

## STATE RETIREES: COLLECT RETIREMENT ALLOWANCE WHILE EMPLOYED IN WILDLAND FIRE MANAGEMENT

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**House Bill 5128 as enacted**  
**Public Act 351 of 2016**  
**Sponsor: Rep. Bruce Rendon**  
**House Committee: Natural Resources**  
**Senate Committee: Appropriations**

Analysis available at  
<http://www.legislature.mi.gov>

**Complete to 7-19-17**

**BRIEF SUMMARY:** House Bill 5128 would amend the State Employees Retirement Act (SERA) to allow a retired state employee to still receive a retirement allowance if hired by the Department of Natural Resources (DNR) for wildland fire management.

**FISCAL IMPACT:** House Bill 5128 would have an indeterminate fiscal impact on the Department of Natural Resources and no fiscal impact on local units of government. (See *Fiscal Information*, below, for further discussion.)

### **THE APPARENT PROBLEM:**

According to testimony presented in committee, during major wildfires, the DNR can find itself short-handed in fire suppression activities. To help remedy this, the bill would allow the DNR to contract with retired state employees to assist in fire suppression while allowing those retired individuals to continue to receive retirement benefits they have earned. This would eliminate a disincentive for those retired persons to contract with the state, as retired state employees, by default, must forgo their accrued retirement benefits if they return to work for the state. By eliminating this barrier, it is hoped that individuals who previously received training in fire suppression and management can assist the DNR in controlling fires more quickly.

### **THE CONTENT OF THE BILL:**

To be eligible, a retirant must be hired to a position of which all of the following are true:

- That person is hired by the DNR for active wildland fire suppression.
- There is an immediate continual need for prequalified, skilled, and trained personnel to address wildfire suppression.
- The retirant works no more than 600 hours in a fiscal year.
- The position is limited in term.
- No benefits are paid.
- The hourly pay is not more than 70% of the maximum hourly wage granted to a classified civil service employee employed by the DNR to perform the same duties as the retirant for the fiscal year during which the retirant is employed.

Additionally, the bill would impose the following reporting requirements on the DNR:

Within 30 days after the date the retirant is employed and ceases to be employed (or within 30 days after the end of each fiscal year, whichever occurs first), the DNR must report the

following to the State Budget Office (SBO) and the Department of Technology, Management, and Budget (DTMB):

- Name, employment capacity, equivalent civil service position, and hourly wage of the retirant.
- Total hours of service by the retirant for the fiscal year.

By March 1 of each year, the DNR must submit a summary of the above reports for the preceding fiscal year to the House and Senate Natural Resources subcommittees for appropriations, the SBO, the House and Senate Fiscal Agencies, and DTMB.

The reports and summary may be submitted electronically.

The following terms are already defined in statute:

**Retirant** means a person who has ceased to be a member of the retirement system by reason of retirement with a pension or retirement allowance payable from the funds of the retirement system.

**Retirement allowance** means the sum of the annuity and the pension.

**Employed by the state** means "employed directly by this state as an employee, indirectly by this state through a contractual arrangement with other parties, or by engagement of the retirant by this state as an independent contractor."

MCL 38.68c

#### **BACKGROUND INFORMATION:**

Generally, Section 68c requires a retirement allowance under SERA to be suspended if a retirant (retired former employee) is re-employed by the state. The allowance is reinstated after the employment ends, and the additional time spent working for the state is not counted toward that allowance.

Presently, similar exceptions exist for the following individuals under certain circumstances, including:

- Persons hired by the Department of Corrections to provide health care services to individuals under the jurisdiction of the department.
- A retired assistant attorney general appointed to that same post.
- A person the Department of Attorney General contracts with as a witness, expert, or consultant for litigation involving this state.

#### **FISCAL INFORMATION:**

##### ***DNR and Local Impact***

House Bill 5128 would have an indeterminate fiscal impact on the Department of Natural Resources. The department currently uses contract employees to staff the wildland fire management program. If retirants are used to staff this program they would be similarly employed as contract personnel. Consequently, DNR does not anticipate personnel costs to be

impacted by House Bill 5128. Retirants who are reemployed as contract staff for this program would not see their total retirement allowance altered beyond a temporary suspension for the duration of their reemployment. It is unclear how many retirants would be reemployed through the wildland fire management program if House Bill 5128 were enacted.

House Bill 5128 would have no fiscal impact on local units of government.

***Retirement Impact***

By allowing retirees to return to work with the Department of Natural Resources, the bill could create an incentive to retire earlier than an employee might have otherwise, knowing they may continue to work and earn both current compensation and a pension. When retirees retire earlier than anticipated under the retirement system's actuarial assumptions, it increases the unfunded liabilities in a pension system. Increased unfunded liabilities would be borne by the state through increased departmental costs for the State Employees' Retirement System (SERS), which are assessed across all state departments as an equal percent of payroll.

***ARGUMENTS:***

***For:***

As mentioned above, supporters of the bill believe that this will eliminate a disincentive for retired state employees who possess useful experience and knowledge regarding fire suppression to contract with the DNR when needed to fight fires. Because large wildfires often require assistance from out-of-area fire crews, it is hoped that by having the option to bring in qualified local retirees, the fire will be less destructive as it is brought under control faster.

***Against:***

Critics of the bill were concerned about understaffing in the DNR's firefighting ranks, and worried that hiring retired individuals to assist in fire suppression was only a temporary fix, falling short of what is needed.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.