



STATE OF MICHIGAN

DEPARTMENT OF EDUCATION

Lansing, Michigan 48902

May 29, 1975

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JOHN W. PORTER
Superintendent of
Public Instruction

TO: Governor William G. Milliken

FROM: John W. Porter

SUBJECT: Analysis of House Bill No. 4580

1. What is the purpose of the bill?

This bill would provide the necessary legal basis for the Civil Service Commission and the Department of Treasury to invest state employee contributions obtained through a Deferred Compensation Program.

At the present time, according to an Attorney General's Opinion, the Civil Service Commission has the authority to operate a program which they call a deferred compensation program, but without this legislation the investment of funds by the state is limited to those in the common cash fund of the State Treasury. Funds in the common cash fund are limited to certain types of investments which would not encompass the types of investments that the Commission wishes to provide in the new program.

Passage of this bill would permit the Civil Service Commission to invest in other types of investments such as common stocks and preferred stocks which are not currently permissible.

2. Was the bill introduced at the agency's request, and Does it have the agency's support?

The bill was not introduced at the request of the Department of Education. A position has not been taken on HB-4580 by the Department of Education.

3. Are there revenue or budgetary implications in the bill--
(a) to the Department, and (b) to the state?

The program is a self-supporting program and costs would be covered by fees collected from participants.

4. Is there any local government implication in the bill?

None

5. What other principal departments might the bill affect?

All state departments would be affected by the bill in the sense that their employees would be able to participate in the program.

6. What, in summary form, are the arguments for and against the bill?

Arguments for:

- a. The bill would improve the competitive recruitment position of the Department of Education and other state agencies since it would provide a benefit to state employees which has been available to employees of local school districts for over 10 years.
- b. The bill would increase the investment opportunities and provide for a more varied and higher quality investment portfolio for the program than is currently available. The expansion of investment opportunities would allow state employees to receive a greater return on their investment than would be available on fixed income opportunities under which the common cash fund of the State Treasury is now limited.
- c. At this time there is deep concern about the plight of senior citizens. This proposal would alleviate the problems encountered by potential senior citizens. Through this plan, when state employees reach retirement age they would be better able to provide for themselves and their retirement security.

7. Does the Department suggest amendments.

The Department does not suggest any amendments.

8. Any other background information.

This legislation is necessary according to the Attorney General's Opinion of August 7, 1974. The Civil Service Commission currently does not have the authority to invest the monies received in the deferred compensation program. Enactment of this bill would provide the necessary legal basis to invest these monies and carry out a more varied investment portfolio.