

Legislative Analysis



TREAT JUVENILE JUSTICE WORKERS AS COVERED EMPLOYEES IN RETIREMENT SYSTEM

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House Bill 5966

Sponsor: Rep. Paul Opsommer

First Committee: Retiree Health Care Reforms

Second Committee: Labor

Complete to 6-27-08

A SUMMARY OF HOUSE BILL 5966 AS REPORTED FROM COMMITTEE 6-10-08

The State Employees' Retirement Act has separate retirement provisions for employees in positions known as "covered positions." These are, generally speaking, employees responsible for the custody and supervision of prisoners. The act contains a list of such employees. House Bill 5966 would add to the list, "on or after October 1, 2007, a position in the Bureau of Juvenile Justice in the Department of Human Services."

Under the act, covered employees are eligible for a supplemental pension at age 51 with 25 years in a covered position, or at age 56 with 10 years in a covered position. In both situations, the last three years of employment must be in a covered position. At age 62, these employees begin to receive a straight life pension like those of other state employees. Prior to that, they are eligible for a supplemental pension calculated as follows (according to Office of Retirement Services materials):

First, the employee calculates the straight life pension (Final Average Compensation times 1.5 percent times Years of Service). Then the supplemental pension is calculated by multiplying the employee's FAC times one-half percent times Covered Years of Service. The month after turning 62, the supplemental pension stops and the employee receives a straight life pension only.

The bill would make employees in the DHS Juvenile Justice Bureau eligible for the earlier retirement and supplemental pension.

MCL 38.45

BACKGROUND INFORMATION:

Two actions taken in the last year's Department of Human Services (DHS) budget directly affected employees of the Bureau of Juvenile Justice. First, funding was eliminated for a wing of the W.J. Maxey Boys Training School near Whitmore Lake which was licensed to fill up to 80 medium-security beds for juvenile offenders, in accordance with a plan to transfer the young men housed in this wing to private sector residential facilities. (The Maxey Boys Training School attempts to rehabilitate and train young males, 12 to 20 years of age, who are placed at the school by a court following conviction of a felony.) The closure of the medium-security wing reduced Maxey's

appropriated staffing level by 131 full-time equivalent positions. Second, funding was eliminated for 10 central staff positions in the Bureau of Juvenile Justice. The staffing reductions reportedly took place in April, 2008. Because the DHS budget contained funding for additional positions in other areas, some of the Juvenile Justice employees who would otherwise have been laid-off were able to transfer to other positions.

FISCAL IMPACT:

The bill will create an unfunded liability to the retirement system, depending on how many people take the earlier retirement. An actuarial evaluation is required to determine this.

POSITIONS:

Michigan AFSCME Council 25 testified in support of the bill and AFSCME Local 1327 indicated support for the bill. (6-10-08)

The Michigan AFL-CIO indicated support for the bill. (6-10-08)

The Michigan Association of Governmental Employees indicated support. (5-6-08)

The Michigan State Employees Association (MSEA) testified in support of the bill. (6-10-08)

The International Union, UAW and UAW Local 6000 testified in support of the bill. (6-10-08)

The Department of Management and Budget testified against the bill both because of its costs as well as the fact that it would cover all juvenile justice employees whether they work in dangerous positions or desk jobs. (6-10-08)

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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.