other densely populated counties would have members who were county employees. By virtue of this membership, those credit unions could claim coverage under the act.

The bill could also set precedent for other county agencies to request the same treatment. Those agencies could cite, as evidence for their cause, the fact that State Bar of Michigan and Accident Fund employees, although not state of Michigan employees, have been granted membership in the State Employees Retirement System.

POSITIONS:

The Michigan Association of Counties supports the bill. (11-30-88)

Representatives of the Genesee County Retirement System and the Genesee County Board of Commissioners testified before the House Senior Citizens and Retirement Committee in support of the bill. (11-30-88)

The Michigan Municipal League has no position on the bill. (12-1-88)

The Michigan Credit Union League has no position on the bill. (12-1-88)

The Retirement Bureau in the Department of Management and Budget strongly opposes the bill. (12-2-88)

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