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SFA**BILL ANALYSIS**

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House Bill 4173 (Substitute S-1 as reported)
Sponsor: Representative Kim Rhead
House Committee: Retirement
Senate Committee: Appropriations

CONTENT

The bill would amend the State Employees' Retirement Act to allow for a third, 75%, survivor allowance option. This option would not become available until January 1, 2000. Currently, the system allows a retirant to choose one of two options that continue to pay a reduced retirement allowance to his or her beneficiary upon the retirant's death. One option allows for the retirant's beneficiary to receive 100% of the retirement allowance while the other option allows the beneficiary to receive 50% of the retirant's benefit. In both cases, the retirant receives a reduced benefit throughout his or her retirement that then continues throughout the life of the beneficiary at the reduced amount chosen by the retirant. This bill would provide for a third option that would pay the retirant's beneficiary 75% of the retirant's retirement allowance.

In addition, the bill would eliminate three of the current service credit buy-in options and replace them with a single universal buy-in. The new universal buy-in provision would allow an employee to purchase up to five years of service credit upon the payment to the retirement system for those years of credit purchased. The three buy-ins that would be eliminated are: Manager of Secretary of State Fee Branch Office, VISTA/Peace Corps, and medical leave.

MCL 38.1a et al.

FISCAL IMPACT

The bill would have no fiscal impact on local government. The bill would have a very minimal impact on the State. Allowing retirants to choose a 75% survivor option would require the Office of Retirement Systems to incur administrative costs. The first-year cost of the additional administrative expenses is estimated at \$150,000.

The additional provisions of the universal buy-in would have no fiscal impact on State or local government. The cost of the purchase of additional service credit would be paid by the employee at an established actuarial cost.

Date Completed: 5-11-98

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