

## **ELIMINATE SUNSET FOR RE-HIRING OF RETIRED CORRECTIONS CUSTODY STAFF**

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**House Bill 4664**

**Sponsor: Rep. MacMaster**

**Committee: Appropriations**

**Complete to 5-21-13**

### **A SUMMARY OF HOUSE BILL 4664 AS REPORTED BY THE HOUSE APPROPRIATIONS COMMITTEE ON 5-22-13**

House Bill 4664 would amend the State Employees' Retirement Act to eliminate the September 30, 2013 sunset date that is currently in statute applying to the re-hiring of retired corrections custody staff.

#### *Background*

Prior to December 2012, there were two exemptions to requiring state employee retirees receiving retirement allowances to forfeit their allowances during any time period they were re-employed by the state. The first exemption was for a retiree hired to provide health care services under jurisdiction of the Michigan Department of Corrections (MDOC), provided the retiree was hired on a limited-term basis, was paid on a per diem basis with no benefits, and that certain noticing and reporting requirements were met by the department. The second exemption was for the appointment of a retiree who was an assistant attorney general as a special assistant attorney general if it was determined the retiree possessed specialized expertise and experience necessary for the appointment.

In December 2012, Public Act 432 was enacted, which amended the State Employees' Retirement Act to allow a third exemption to the retirement allowance forfeiture requirement for a retiree hired to provide for the custody of individuals under the jurisdiction of the MDOC if the retiree was hired on a limited-term basis, was paid on a per diem basis with no benefits, and worked no more than 1,040 hours in a 12-month period of employment. The act also included a September 30, 2013 sunset date.

The amendments to the State Employees' Retirement Act were enacted into law in order for the MDOC to be able to generate savings from the use of retired corrections custody staff to fill existing custody staff vacancies. The FY 2012-13 MDOC budget assumed a savings of \$10.0 million. The MDOC utilizes a significant amount of paid overtime in ensuring it has sufficient staff to maintain security in the state's prisons. When a custody staff position remains vacant or an existing officer takes sick or annual leave, the department often pays overtime to existing staff to cover the unfilled assignment. Custody officers working overtime are generally paid one-and-a-half times their regular wage rates for these duties. By allowing retired MDOC officers to be rehired, the state will realize a cost savings as a result of not having to pay such a significant amount in overtime costs.

The amendments to the State Employees' Retirement Act also had potential cost implications on the state retirement system that would offset some of the savings expected to occur. There is an incentive for an active state employee in the State Employees' Retirement System to retire and apply for the position of corrections officer in order to draw a pension and a paycheck as an active employee. When this occurs, there are costs to the retirement system of paying out pensions earlier than originally assumed, which results in additional unfunded accrued liabilities in the retirement system.

**FISCAL IMPACT:**

By eliminating the sunset, it is expected that more retirees will be encouraged to participate and apply for re-employment. The amount of actual savings that will be achieved by the state depends on the number of retired officers who are re-hired, and the amount of reduced overtime costs that will result.

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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.