

# Legislative Analysis



## PUBLIC PENSION CHANGES

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**House Bill 6636**  
**Sponsor: Rep. Joan Bauer**

**House Bill 6639**  
**Sponsor: Joe Hune**

**House Bill 6637**  
**Sponsor: Rep. Edward Gaffney, Jr.**

**House Bill 6640**  
**Sponsor: Rep. Robert Jones**

**House Bill 6638**  
**Sponsor: Rep. Hoon-Yung Hopgood**

**Committee: Senior Health, Security and Retirement**  
**Complete to 12-1-08**

## A SUMMARY OF HOUSE BILLS 6636-6640 AS INTRODUCED 11-12-08

Each bill would amend a different state retirement act in order to keep them in compliance with the federal Internal Revenue Code provisions and Internal Revenue Service guidelines.

According to the state's Office of Retirement Services, Internal Revenue Service rules require that all governmental entities refile their retirement plans by no later than January 31, 2009, if they wish to obtain updated determination letters confirming their tax-qualified status. The technical changes in these bills are required as part of the refiling.

House Bill 6636 would amend the State Employees' Retirement Act (MCL 38.1d and 38.49). House Bill 6637 would amend the State Police Retirement Act (MCL 38.1603 and 38.1614a). House Bill 6638 would amend the Public School Employees Retirement Act (MCL 38.1304 and 38.1408). House Bill 6639 would amend the Judges Retirement Act (MCL 38.2105 and 38.2604). House Bill 6640 would amend the Michigan Legislative Retirement System Act (MCL 38.1008a and 38.1059a).

The ORS has described the following four key changes.

- Changes in certain definitions that apply to retirement plan participants making direct rollovers of non-periodic distributions from a retirement plan to an individual retirement account (IRA) or similar tax-deferred plan.
- The clarification of provisions relating to limitations found in Section 415 of the federal Internal Revenue Code on the amounts that can be paid annually from a retirement system to an individual member, and the removal of related outdated and inconsistent provisions.
- Bringing the state retirement systems under certain minimum distribution requirements in the federal Internal Revenue Code.

- Requiring the retirement systems to treat system members who die while performing qualified military service as if they had resumed employment and then terminated employment due to death when calculating any death benefits. This is a requirement of the federal Heroes Earnings Assistance and Relief Tax Act of 2008

**FISCAL IMPACT:**

The bills would have no fiscal impact on the state as they would simply align statute with current IRS regulations regarding tax-qualified status for the state's retirement plans. However, failure to enact these changes could result in the loss of tax-qualified status and would have a significant, negative fiscal impact on the state's retirement systems.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.