

Legislative Analysis



STATE EMPLOYEES' RETIREE HEALTH CONTRIBUTIONS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4159

Sponsor: Rep. Pete Lund

House Committee: Oversight, Reform, and Ethics

Complete to 2-14-11

A SUMMARY OF HOUSE BILL 4159 AS INTRODUCED 1-27-11

The bill would amend the State Employees' Retirement Act to eliminate the sunset on the state employees' contribution toward retiree health care costs.

Currently, state employees are required to contribute an amount equal to 3.0% of their compensation into a health care funding account established under the Public Employee Retirement Health Care Funding Act (PA 77 of 2010). The contributions, which initially went into effect in November, 2010 under PA 185 of 2010, are set to continue through September 30, 2013, but the bill would eliminate this sunset and continue the contributions permanently.

The employee retiree health care contributions are currently being held in escrow according to an injunction in *AFSCME, et al. vs Michigan State Employees Retirement System, et al.* until the legality of the required contribution is decided.

MCL 38.35

FISCAL IMPACT:

The requirement of a state employee contribution of 3% of compensation toward retiree health care costs under PA 185 of 2010 was intended to reduce the current State costs for providing these benefits. The 3% employee contribution was estimated to generate approximately \$75 million Gross (\$30 million GF/GP) in savings in FY 2010-11 and nearly \$82 million Gross (\$33 million GF/GP) annually for FYs 2011-12 and 2012-13.

However, the State is not currently realizing those savings because of the injunction in *AFSCME, et al. vs Michigan State Employees Retirement System, et al.* If the legality of the contributions is upheld in court, eliminating the sunset on the contributions would allow the State to continue to see annual savings of \$82 million Gross (\$33 million GF/GP) after FY 2012-13, assuming a constant level of total state employee compensation.

Fiscal Analyst: Bethany Wicksall

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