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SFA**BILL ANALYSIS**

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House Bill 4173 (S-1, Draft 1)
Sponsor: Representative Kim Rhead
House Committee: Retirement
Senate Committee: Appropriations

House Bill 4897 (S-1, Draft 1)
Sponsor: Representative Eileen DeHart
House Committee: Retirement
Senate Committee: Appropriations

Date Completed: 5-5-98

CONTENT

House Bill 4173 amends the State Employees' Retirement Act and House Bill 4897 amends the Michigan Public School Employees' Retirement Act.

Both bills would amend the respective Acts to allow for a third, 75%, survivor allowance option. This option would not become available until January 1, 2000. Currently, both systems allow a retiree to choose one of two options that continue to pay a reduced retirement allowance to the retiree's beneficiary upon his or her death. One option allows for the retiree's beneficiary to receive 100% of the retirement allowance while the other option allows the beneficiary to receive 50% of the retiree's benefit. In both cases, the retiree receives a reduced benefit throughout his or her retirement that then continues throughout the life of the beneficiary at the reduced amount chosen by the retiree. This bill would provide for a third option that pays the retiree's beneficiary 75% of the retiree's retirement allowance.

In addition, HB 4173 would amend the State Employees' Retirement Act to eliminate three of the current service credit buy-in options and replace them with a single universal buy-in. The new universal buy-in provision would allow an employee to purchase up to five years of service credit upon the payment to the retirement system for those years of credit purchased. The three buy-ins that would be eliminated are: Manager of Secretary of State Fee Branch Office, VISTA/Peace Corps, and maternity or paternity leave.

MCL 38.1a et al. (HB 4173)
MCL 38.1343c et al.(HB 4897)

FISCAL IMPACT

The bills would have no fiscal impact on local government. Both bills would have a very minimal impact on the State. Allowing retirees to choose a 75% survivor option would require the Office of Retirement Systems to incur administrative costs. The first-year cost of the additional administrative expenses is estimated at \$150,000.

The additional provisions of the universal buy-in in HB 4173 would have no fiscal impact on State or local government. The cost of the purchase of additional service credit would be paid by the employee at an established actuarial cost.

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