



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 838 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend the Revised Municipal Finance Act to do the following:

- Extend until December 31, 2020, provisions that allow counties, cities, villages, and townships to issue municipal securities to pay the costs of the unfunded pension liability for a retirement program or the costs of the unfunded accrued health care liability.
- Require the proceeds of a municipal security covering unfunded pension liabilities, in addition to unfunded health care liabilities, to be deposited in a pension trust fund, a trust created by a county, city, village, or township which had as its beneficiary a health care trust fund, or a trust created by a county, city, village, or township which had as its beneficiary a pension trust fund, in addition to existing trusts listed under the Act.
- Require a trust created under these provisions to invest its funds in the investment instruments and subject to the investment limitations governing the investment of assets of public employee retirement systems under the Public Employee Retirement System Investment Act.

The Act allows a county, city, village, or township, through December 31, 2018, to issue a municipal security to pay all or part of the costs of the unfunded pension liability for a retirement program, in connection with the partial or complete cessation of accruals to a defined benefit (DB) plan or the closure of the DB plan to new or existing employees and the implementation of a defined contribution plan, or to fund costs of a municipality that has already ceased accruals to a DB plan.

Also, through December 31, 2018, a county, city, village, or township may issue a municipal security to pay the costs of the unfunded accrued health care liability if the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, does not exceed the limit authorized by law, or to refund all or a portion of a contract obligation issued for the same purpose.

MCL 141.2518

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on State government. Local governments that issued securities for unfunded pension or health care liabilities or refunded those securities pursuant to the bill potentially would have reduced costs.

Date Completed: 12-3-18

Fiscal Analyst: David Zin