HOUSE BILL 4701 - OPEB REFORM LEGISLATION
INTRODUCED BY REPRESENTATIVE BILL ROGERS

Summary Completed by the Office of State Representative Bill Rogers
Meghan Lizotte - Policy Director
Direct Line: (517) 373-8005 | E-Mail: MLizotte@house.mi.gov

SHORT SUMMARY

House Bill 4701 deals with retirement health care benefits for those state employees in the current Defined Contribution system (all employees hired after 1997); and deals with the pension retirement benefits for those state employees in the old Defined Benefit system (all employees hired before 1997).

DEFINED CONTRIBUTION EMPLOYEES - Retirement Health Care Benefit Reforms

Current state employees (those hired after 1997) are 100 percent vested in retirement health care benefits once they reach 10 years of service. Once they are vested they are guaranteed to receive 30 percent of their health care premiums paid for in retirement by the state, and each year of service there after they receive an additional 3 percent, (up to 90 percent) towards those premiums.

House Bill 4701 will deal with defined contribution employees three different ways depending on the number of years of service they currently have.

Part I - Employees with 10 to 14 years of state employment service

Since it includes all state employees hired after March 31 1997, 14 years of service is the most someone in the defined contribution system can have. So, these employees are today guaranteed to have somewhere between 30-42 percent of their retirement health care premiums paid for.

House Bill 4701 will have an actuarial study conducted which will take a one-time snap shot of what those benefits are worth today and it will monetize the amount. Once these state employees reach the age of 55 and have 30 years of service or 60 years old with 10 years of service and retire from state employment they will receive this monetized amount in a one-time lump sum payment into a health retirement account (HRA) which may be used for medical expense reimbursement, under the IRS guidelines.

Part II - Employees with less than 10 years but more than 4 years of state employment service

House Bill 4701 will have the same study done as the employees who have been here for 10 or more years and will take a one-time snap shot of what their benefits are worth today, monetizing that into a dollar amount. Once these state employees reach the age of 60 and have at least 10 years of service and retire from state employment they will receive this monetized amount in a one-time lump sum payment into a health retirement account (HRA) which may be used for medical expense reimbursement, under the IRS guidelines.

Part III - Employees with less than 4 years of state employment service & all new state employees

House Bill 4701 will give these employees a one-time payment of $2,000. Once these state employees reach the age of 65 and have at least 10 years of service and retire from state employment they will receive this amount in a one-time payment into a health retirement account (HRA) which may be used for medical expense reimbursement, under the IRS guidelines.

Regardless of the length of service, all state employees moving forward must retire from state employment in order to receive their HRA payment. If an employee decides to leave state employment, they may be gone for no more than 5 consecutive years or they will forfeit all their earned benefits.

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DEFINED BENEFIT EMPLOYEES - Retirement Pension Benefit Reforms

All state employees who are in the defined benefit plan (those employees hired prior to March 31, 1997) may remain in the defined benefit plan by agreeing to pay 4 percent of their salary into the pension fund. By electing to pay 4 percent into the Pension Retirement Fund, defined benefit employees will continue to accrue pension benefits.

Those who choose not to contribute 4 percent of their salary into the pension fund, their pension will be frozen where it is as of the close of the election period and from then forward all retirement benefits will be put into a 401(k) plan.

Mandatory 3 Percent Contribution to Health Care Retirement Fund

All current state employees are paying 3 percent of their salaries towards the retirement health care fund. The 3 percent contribution will cease and all state employees will receive a reimbursement check of their 3 percent plus interest, which is estimated at approximately 0.25 percent.

The refund will happen no later than October 1, 2011. During an election period, employees will get to choose one of two ways to receive their refund. 1) A check, in which they will have to pay income taxes on; or 2) a tax free transfer into their 401(k) or 457 retirement fund.