

Legislative Analysis



LEGISLATIVE RETIREMENT SYSTEM: RETIREE HEALTH BENEFITS

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House Bill 4087 (Substitute H-4)
Sponsor: Rep. Joel Johnson
Committee: Oversight, Reform, and Ethics
Complete to 7-12-11

A SUMMARY OF HOUSE BILL 4087 AS PASSED BY THE HOUSE

The bill would amend the Michigan Legislative Retirement System Act to eliminate retiree health insurance for legislators whose first term of legislative service began after January 1, 2007.

Specifically, the bill would limit retiree health care so that only legislators who became qualified participants in the system before January 1, 2007, would be eligible for retiree health insurance coverage.

Currently, the Michigan Legislative Retirement System pays health insurance premiums for retired legislators and their dependents under certain conditions. Currently, generally speaking, a legislator vests in the health insurance portion of retirement benefits after serving six years (the maximum allowable years of service in the House of Representatives under term limits). The retiree health insurance coverage becomes available when the individual reaches 55 years of age. The MLRS pays 90% of the cost.

FISCAL IMPACT:

While the bill would have no significant, immediate fiscal impact on the state, it would create future indeterminate savings to the Michigan Legislative Retirement System (MLRS) by eliminating retiree health insurance for former legislators and their dependents, beginning with legislators who began their first term on or after January 1, 2007.

In FY 2009-10, the MLRS spent \$5.3 million to provide health insurance benefits to 348 retired members and their dependents. Of that total, members contributed approximately 2.9% and the MLRS paid the remaining costs through current employer contributions and investment income. The bill would produce long-term savings by incrementally reducing and eventually eliminating the costs of retiree health care benefits for members of the Legislature as the number of former members remaining in closed system decreases over time.

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