



CIVIL SERVICE
COMMISSION
RUTH M. ROBERTSON
Chairperson
JAMES W. MILLER
OTIS M. SMITH

WILLIAM G. MILLIKEN, Governor

DEPARTMENT OF CIVIL SERVICE

LEWIS-CASS BUILDING, LANSING, MICHIGAN 48913

RICHARD A. ROSS, State Personnel Director

April 2, 1975

TO: Governor William G. Milliken
FROM: Richard Ross, State Personnel Director
SUBJECT: House Bill #4580

We report as follows concerning the subject bill:

1. What is the purpose of the bill?

The Civil Service Commission at the recommendation of the Compensation Advisory Board and employee groups has designed a low overhead deferred compensation program to provide a tax shelter for state employees. It has been approved by the Civil Service Commission and enrollments are being conducted.

An Attorney General's Opinion of August 7, 1974 indicates the Commission has the authority to operate the plan but without special legislative authorization investment is limited to the Common Cash Fund of the State Treasury. The Common Cash Fund is limited by statute to investment in government securities, certificates of deposit, and top grade commercial notes. The employees and the Commission want both a fixed-income and stock option plan to be available. The purpose of the bill is to permit the Commission to provide these alternatives instead of limiting the investment to the Common Cash Fund.

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

The answer is yes to both questions. It has a very high priority in the Department of Civil Service to aid the administration of the newest fringe benefit.

3. Are there revenue or budgetary implications in the bill?

No. The program is self-supporting and any overhead costs come from charges against persons enrolled in the plan.

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

None.

5. What other principal departments might the bill affect?

None.



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

Allows a more varied and aggressive investment opportunity for deferred salary to maximize interest return to state employee participants.

The Common Cash Fund rate of return is normally 1% or more lower than available from other fixed-income opportunities available in the money market. For those who wish a stock option, none is available.

7. Does the department suggest amendments?

No.

8. Background Information.

The Attorney General Opinion of August 7, 1974 indicating legislation is needed to give Civil Service the authority to invest the deferred salary is what initiated the legislation.