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LEGISLATIVE RETIREMENT; CONTRIBUTIONS, BOARD

House Bill 6208
Sponsor: Rep. Kim Rhead
Committee: Public Retirement

Complete to 10-20-98

A SUMMARY OF HOUSE BILL 6208 AS INTRODUCED 9-24-98

The bill would amend the Legislative Retirement System Act to modify the distribution (but not the total amount) of member contributions, and to change the composition of the retirement board. (The bill applies to that part of the retirement system known as Tier 1, the traditional defined benefit program that applies only to those who first became a legislator or lieutenant governor before March 31, 1997. Those who become legislators after that date are included in Tier 2, the defined contribution program.)

Member contributions. Under the act, members contribute a portion of their salaries toward retirement costs, as follows: to the members' savings fund, 7 percent of salary for a person who first became a member of the retirement system on or before December 1, 1994, and 5 percent of salary for those entering the system after that date; to the survivors' retirement fund, ½ percent of salary for service performed after December 31, 1994; to the grants and insurance revolving fund, ½ percent of salary for service performed after December 31, 1994; and to the health insurance fund, 1 percent of salary for service performed after December 31, 1994. (This amounts to a total contribution of 9 percent of salary for pre-1994 members, and 7 percent for those who became members after that time.)

Under the bill, contributions to the members' savings fund, the survivors' retirement fund, and the grants and insurance revolving fund would be suspended on the effective date of the bill and until the retirement board reinstated them. Further, the bill would increase contributions to the health insurance fund to 9 percent of salary for those who became members of the system before December 1, 1994, and to 7 percent of salary for those who became members after that date. (Total contributions would still be 9 percent of salary for per-1994 members, and 7 percent of salary for those who became members after that time.) The bill specifies that the increased contribution rate would be in effect until the board reduced them. The bill would allow, but not require, the board to reinstate contributions that had been suspended, and reduce contributions that were increased under the bill, if the system's actuary determined that the system was less than 100 percent funded.

Retirement Board. Under current law, the board of trustees of the retirement system consists of 11 members, as follows:

- * Three House members, appointed by the Speaker.

* Three members of the Senate, appointed in the same manner as members of standing committees are appointed.

* Two retirees appointed by the board.

* One deferred vested member appointed by the board.

* The Senate Majority Leader (or a senator designated by the Majority Leader), and the Speaker of the House (or a representative designated by the Speaker).

The bill would decrease the size of the retirement board from 11 members to 10, as follows:

* Two House members appointed by the Speaker.

* Two Senators appointed by the Majority Leader.

* Three retirees appointed by the board.

* Two deferred vested members appointed by the board.

* One participant of Tier 2 who was a former member of Tier 1 appointed by the board. If there was no person meeting this criteria, then an additional deferred vested member appointed by the board.

MCL 38.1021 et al.

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.