

# Legislative Analysis



## RETIRE HEALTH CARE

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### House Bill 4071

Sponsor: Rep. Alma Wheeler Smith

### House Bill 4072

Sponsor: Rep. Mark Meadows

### House Bill 4078

Sponsor: Rep. Brian Calley

### House Bill 4076

Sponsor: Rep. Mary Valentine

### House Bill 4079

Sponsor: Rep. Chuck Moss

Committee: Judiciary

Complete to 2-10-09

## A SUMMARY OF HOUSE BILLS 4071-4072, 4076, & 4078-4079 AS INTRODUCED 1-22-09

Each of these bills would amend acts that govern state retirement systems to delineate how retiree health care benefits are to be authorized, selected, and administered, as well as to make related amendments.

**House Bill 4071** would amend the Michigan Legislative Retirement System Act (MCL 38.1050b), which applies primarily to elected state legislators. Under the bill, the board of trustees of the retirement system and the Office of Retirement Services in the Department of Management and Budget would be responsible for selecting the health care, dental, and vision coverage, as well as purchasing and paying the premiums for those benefits that apply to retirees, survivors or beneficiaries of retirees, or deferred vested members who became members by January 1, 1995. (Currently, the act says the legislative "retirement system" is charged with these functions.)

However, the bill specifies that the Office of Retirement Services in DMB is alone responsible for paying health insurance premiums for Tier 2 system (defined contribution) participants; that is, individuals who first became legislators on or after March 31, 1997, and who before that time would have been eligible to be a member of Tier 1 (defined benefit). Tier 2 also includes those who voluntarily left Tier 1 for Tier 2 when that option was available. Currently, the retirement system is responsible for paying those premiums.

**House Bills 4072 and 4076** would each amend the State Employees' Retirement Act (MCL 38.20d and MCL 38.3, respectively).

House Bill 4072 would specify that on and after October 1, 2009, group retiree health insurance plans (hospitalization and medical coverage) and dental and vision plans would be *authorized* by the Michigan Civil Service Commission, the SERS retirement board, and the Office of Retirement Services, but *selected and administered* by the ORS.

Currently, selecting benefit plans and administering the health benefits program for the SERS is a responsibility of the Civil Service Commission and the Department of Management and Budget.

House Bill 4076 would add two members to the State Employees Retirement Board (increasing membership from 9 to 11 members). One additional member would represent employee members of the retirement system and the other additional member would represent retirant members. The terms of office for both employee members and retirant members would be increased from three to four years. Further, no employee member on the board could be employed by the Office of Financial and Insurance Regulation; the Department of Attorney General; the Department of Treasury; the legislative auditor general; or the Civil Service Commission. (The insurance commissioner, attorney general, state treasurer, deputy legislative auditor general, and the state personnel director are all ex officio members of the SERS retirement board.)

**House Bill 4078** would amend the Judges Retirement Act (MCL 38.2205) to specify that, as of July 1, 2009, the Department of Management and Budget would be responsible for authorizing and administering the group retiree health insurance plan (hospitalization and medical coverage) and dental and vision plan. (Currently this is a function of the Civil Service Commission, which has recently become an autonomous entity within DMB since the abolition of the Department of Civil Service in 2007.) This retirement system covers, in addition to judges, the governor, lieutenant governor, secretary of state, attorney general, the legislative auditor general, and the constitutional court administrator.

**House Bill 4079** would amend the State Police Retirement Act (MCL 38.1642) to add the State Police Retirement Board to the state agencies that authorize group health plans for retirees in the state police retirement system (along with the Civil Service Commission and the Department of Management and Budget).

## **FISCAL IMPACT:**

The bills could create indeterminate but likely minimal costs for state government. Transferring the responsibility for administering the retirement health benefits from various offices to the Department of Management and Budget and Office of Retirement Services could create initial administrative transition costs. It is unclear whether or not consolidating these responsibilities in a central location will create long-term savings.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.