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House Bill 4964 (Substitute S-1 as reported)
Sponsor: Representative John Walsh
House Committee: Financial Liability Reform
Senate Committee: Reforms, Restructuring and Reinventing

CONTENT

The bill would amend the Public Employee Retirement System Investment Act to:

- Allow a public employer to deduct from an employee's compensation an amount for contribution to an individual account maintained under the Internal Revenue Code.
- Allow a public employer to provide for automatic enrollment in such a plan.
- Require a public employer to give an employee notice of any automatic enrollment (including notice of his or her right to cancel the contribution) at least 14 days before the initial deduction was made.
- Allow a public employer or plan official to provide investment alternatives, including one or more default investment alternatives, for participating employees for contributions made to a plan.
- Specify that the employer or plan official would not be liable for investment decisions if various requirements were met.

For this purpose, the bill would define "public employer" as the State or an agency of the State, a city, county, village, township, school district, or intermediate school district, or an institution of higher education.

MCL 38.1139b

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

To the extent that the bill resulted in additional public employees participating in defined contribution retirement plans, or contributing more under an auto-enrollment plan compared to a voluntary enrollment plan, the bill would increase costs to public employers that match employee contributions to retirement funds. Enactment of automatic enrollment with opt-out provisions has significantly increased employee participation in some other states. In Michigan, automatic enrollment was authorized for the Michigan Public School Employees' Retirement System in 2010 and for defined contribution members of the State Employees' Retirement System (SERS) in 2012. The Office of Retirement Services reports that participation by defined contribution members of SERS increased from 70% to 82% over a short time period. The State does not presently have the authority to provide for automatic enrollment for defined contribution plan members of the Judges Retirement System. Currently, 382 (87.8%) of the 435 judges who are eligible are receiving the full State match. Statewide data regarding participation rates for all of the retirement systems that would be affected by the bill are not available.

Date Completed: 5-8-14

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Bill Analysis @ www.senate.michigan.gov/sfa

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