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STATE EMPLOYEES' RETIREMENT ENHANCEMENTS

House Bill 4810
Sponsor: Rep. Virg Bernero
Committee: Appropriations

Complete to 5-25-01

A SUMMARY OF HOUSE BILL 4810 AS INTRODUCED 5-23-01

The bill would amend the State Employees' Retirement Act to enhance benefits in both the defined benefit and the defined contribution retirement programs. [Prior to 1996, the retirement program for all state employees was a "defined benefit" program. Public Act 487 of 1996 created the new "defined contribution" program and made that program mandatory for all new employees hired on or after March 31, 1997. In addition, pre-1997 employees had the option of remaining in the defined benefit program or transferring to the new program.]

The bill would make the following changes in the defined benefit program:

80-point retirement option. Under the defined benefit program, a member is entitled to retire with a full retirement benefit upon meeting one of the following age and service requirements:

- At age 60 with 10 or more years of credited service (or five years in certain circumstances); or

- At age 55 with at least 30 years of service credit.

In addition, a member who is at least 55 years old with at least 15 (but less than 30) years of service credit may retire, but the retirement allowance is reduced by .5 percent for each month the member is less than 60 years old.

The bill would add an "80 and out" provision. A member who was at least 50 years old, and whose combined age and years of service totaled at least 80, could retire with a full retirement allowance.

Benefit formula. A retirement allowance under the defined benefit program is calculated according to a formula that multiplies the member's number of years of credited service by his or her final average compensation by a factor of 1.5 percent. The bill would increase the multiplier to 1.75 percent, beginning July 1, 2001.

Post-retirement increases. Retirees receive a fixed (non-compounding) three percent annual increase, not to exceed $300. The bill would increase this limit to $500.

Employer contribution in DC program. In addition, the bill would amend the provisions governing the defined contribution program to increase the employer contribution. Under current law, the state provides an employer contribution of four percent of the member's compensation. The bill would increase this employer contribution to six percent of compensation.

(In addition, the employee has the option of contributing up to three percent of compensation, and the employer is required to match that amount with additional employer contribution. Also, an employee may make further employee contributions as permitted by the Internal Revenue Code, but these additional contributions are not matched by the state.)

MCL 38.19 et al.

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