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BILL ANALYSIS



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Senate Bill 747 (Substitute S-1)
Sponsor: Senator Jim Stamas
Committee: Appropriations

Date Completed: 9-25-18

CONTENT

The substitute bill would amend the Michigan Military Act to provide a State pension equal to 45% of final base pay 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 equal to 45% of final base pay, which would not be offset by the Federal pension received.

Before Public Act (PA) 255 of 2010, super-accrual (which provided a State pension based on both State and Federal years of service) 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 deducted Federal retirement pay from the State pension. The bill would replace the current pension calculation with a payment equal to 45% of final base pay, and would not deduct Federal retirement pay from this payment.

The bill also would require that, after the bill's effective date, to be retirement-eligible, a TAG or ATAG would need at least 20 years of active service in the National Guard. Currently, the 20-year service requirement can be met with the National Guard or State Defense Force, or both.

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 \$2.5 million. The AAL represents the amount of benefits promised; unfunded actuarial accrued liability represents how much funding is not presently on hand to pay for the promised benefits. In addition, future TAGs or ATAGs eligible for retirement 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.