



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

STATE EMPLOYEES; RETIREMENT ADJUSTMENTS

House Bill 5799
Sponsor: Rep. Lingg Brewer
Committee: Appropriations

Complete to 7-6-00

A SUMMARY OF HOUSE BILL 5799 AS INTRODUCED 5-16-00

The bill would amend the State Employees' Retirement Act to increase benefits in several ways. For members of the defined benefit retirement program (Tier 1), the bill would provide for an "80-and-out" retirement option, increase the pension formula multiplier, and increase the maximum post-retirement adjustment. For members of the defined contribution program (Tier 2), the bill would increase the employer contribution rate.

80-Point Retirement Option. Under the State Employees' Retirement Act, a member participating in the defined benefit program is entitled to retire with a full retirement benefit upon meeting one of the following age and service requirements:

- At age 60 with 10 or more years of credited service (or five years in certain circumstances);
- or
- At age 55 with at least 30 years of service credit.

In addition, a member who is at least 55 years old with 15 to 30 years of service credit may retire, but the retirement allowance is reduced by .5 percent for each month the member is less than 60 years old.

House Bill 5799 would amend the act to provide that a member who is at least 50 years old could retire with a full retirement benefit if his or her combined age and years of service equal at least 80.

Multiplier Increase. A retirement allowance is computed under the defined benefit program by multiplying 1.5 percent of a member's final average compensation (the average of the highest total earnings during a period of three consecutive years of employment) by the member's total years and months of service (1.5 x final average compensation x years of credited service). House Bill 5799 would amend the act to increase the multiplier from 1.5 to 1.75.

Post-Retirement Adjustment Increase. Currently, retirees receive 3 percent annual post-retirement adjustments to their pension benefits, up to a maximum of \$300 per year. (The 3 percent adjustment does not compound but it does accumulate.) House Bill 5799 would increase the maximum post-retirement adjustment from \$300 to \$500.

House Bill 5799 (7-6-00)

Increase Employer Contribution to Defined Contribution Plan. Under the defined contribution plan, the employer (state) contribution on behalf of each participant is 4 percent of the participant's annual compensation, plus matching contributions of an additional 3 percent if the participant chooses to make personal contributions. House Bill 5799 would increase the required employer contribution from 4 percent to 6 percent of a participant's annual compensation.

MCL 38.19 et al.

Analyst: D. Martens

■ 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.