



**House
Legislative
Analysis
Section**

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

EXTEND PENSION LAW REVIEW COUNCIL

**Senate Bill 439 (Substitute H-1)
Second Analysis (12-7-88)**

RECEIVED

JAN 18 1989

**Sponsor: Sen. Phil Arthurhultz
Senate Committee: Government Operations
House Committee: Senior Citizens and Retirement**

THE APPARENT PROBLEM:

Public Act 520 of 1980 provided for a pension law review council to be established within the Legislative Council. At the time of the act's passage, it was argued that with the expert advice of an independent research council, the legislature could make more rational decisions regarding the exceedingly complex statutory retirement systems. Proponents of the act argued that despite the billions of dollars in pension funds and the complicated issues of contribution rates, service credit, eligibility, and benefit levels, retirement statutes had historically been altered by piecemeal amendments, which were often passed without adequate information about the need for change, the eventual cost, the effect on unfunded accrued liabilities, or the possibility that benefit improvements in one system would lead to a clamor for the same improvement in all other systems. It was argued that though the legislature depended for expert advice on the Department of Management and Budget, the department itself needed to be more carefully overseen by the legislature.

The pension law review council was created by statute in 1980; however, its members have never been appointed by the Legislative Council and funds have never been appropriated for its operation. The statute was to expire September 30, 1986. However, this act was one of a number that contained expiration or repeal provisions that were inadequate to effectuate the repeal, and thus, according to the attorney general, have not actually expired. It had been suggested that legislation be passed to repeal the council on public employee retirement system act at this time; however, there are those who advocate extending the life of the act in hopes that its original intent could be fulfilled.

THE CONTENT OF THE BILL:

The bill would extend the council on public employee retirement system act until January 1, 1993.

MCL 38.1141 et al.

HOUSE COMMITTEE ACTION:

As passed by the Senate, the bill would have repealed the act. The House Committee on Senior Citizens and Retirement adopted a substitute to extend the act for four years.

FISCAL IMPLICATIONS:

According to the Retirement Bureau in the Department of Management and Budget, the bill would have no fiscal implications unless the council was actually appointed and funded. (12-6-88)

ARGUMENTS:

For:

The idea of creating a special body to advise the legislature on public employee retirement systems was a sound one; the complexity of the issues and the enormous financial

implications of changes in the systems warrant the most thorough and rational decisions the legislature can muster. Since the legislation was never implemented and therefore never given a fair try, the act should be extended to allow implementation of the idea at this time.

Against:

Since the council has never operated, its value must be seriously questioned. Existing legislative oversight has indeed been adequate, together with the research and informational capabilities of the executive branch. The establishment of such a council would be an unnecessary duplication of services.

POSITIONS:

The Retirement Bureau in the Department of Management and Budget opposes the bill. (12-6-88)

S.B. 439 (12-7-88)