Legislative Updates

Presented by

Kim Rhead,
MERS Director of Legislative Affairs

Scott Faustyn, Partner
Karoub Associates

Brendan Ringlever, Partner
Michigan Legislative Consultants

Today's Topics

- Federal Elections
- Michigan Elections
- Notable Legislation
- Active Legislation
- Introduced Legislation
- Federal Government Issues

Federal Elections Senate

A total of 100 Senators
2 per state are elected to 6-year terms

Current seats held

- 51 Democrats
- 45 Republicans
- 2 Independents
- 2 open seats

36 Senate seats are up for election in 2014

- 21 are currently held by Democrats
  - 50% of Democratic seats are considered vulnerable
- 15 are held by Republicans
  - No Republican seat is considered vulnerable

Key Senators not seeking re-election

- Tom Harkin – Iowa
- Carl Levin – Michigan
- Max Baucus – Minnesota
- Tim Johnson – South Dakota
- Jay Rockefeller – West Virginia

- Political forecasters suggest Republicans could pick up 4 to 8 seats, with most likely to be Arkansas, Arizona, Louisiana, and North Carolina
- Michigan's Senate seat is included in the vulnerable category because it is an open seat

Federal Elections
House of Representatives

441 Total Seats

435 voting representatives; 6 non-voting representatives

Election every 2 years; all 441 up for re-election in 2014

Current voting seats held (total of 435)

- 201 Democrats
- 234 Republicans
- 6 non-voting seats

What the forecasters are saying:

- Democrats have 6 toss up seats
  - Could lose up to 2 of these seats
- Republicans have 3 toss up seats
  - Expected to lose 2 of these seats
- Republicans will pick up between 2 – 5 seats

Michigan in the Election

- 14 members of the House
  - 5 Democrat
  - 9 Republican
- District
  - 5 Strong Republican
  - 1 Likely Republican
  - 3 Lean Republican
  - 5 Strong Democrat

Michigan delegation will be hit hard by Representatives that are not seeking re-election:

- Dave Camp (R) – Chairman of Ways and Means Committee
- Mike Rogers (R) – Chairman of the Intelligence Committee
- Gary Peters (D) – Running for Senate
- John Dingell (D) – longest serving legislator in the country

Analysis

- Should forecasters be correct, Republicans will remain in control of the House and could possibly gain control in the Senate
- If estimates are correct, the House would be made of 239 Republicans and 196 Democrats
- The Senate could be more interesting because if Republicans pick up 4 seats, as many are suggesting is possible, the makeup of the Senate would be 49 Democrats, 49 Republicans, and 2 Independents

What Does This Mean for Retirement Plans?

- Impact of control of the Senate:
  - Retirement advocates have depended on HELP Committee Chairman Tom Harkin to block legislation
    - S 1270 Senator Hatch's SAFE Retirement Bill
    - HR 1628 Representative Nune's PEPTA Bill
  - Harkin is not seeking re-election
- Should control switch, it is likely that Senator Hatch would assume the position being vacated by Harkin

State of Michigan Elections

Governor

- Incumbent Governor Rick Snyder is seeking a second four-year term in office
- Ex-Congressman and State Legislator Mark Schauer will be Democratic opponent

Lt. Governor

- Incumbent Brian Calley (R)
- Lisa Brown (D)

Attorney General

- Incumbent Bill Schuette (R)
- Mark Totten (D)
- Justin Altman (I)
- Gerald VanSickle (US Taxpayers)
- John Anthony LaPietra

Secretary of State

- Incumbent Ruth Johnson (R)
- Godfrey Dillard (D)
- Jamie Lewis (I)
- Robert Gale (US Taxpayers)

State Senate

38 Senators elected to 4-year terms

- **All 38 Senate seats are up for election**

Current seats held

- 12 Democrats
- 26 Republicans

7 Senate seats are open due to term limits

- 3 Democrat seats
- 4 Republican seats

Changes in 2014

- Redistricting created 2 new Senate Districts
  - 1 likely Republican
  - 1 likely Democrat
- Retirements of Senators Caswell Walker and Senator Moolenaar's decision to seek a congressional seat has created 3 additional open Republican seats

Political forecasters estimate that all 12 Democratic seats are likely safe while 6 Republican seats are viewed as toss up seats

