

# Legislative Analysis

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## SUSPEND STATE RETIREMENT MATCH

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**House Bill 6011 without amendment**  
**Sponsor: Rep. Fred Durhal**

**House Bill 6012 without amendment**  
**Sponsor: Rep. Barb Byrum**

**Committee: Oversight and Investigations**

**Complete to 4-14-10**

## A SUMMARY OF HOUSE BILLS 6011 & 6012 AS REPORTED FROM COMMITTEE

The bills would suspend for the 2010-11 fiscal year the state's match to contributions made by legislators and legislative employees to the defined contribution retirement system.

House Bill 6011 would amend the State Employees' Retirement Act (MCL 38.63) to apply to employees of the Legislature. House Bill 6012 would amend the Michigan Legislative Retirement System Act (MCL 38.1074), which applies to elected legislators.

Currently, the defined contribution retirement scheme (known as Tier 2 plan) requires the employer to contribute 4 percent of compensation to the retirement account. It also requires the employer to match additional contributions by employees up to 3 percent of compensation. Under the bills, the employer would not match an employee contribution for the fiscal year beginning October 1, 2010. (However, the match would continue for those system participants who were originally members of the defined benefit plan -- Tier 1 -- and who elected to become a Tier 2 participant.)

### FISCAL IMPACT:

The bills would create one-time savings in FY 2010-11 for the Legislature by eliminating the match component of the defined contribution plan which equals up to 3% of salary. Together the bills could save approximately \$1.0 million.

#### HB 6011

Estimated payroll for the Legislature (excluding members) will total nearly \$48.0 million in FY 2010-11. Of that total, the Tier 2 defined contribution plan payroll estimate is approximately \$33.0 million. Assuming an average match rate of 2.2% based on both House and Senate averages, the required match contribution would total approximately \$723,000 in FY 2010-11. The savings may be slightly less depending on the number of employees in Tier 2 who were originally in Tier 1 and chose to switch plans. The bills would not decrease their match contribution because their benefit cannot be reduced from the level offered during the period in which they were allowed to make the switch.

HB 6012

Estimated payroll in the Tier 2 defined contribution plan for FY 2010-11 will total approximately \$8.0 million for House of Representatives members and approximately \$2.7 million for Senate members. The House match rate currently equals about 2.6%, which would require a total match contribution of \$208,000 in FY 2010-11. The Senate match rate currently equals about 2.9% which would require a total match contribution of \$78,000 in FY 2010-11. Combined this would create a savings of approximately \$286,000.

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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.