



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4131 (Substitute S-1 as reported)
Sponsor: Representative Jim Runestad
House Committee: Judiciary
Senate Committee: Judiciary

CONTENT

The bill would amend the Public Employee Retirement Benefits Forfeiture Act to do the following:

- Require, after the bill's effective date, the forfeiture of an individual's rights to a vested retirement benefit and accumulated employer contributions, for a conviction or no contest plea for a felony arising out of the individual's service as a public employee.
- Require, after the bill's effective date, a court to order forfeiture of an individual's retirement benefit if the individual were convicted of or entered a no contest plea for a felony arising out of his or her service as a public employee.
- Require a court to determine the extent to which a forfeiture would affect the vested status of a member or retiree under the terms of the retirement system.
- Require a court to order a retirement system to pay an equivalent monthly retirement allowance to an individual who otherwise would be a beneficiary of someone whose benefits were forfeited (as currently provided), *except* for a benefit from employee contributions to a defined contribution plan.
- Allow a retirement benefit to be frozen, subject to a showing of probable cause that the benefit was subject to forfeiture.
- Allow a court to issue a freezing order on an ex parte application by the Attorney General or a prosecuting attorney under certain conditions.
- Require a retirement system to comply with a freezing order, and prohibit payment of retirement benefits to a member or retiree whose benefits were frozen.

MCL 38.2702 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have an indeterminate, but positive, impact on State and local pension plans (and, by extension, on the State and local governments) to the extent that retirement benefits were forfeited under the Act, and to the extent that benefits were frozen during an investigation, as allowed under the bill. Specifically, since the bill would require, instead of allow, a court to order forfeiture when a member or retirant was convicted of a felony arising out of public service, this would increase dollars available in the applicable pension system in an amount equal to any forfeited funds (which could then be used to fund other costs in the system).

Also, any funds frozen during an investigation would increase the fund balance of the applicable pension system during the period of time the benefits were frozen, and would permanently increase the fund balance if the retirement benefits were forfeited upon conclusion of the investigation. The bill also clarifies that amounts contributed by an employer

in a defined contribution plan would be part of the retirement benefits subject to freezing and forfeiture; however, since this is already how the State's Office of Retirement Services has interpreted this Act, it is likely that this language change would have little to no fiscal impact on the pension plans.

Date Completed: 4-26-17

Fiscal Analyst: Kathryn Summers