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Senate Bill 868 (Substitute S-2 as reported)
Senate Bill 869 (Substitute S-1 as reported)
Sponsor: Senator Wayne Kuipers
Committee: Government Operations and Reform

CONTENT

Senate Bills 868 (S-2) and 869 (S-1) would amend the Michigan Legislative Retirement System Act and the Judges Retirement Act, respectively, to establish graded health insurance premiums for certain officials elected or appointed on or after January 1, 2008.

Under both bills, the State would pay 30% of the premium for a retiree who had completed four years of service, and an additional 6% for each completed year through 14 years of service. The portion of the premium paid by the State could not exceed 90%.

Senate Bill 868 (S-2) would apply to members of the Legislature and the Lieutenant Governor. Senate Bill 869 (S-1) would apply to the Governor, Lieutenant Governor, Secretary of State, Attorney General, Auditor General, Constitutional Court Administrator, Supreme Court justices, and judges of the Court of Appeals.

MCL 38.1050b et al. (S.B. 868)
38.2665 & 38.2669 (S.B. 869)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bills would not result in any immediate savings to the State. The changes in retiree health care benefits would apply only to members of the Legislature, judges, and particular State officials (listed above) elected or appointed to office on or after January 1, 2008. The new retirement system members would vest in health insurance coverage after completion of four years of service, and at that point, the State would pay 30% of the cost of the health care premium, with the member paying the remainder. Current law provides for vesting after six years of service, with the State paying for 90% of the retiree health care premium cost. Retired legislators can draw benefits beginning at age 55, while judges and the other State officials can draw benefits according to the age limit set in statute.

Each year of service completed after four and up to 14 would increase the State coverage of the health care premium by 6%, with a maximum of 90% State payment after 14 years of elected service. Thus, to the extent that members would serve less than 14 years of service and generate less than 90% State coverage of health care premiums, there would be savings to the State. However, there could be some minimal additional costs for those who would vest and retire with 30% coverage at four years of service, since current law does not provide any health care coverage for retirees with less than six years of service.

During fiscal year 2005-06, the Legislative Retirement System paid \$4.45 million for health care benefits to 341 retired legislators and their spouses. The total annual cost of providing health insurance for retired legislators is approximately \$13,037 per retiree. During FY 2005-06, the retired members of the Legislature paid total premiums toward the health care costs of \$182,190, or approximately 4.0% of the total cost.

During FY 2005-06, the Judges Retirement System paid out \$596,769 for health care benefits (including dental and vision) to retired judges and their spouses who chose to use the retirement system's health care benefits. Out of 553 retirees in the system, 82 participants received health care, 145 received dental, and 113 received vision benefits.

Date Completed: 11-7-07

Fiscal Analyst: Kathryn Summers-Coty

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.