



Romney Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

LEGISLATIVE RETIREMENT AMENDMENTS

Senate Bill 37 (Substitute H-2)
Sponsor: Sen. Dianne Byrum
Senate Committee: Appropriations
House Committee: Public Retirement

Complete to 6-25-98

A SUMMARY OF SENATE BILL 37 (SUBSTITUTE H-2)

Senate Bill 37 (Substitute H-2) would amend the Legislative Retirement System Act (MCL 38.1023f and 38.1062) in the following ways.

Calculation of actuarial present value for transfer to DC plan. Public Act 486 of 1996 created a defined contribution retirement program within the Legislative Retirement System. (It was part of a package of legislation that also affected state employees, judges, and public school employees.) The defined contribution system is mandatory for those entering the retirement system on or after March 31, 1997. In addition, pre-March 1997 members of the Legislative Retirement System (as well as those in the other retirement systems) had the option of transferring into the defined contribution system by May 31, 1998.

The Legislative Retirement System Act contains provisions that allow for the calculation of the actuarial present value of a person's retirement benefits under the defined benefit program, for the purpose of transferring a lump sum amount into the person's new defined contribution account. The calculation is based on the member's credited service and estimated final salary as of May 31, 1998, as well as on assumptions of 1) eight percent annual interest; 2) a 50 percent male/50 percent female gender neutral blend of mortality tables used to project retiree longevity; and 3) a benefit commencement age. The benefit commencement age is the lesser of either: a) age 55, or b) age 50, if the member has at least 20 years of credited service. Senate Bill 37 would amend this latter provision so that benefit commencement age would be either age 55, or age 50 if the member's age and years of service totaled at least 70 years.

Prohibiting early retirement for elected officials. Senate Bill 37 would also amend the Legislative Retirement System Act to specify that the act would be subject to the Regulation of Early Retirement Benefits Act, as proposed in Senate Bill 38. That bill would create a new act to specify that despite any other provision of law, rule, ordinance, or resolution to the contrary, an elected public official who was a participant in a retirement system by virtue of holding that elective office would be prohibited from retiring under an early retirement program (a program offered on a temporary or noncontinuous basis that alters the previously established age or service requirements for receiving a retirement allowance, or that alters the normal benefits available under the retirement system).

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.