

RETIREMENT SYSTEM HEALTH CARE FUNDS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 4600 and 4601

Sponsor: Rep. Richard Hammel

Committee: Government Operations

Complete to 5-24-07

A SUMMARY OF HOUSE BILLS 4600 AND 4601 AS INTRODUCED 4-17-07

Each bill would create and implement an employee health care fund to accumulate money to provide health care benefits to retirees and other beneficiaries.

House Bill 4600 would amend the State Employees Retirement Act (MCL 38.1 et al.) by adding Section 49a to require the system's retirement board to create **a state employee health care fund** for the purpose of accumulating funds to provide for the funding of health care benefits to retirants, former qualified participants, and other beneficiaries under the act. Under the bill, the fund could receive money from any source including contributions from members and qualified participants. The bill specifies that the legislature intends that any contributions from qualified participants be pretax contributions for tax purposes.

House Bill 4601 would amend the Public School Employees Retirement Act of 1979 (MCL 38.1301 et al.) by adding Section 91a to require the system's retirement board to establish **a public school employee health care fund** to accumulate money to provide for the funding of hospital, medical-surgical, and sick benefits for retirants and retirement allowance beneficiaries who elect coverage in the board-authorized plan.

Each bill would provide the following:

Fiduciary Responsibilities. The investment fiduciary would be required to invest the fund assets in accordance with the Public Employee Retirement System Investment Act.

Exempt Status. The bill says that the Legislature intends the fund be established as exempt from federal taxes either as a voluntary employee benefit association under Section 501(c) (9) or as a trust under Section 115 of the Internal Revenue Code. The respective retirement board would be required to assure that the fund include all of the following:

- The designation of a person or persons to act as the fund's investment fiduciary.
- Restricting withdrawals from the fund solely for payment of health care benefits on behalf of qualified persons (HB 4600) or eligible retirants and retirement allowance beneficiaries (HB 4601) and the payment of expenses of administering the fund.

- The designation of who is qualified to receive payment of health care benefits from the fund.
- A determination of whether the fund will be established on an actuarial basis.

Legislative Reporting. A retirement board would be required to report to the Senate Majority Leader and the Speaker of the House documenting the progress toward establishment and implementation of the fund not later than 12 months after the effective date of the bill.

FISCAL IMPACT:

Without mandated appropriations or contributions, there would be no state fiscal impact.

Legislative Analyst: E. Best
Fiscal Analyst: Al Valenzio

■ 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.