



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5128 (Substitute H-1 as passed by the House)
Sponsor: Representative Bruce R. Rendon
House Committee: Natural Resources
Senate Committee: Appropriations

Date Completed: 11-4-16

CONTENT

The bill would amend the State Employees' Retirement Act to allow retirees to be hired by the Department of Natural Resources (DNR) for wildland fire suppression, and to retain their pension allowance during the time of reemployment. Under current law, a retiree (except one meeting certain qualifications, described below) who is rehired by the State has his or her pension payments suspended during the time of reemployment, with the pension reinstated when the reemployment is completed.

The Act allows the following categories of individuals to be rehired after retirement, and collect both an active employee paycheck and a pension allowance: retirees 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 the same post; and a person the Department of Attorney General contracts with as a witness, expert, or consultant for litigation involving the State.

The bill would add to the list of retirees exempt from the "double-dipping" prohibition retirees rehired by the DNR for wildland fire suppression, as long as the following conditions were met: the retiree was employed by the DNR for wildland fire suppression for a limited term; no benefits were paid; and the hourly compensation did not exceed 80% of the maximum paid to State Civil Service employees in the same position (which is \$27.13 per hour). In addition, by March 1 of each year, the DNR would be required to report on the number of retirees rehired under this provision, with the name of the retirant, capacity served, and compensation paid included in the report. The report would have to be provided to the House and Senate DNR Appropriations Subcommittees, the State Budget Office, the House and Senate Fiscal Agencies, and the Department of Technology, Management, and Budget.

MCL 38.68c

FISCAL IMPACT

The DNR currently uses contracted employees to provide wildland fire suppression. The fiscal impact of the bill on the DNR, then, would depend upon how the compensation paid to retirees (up to 80% of the maximum that would otherwise be paid to State Civil Service employees in the same position, which would be up to 80% of \$27.13 per hour, or 21.70 per hour) compared to the compensation of the contracted employees (which averages \$13 per hour).

Regarding the State's retirement system, the bill could provide an incentive for some slight behavior changes, whereby active employees eligible for retirement could choose to retire earlier than otherwise planned, causing a slight increase in the potential for unfunded accrued

liabilities. However, since the bill would require that the rehiring be limited in nature (although it does not specify what that length of time would be), it is likely that the potential for behavioral changes would be very small.

The bill would have no fiscal impact on local government.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.