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Senate Bill 517 (as introduced 5-22-03)
Sponsor: Senator Bev Hammerstrom
Committee: Local, Urban and State Affairs

Date Completed: 1-28-04

CONTENT

The bill would amend the Municipal Employees Retirement Act to expand the definition of "municipality" (and thereby expand the entities that may join the Municipal Employees' Retirement System). The bill also would do the following:

- **Indicate that certain provisions would not limit the retirement board's power to establish ancillary benefits and postemployment benefit programs.**
- **Require the retirement board to arrange for an annual actuarial valuation and report of the actuarial soundness of each participating court, in addition to each participating municipality.**
- **Allow the electronic distribution of the retirement board's annual report, and require a copy to be distributed to the Senate and the House, rather than each member.**

Definition of "Municipality"

Currently, "municipality" means a county, county road commission, city, village, township, or a combination of those units; a lawful public corporation or instrumentality established by one or more counties, cities, villages, townships, or a combination of those units; or a public corporation or instrumentality charged by law with the performance of a governmental function and whose jurisdiction is coextensive with one or more counties, cities, villages, and/or townships.

Under the bill, "municipality" also would include all of the following:

- A political subdivision of Michigan or another adjacent U.S. state, including but not limited to the entities currently included in the definition.
- A metropolitan government borough, or other political subdivision of the Canadian Province of Ontario, an agency of the United States, or a similar entity of an adjacent U.S. state and the Province of Ontario.
- A Federally recognized Indian tribal government located in Michigan and exercising its sovereign powers solely within Michigan and another adjacent U.S. state pursuant to terms of participation established by the retirement system.
- A State university whose employees are not public school employees under the Public School Employees Retirement Act.

Retirement Board

The Act created a retirement board to administer the Act. Since the board certified the results of an election in 1996, the Municipal Employees Retirement System (MERS) has been a public corporation and does not operate within the State's executive branch. Since the certification date, the retirement board has been required to determine all of the provisions of MERS

affecting benefit eligibility, benefit programs, contribution amounts, and the election of municipalities, judicial circuit courts, judicial district courts, and judicial probate courts to be governed by the retirement system. The retirement system provisions may not differ materially from the defined benefit provisions that were in effect before the certification date.

The Act provides that these provisions do not limit the board's authority to establish additional programs, including defined benefit and defined contribution programs. Under the bill, these provisions also would not limit the board's authority to establish ancillary benefits and other postemployment benefit programs.

In addition, the bill would require the board to establish, as well as determine, all of the provisions of MERS.

Annual Actuarial Valuation

The Act requires the retirement board to arrange for an annual actuarial valuation and report of the actuarial soundness of each participating municipality, to be prepared by an independent actuary based upon data compiled and supplied by retirement system employees. Under the bill, the board also would have to arrange for an annual actuarial valuation and report of the actuarial soundness of each participating court.

Annual Report

The Act requires the retirement board to prepare an annual report for each fiscal year in compliance with generally accepted accounting principles. The board must furnish a copy of the annual report to the Governor, each member of the Legislature, each participating municipality, and each participating court. Under the bill, the board would have to furnish a copy to the Governor and furnish a copy, either in print or electronic format, to each house of the Legislature, each participating municipality, and each participating court.

Other Provisions

The bill would do the following:

- Repeal the retirement board's authority to promulgate rules pursuant to the Administrative Procedures Act.
- Refer to the "chief executive officer" of the retirement board, rather than the board's "executive director".
- Delete a requirement that each retirement board member's oath of office be filed with the Secretary of State.

MCL 38.1502a et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on the State.

There could be a potential positive effect on the retirement system's assets. By allowing more entities to become members, the system would have more individuals among whom to spread the costs. This could eventually result in lower contribution rates and lower costs for the system overall. The amount is indeterminate and dependent on the number of new members who would be allowed to join the retirement system.

Fiscal Analyst: Joe Carrasco

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.