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BILL



ANALYSIS

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Senate Bill 747 (as introduced 1-11-18)
Sponsor: Senator Jim Stamas
Committee: Appropriations

Date Completed: 9-25-18

CONTENT

The bill would amend the Michigan Military Act to reinstate the super-accrual of pension benefits for an eligible Adjutant General (TAG) and for eligible Assistant Adjutant Generals (ATAGs). Under current law, these members receive a pension for Michigan service time (equal to 2.5% multiplied by years of service multiplied by final pay), and receive Federal pension benefits based on their Federal and State service time. The State pension is offset by the Federal pension that is received; thus, the current methodology limits the benefit paid by the State to that paid for his or her time with the Michigan National Guard. Under the bill, these members would receive a State pension for both Michigan and Federal service time (i.e., "super-accrual"), which would continue to be offset by the Federal pension received.

Before Public Act (PA) 255 of 2010, super-accrual was in place for TAGs and ATAGs; between PA 255 of 2010 and PA 99 of 2013, the pension plan was discontinued and new TAGs and ATAGs were enrolled in the State's defined contribution plan. Public Act 99 of 2013 reinstated a traditional defined benefit pension plan for these members, but included only State service and not Federal service (i.e., this did not reinstate super-accrual), and also included a deduction for Federal retirement pay from the State pension. The bill would reinstate super-accrual and retain the deduction of Federal retirement pay from the State pension.

MCL 32.706

FISCAL IMPACT

The actuary has provided an estimate of the increase in the actuarial accrued liability (AAL) for these members of roughly \$3.0 million (increasing from just under \$1.0 million presently to just over \$4.0 million if super-accrual is implemented). The AAL represents the amount of benefits promised paid over a retiree's lifetime; unfunded actuarial accrued liability represents how much funding is not presently on hand to pay for the promised benefits. Future TAGs or ATAGs eligible for retirement also would receive higher benefits than under current law, necessitating additional payments to the retirement system. The fiscal year 2017-18 budget included \$11.0 million General Fund/General Purpose to increase the funded status of the Military Retirement System (which currently sits at just over 7% funded).

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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.