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SERS; CHOOSE DEFINED BENEFIT OPTION

House Bill 5807

Sponsor: Rep. Eileen DeHart

Committee: Public Retirement

Complete to 5-18-98

A SUMMARY OF HOUSE BILL 5807 AS INTRODUCED 4-29-98

Public Act 487 of 1996 amended the State Employees Retirement Act to create a new defined contribution retirement program. Entry into the new program was mandatory for new employees hired on or after March 31, 1997, and was optional for those who were members of the retirement system at the time the new program was adopted. (Pre-1997 employees could remain in the existing defined benefit program; they were required to make an irrevocable election, by April 30, 1998, choosing whether to enter the new defined contribution program.)

House Bill 5807 would amend the act to provide a choice between the two retirement plans for those state employees hired on or after March 31, 1997. Employees hired on or after the effective date of the bill would have 30 days after beginning employment to choose between "Tier 1" (the traditional defined benefit retirement program) and "Tier 2" (the new defined contribution plan). The choice would be an irrevocable election, and if a person did not file the election during the 30-day period, he or she would be considered to have elected Tier 2.

Further, all state employees would have 60 days after the effective date of the bill to terminate participation in Tier 2 and elect to become a member of Tier 1. The choice would be irrevocable, and anyone enrolled in Tier 2 who did not make an election within the 60-day period would continue to be a member of Tier 2.

An election made under the bill would require the signature of the spouse of the member, if married, though the retirement board could waive this requirement if the spouse's signature could not be obtained because of extenuating circumstances.

The bill specifies that if the bill or any portion of the bill would cause the retirement system to be disqualified for tax purposes by the Internal Revenue Service, then the portion that would cause the disqualification would not apply.

MCL 38.1i et al.

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.