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## SERS; PREFUNDING OF HEALTH BENEFITS

**House Bill 5879**

**Sponsor: Rep. Kwame Kilpatrick**

**Committee: Senior Health, Security and  
Retirement**

**Complete to 6-21-00**

### **A SUMMARY OF HOUSE BILL 5879 AS INTRODUCED 6-8-00**

Under the State Employees' Retirement Act, basic retirement benefits for participants in the defined benefit plan are paid for by "prefunding", while health benefits are paid on a cash basis each year. (Prefunding means that the benefits earned in a given year are funded for the future in that year; cash funding means that the current year's costs are paid in the current year. Prefunding is generally more expensive in the short term but allows future cost increases to be offset by investment income.)

House Bill 5879 would amend the act to require that health benefits be "prefunded". Specifically, the bill would require that the contribution rate for health benefits be computed using an individual projected benefit entry age normal cost method of valuation.

MCL 38.38

House Bill 5879 (6-21-00)

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■ 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.