

HOUSE BILL 4580 (as originally introduced)

Sponsor: Rep. Louis Cramton

**Analysis Section
House of Representatives
Committee: Appropriations**

**Material in this analysis complete to 6-14-76.
Additional information may follow.**

The Apparent Problem to Which the Bill Addresses Itself:

The Civil Service Commission presently administers a deferred compensation program on behalf of state employees who elect to participate in it. Under the program, an employee may choose to have some part of his/her income withheld and invested by the state, in order to receive this income and the investment earnings at some point later in his/her life (usually at retirement). However, according to an Attorney General's opinion (letter-opinion to the Department of Civil Service, August 7, 1974) the investments which can be made by the program are limited to investments in the Common Cash Fund of the State Treasury (which, in turn, is limited by statute to investments in government securities, certificates of deposit, and top-grade commercial notes). The Attorney General's opinion further indicated that special legislative authorization would be needed in order for the Commission to provide a fixed-income plan and a stock option plan, both of which are sought by employees and meet with the approval of the Commission. It has therefore been suggested that such authorization be enacted.

The Manner in Which the Bill Addresses Itself to the Problem:

The bill would authorize the state Department of Civil Service to implement and administer a deferred compensation plan. The plan could include a fixed-income plan and a stock plan option. The plan would be established by resolution of the state Civil Service Commission. The resolution would set forth the purpose, eligibility requirements, membership, qualifications, and administration of the plan.

Fiscal Implications:

The Department of Civil Service indicates that the bill would result in no costs to the state, since the plan is self-supporting.

Argument For:

The bill would permit the deferred compensation program to pursue a more varied and aggressive investment plan on behalf of the employees who participate in it. Further, the rate of return on the investments presently permitted is normally 1% or more less than which would be available from other forms of investment. The bill would therefore allow for a greater return on investments of the program.

Argument For:

The bill would permit state government to attract better employees by improving an important fringe benefit.

Argument For:

The bill would improve the financial situation of state employees who will be retiring in the future, since it would increase the amount of deferred compensation that they would receive. It would, however, involve no increase in costs to the state.

Positions:

The Department of Civil Service supports the bill. (6-10-76)

The Department of Management and Budget supports the bill. (4-9-75)

The Michigan State Employees Association supports the bill. (6-10-76)