

Legislative Analysis



AUTOMATIC DEFINED CONTRIBUTION RETIREMENT PLAN ENROLLMENT

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House Bill 4964

Sponsor: Rep. John Walsh

Committee: Financial Liability Reform

Complete to 2-19-14

A SUMMARY OF HOUSE BILL 4964 AS INTRODUCED 9-10-13

House Bill 4964 would amend the Public Employee Retirement System Act to allow a public employer to deduct from an employee's compensation an amount for a contribution to a defined contribution (DC, or 401k-style) retirement plan. The employer would have to give written notice to the employee of the contribution before the initial deduction is made, including a description of the benefit the contribution provides and the right of the employee to opt out of the contribution (including the procedure for giving instruction to the employer to opt out).

As a related matter, the bill would allow a public employer to automatically enroll an employee in a DC retirement plan—defined to mean that the employee would have a specified contribution made to a DC plan equal to a compensation reduction unless the employee affirmatively elects no contributions or a reduced contribution. The bill provides that the employer, or other retirement plan official, would not be liable for the actual decisions made on behalf of the employee with regard to the default investment of contributions made for the employee if all of the following requirements were met:

- The plan allows the employee at least quarterly opportunities to select investments for employee contributions between investment alternatives available under the plan.
- The employee is given notice of the investment decisions that will be made in the absence of the employee's direction.
- The employee is given a description of all the investment alternatives available for the employee to change investments.
- The employee is given notice at least annually of the actual default investments made by the employer on behalf of the employee.

The bill states that the new provisions do not alter any existing responsibility of a public employer or other plan official for the selection of investment funds for participating employees.

The term "public employer" is defined to include the state or any agency of the state; a city, county, village, township, school district, or intermediate school district; or an institution of higher education.

FISCAL IMPACT:

The bill would have no fiscal impact on state government, as the state already automatically enrolls new employees in its DC retirement plan. The bill could increase costs to local governments to the extent that local units opted to adopt automatic enrollment for new employees and had increased employer matching requirements as a result of higher employee participation (assuming the local DC plan has an employer match tied to employees' own levels of contributions).

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