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BILL ANALYSIS

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Senate Bill 279 (as introduced 4-16-15)
Sponsor: Senator Marty Knollenberg
Committee: Education

Date Completed: 6-8-15

CONTENT

The bill would amend the Public School Employees Retirement Act to change how a member's compensation is reported to the retirement system and required contributions are calculated when the member is on an employee organization professional services leave or employee organization professional services released time.

Under the Act, a member who is on either a professional services leave or a professional services released time that first began before October 1, 1996, is included on the reporting unit's (e.g. the school district's) reports to the retirement system, and compensation, service, contribution, and other requirements are reported on the same basis as for those members who were not granted such a leave or released time. That is, his or her reported compensation is based on the actual amount of compensation earned in each fiscal year. The reporting unit must remit the amount required for the normal cost of the member's retirement benefits, the percentage applied to go toward the retirement system's unfunded actuarial accrued liability, and the required share of Social Security contributions based on that compensation.

For a member whose leave began on or after October 1, 1996, the same requirements apply, except that compensation is reported at the rate paid to the member by the reporting unit immediately preceding the date the member began the professional services leave or released time along with the normal and customary compensation increases that would have been paid had the member remained in his or her position. However, if the member was not working a full 12-month period for the reporting unit immediately before the leave or released time and is working a full 12-month period for the public school employee organization, the rate of compensation paid to the member by the reporting unit immediately before the leave or released time may be increased proportionately.

Under the bill, after its effective date, all compensation for a member on either a professional services leave or released time, for the purpose of reporting to the retirement system and for calculating required contributions, would be calculated according to the method prescribed for members whose leave began on or after October 1, 1996.

The Act defines "professional services leave" as a leave of absence that is renewed annually by the reporting unit so that a member may accept a position with a public school employee organization to which he or she belongs and which represents employees of a reporting unit in employment matters. "Professional services released time" means a portion of the school fiscal year during which a member is released by the reporting unit from his or her regularly assigned duties to engage in employment matters for a public school employee organization to which he or she belongs. A "reporting unit" is a public school district, intermediate school district, public school academy, tax-supported community or junior college, or university, or an agency having on its payroll employees who are members of the retirement system.

The bill would take effect 90 days after being signed into law.

MCL 38.1371 Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

There would be no fiscal impact on the State because the amounts remitted by the local reporting unit (e.g., a school district) on behalf of the affected individual are actuarially calculated to cover the projected cost of the pension payouts. Whether this practice continues or is discontinued would have no net impact on the pension plan. Under current law, contributions are remitted to cover the cost of the pension service credit accrued; if this bill were enacted, no additional service credit would be accrued, but also no additional contributions would be remitted, thereby resulting no fiscal impact on the pension plan.

There also would be no fiscal impact on the local reporting units because public school employee organizations reimburse the local reporting units for the pension costs under current law. This bill would cease the accrual of service credit, which means the local reporting unit would no longer pay in for the pension cost, but also would no longer receive reimbursement for that cost from the public school employee organization.

Fiscal Analyst: Kathryn Summers