State House of Representatives

110 Representative elected to 2-year terms

- **All 110 Senate seats are up for election**

Current seats held

- 50 Democrats
- 59 Republicans
- 1 Independent

29 house seats are open due to term limits

- 13 Democrat seats
- 16 Republican seats

Changes in 2014

- 12 seats will be open as a result of Representatives seeking different political offices
  - 6 Democrat
  - 5 Republicans
  - 1 Independent

- Political forecasters list the number of toss up seats at 10 with 6 being Republican and 4 being Democrat
- A flip in control is not out of the question but most believe 2016 will present the best opportunity for Democrats to grab control as 33 seats currently held by Republicans will be open as opposed to just 19 Democrat seats

Upcoming Notable Legislation

SB 541 / PA 269 0f 2013

- Amends PA 152 of 2011 the Publically Funded Health Insurance Contribution Act
- Clearly states that contributions made to the MERS HCSP are post-employment and are not required to be counted against the employer health insurance caps as defined in PA 152

Upcoming Notable Legislation

HB 4964 / PA 242 of 2014

- Allows an employer to provide automatic enrollment of employees into certain self-directed accounts and authorizes an employer to make payroll deductions into such accounts
- Establishes immunity from liability for investment decisions as long as various requirements are met by the employer
- MERS pension accounts are exempted from the requirements of PA 242 but 457 and HCSP are included

Upcoming Notable Legislation

HB 5313 / PA 252 of 2014

- The Omnibus budget bill that includes the General Government Budget where EVIP / Revenue Sharing is located
- Projected increases in funding for Constitutional Revenue Sharing is 2.9% while Statutory Revenue Sharing and the County Incentive Program are projected to receive increases of 3%

Upcoming Notable Legislation

HB 5313 / PA 252 of 2014

- EVIP has been eliminated and replaced by a new revenue sharing program that will require only compliance with accountability and transparency standards including a complete listing of all unfunded liabilities and a proposal on actions that will be taken to reduce UAL
- Eligibility requirements have been reformed and will focus more on per capita population that will increase the number of entities eligible to receive funding by a few hundred

Upcoming Notable Legislation

HB 5566 – 5570 / PA 181 – 185, HB 5573 – 5576 / PA 186 – 189 & HB 5600 / PA 190 of 2014

- Detroit “Grand Bargain” Package
- HB 5566 establishes a fiscal oversight committee to review and audit the general finances of the city and HB 5570 establishes the pension investment oversight committee
- General System retirees will lose health care benefits, cost of living increases and see a reduction in their pensions while Police and Fire Retirees will lose health care benefits and ½ of their cost of living increases

Active Legislation

HB 4804

- Amends PA 336 of 1947 – Collective Bargaining for Public Employees
- Specifies if a local entity adopts a resolution, ordinance or charter provision to prohibit offering a defined benefit plan to some or all employees then the subject of a defined benefit plan for those employees would be a prohibited subject for the purpose of collective bargaining

SB 922

- Amends the Revised Municipal Finance Act to extend the sunset for issue of municipal securities to pay pension and health care unfunded liabilities until December 31, 2015
- All other requirements including a credit rating of at least AA remain in effect

Active Legislation

SB 949

- Amends the Uniform Budgeting and Accounting Act – PA 2 of 1968
- Would require audits to be completed not less than 150 days after the end of the previous fiscal year
- Legislation is part of a large package directed at school districts in an attempt to identify possible troubled districts sooner and head off the need for the appointment of a financial manager

Legislation Introduced

HB 4508

- A public employer would be prohibited from hiring an employee either as a direct employee or by contract with a third party if that employee is receiving retirement benefits from a defined benefit pension provided by that employer

SB 145, 280 & HB 4130, 4301, 4564, 4827, 5219, 5249, 5256, 5244

- All these bills in one form or another either repeal or reduce the tax that was enacted on pensions

Social Security Option for Local Police and Firefighters

- Requested modification to Section 218 of PA 205 of 1951
- Modification would allow police and fire to enroll in Social Security

Federal Government Issues

HR 1628 & S 779

- Public Employee Pension Transparency Act
  - Would require public pensions to file an additional annual report with the US Department of Treasury disclosing the liabilities of their pension plans
  - Entities that didn't file a report would lose the tax free status of their municipal bonds
  - Pension liabilities would be capped at a "Risk Free" interest rate of return

S 1270

- Secure Annuities for Employees Retirement Act (SAFE)
  - States would be allowed to replace their public pension plans by purchasing private insurance annuities for public employees

Please take time to fill in your survey

There are session surveys in the back of your book. Please take the time to fill in the survey to assist us in planning future events!

This presentation contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.