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BILL



ANALYSIS

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House Bills 5523 through 5525 (as reported without amendment)

Sponsor: Representative Kim Rhead

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT

House Bill 5525 would amend the Municipal Employees Retirement Act by stripping the State of its administrative function concerning the Municipal Employees Retirement System (MERS) and establishing the MERS retirement board as an independent public corporation. The composition of the board would be increased from seven members to nine. The board would have absolute power to define who would be included in the membership of the retirement system and would administer the Act. The bill could not take effect unless it was ratified by two-thirds of the delegates of participating municipalities voting on it.

As stated in the proposed legislation, the MERS board would have the following powers and duties:

- Determination of all of the provisions of the retirement system affecting benefit eligibility, benefit programs, and contribution amounts. The benefits could not be materially different from the defined benefit program that was in effect before the certification date of the election results. In addition, the board would be able to establish additional defined benefit or defined contribution programs.
- Full and exclusive authority and responsibility to employ and pay for all professional services, including actuarial, investment, legal, accounting, and any other services that the retirement board considered necessary for the proper operation of the retirement system.
- Appointment of an executive director and any other necessary employees. Compensation for these employees would be determined by the board. The board would have to offer all employees of the retirement system a position with the public corporation for a guaranteed period of at least one year. An employee accepting a position with the newly formed public corporation would become an employee of the public corporation and would no longer be an employee of the State.
- Arrangement for an annual actuarial valuation and report of the actuarial soundness of each participating municipality prepared by an independent actuary.
- Arrangement for annual audits by a certified public accountant or firm of certified public accountants.
- Preparation of an annual report for each fiscal year that complied with generally accepted accounting principles. The report would have to contain information regarding the financial, actuarial, and other activities of the retirement system during the fiscal year.
- Appointment of an attorney to be the legal advisor of the board and to represent the board in all proceedings.
- Appointment or employment of custodians of the assets of the retirement system.

House Bill 5523 would amend the Administrative Procedures Act to state that Chapters 2, 3, and 5 of the Act would not apply to the MERS. Chapter 2 deals with administrative guidelines. Chapter 3 deals with administrative rules promulgation. Chapter 5 deals with authority to issue licenses. These chapters would no longer apply because they apply to State agencies, which the MERS would no longer be.

House Bill 5524 would make several technical amendments to the Act that defines the powers and duties of the county boards of commissioners. (These amendments were requested by the Legislative Service Bureau to provide general clean-up language.)

House Bill 5525 is tie-barred to House Bills 5523 and 5524, which are tie-barred to House Bill 5525.

MCL 24.315 (H.B. 5523)
46.12a (H.B. 5524)
38.1502a (H.B. 5525)

FISCAL IMPACT

These bills would have no fiscal impact on State resources. Currently, the costs of administering the Municipal Employees Retirement System are paid from the assets of the system and are not an expense to the State. This would not change under the proposed legislation that would allow the MERS to become a public corporation. The costs of administering the system would continue to be paid from the system's assets.

The fiscal impact on local units of government is indeterminable. Whether the costs for administering the system would be increased or decreased is unknown at this time. Certainly the the board's increased power to select service contractors such as actuaries, investors, legal counsel, and accountants, would allow the board to "shop around" for the best price.

Date Completed: 4-25-96

Fiscal Analyst: J. Carrasco

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