

Legislative Analysis



SERS INVESTMENT OPTIONS: INCLUDE ROTH 401(K)

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House Bill 4502
Sponsor: Rep. Lisa Wojno
Committee: Government Operations

Complete to 4-27-07

A SUMMARY OF HOUSE BILL 4502 AS INTRODUCED 3-21-07

The bill would amend Sections 56 and 58 of the State Employees Retirement Act to require the state treasurer to include a Roth 401(k) account option among the available categories of investments offered to qualified participants, former qualified participants, and refund beneficiaries in the Tier 2 system.

The Tier 2 state employees retirement system is a *defined contribution* system (as opposed to the original *defined benefit* system). It applies to employees hired on or after March 31, 1997.

[A Roth 401(k) differs from the standard 401(k) option in that contributions to a Roth are made out of after-tax income but withdrawals are not taxed. With the existing 401(k) option, contributions are made out of pre-tax income but withdrawals are subject to tax.]

MCL 38.56 and 38.58

FISCAL IMPACT:

The bill would have no apparent fiscal impact on state government.

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