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Senate Bill 592 (Substitute S-2)
Sponsor: Senator Ed McBroom
Committee: Appropriations

Date Completed: 3-4-20

CONTENT

Senate Bill 592 (S-2) would amend the State Employees' Retirement Act by amending Section 68c, MCL 38.68c, to allow, under certain conditions, retirees from the Department of Corrections to be rehired and to draw pension payments during the period of reemployment. Under current law, a retiree with a pension must forfeit his or her pension payments during a period of reemployment, unless the retiree is reemployed under one of several provisions in the Act. At the present time, the following are exemptions that allow a retiree to return to work and simultaneously draw a pension and wages:

- A retiree appointed as a special assistant attorney general with specialized expertise.
- A retiree contracted by the Attorney General as a witness, expert, or consultant for litigation involving the State.
- A retiree hired by the Department of Natural Resources for active wildland fire suppression.
- A retiree employed by the Legislative Service Bureau with specialized expertise.
- A retiree hired by the Department of Health and Human Services as a psychiatrist to provide mental health services in psychiatric hospitals operated by DHHS.
- A retiree hired by DHHS in a position other than a psychiatrist, to provide mental health services in psychiatric hospitals operated by DHHS.

The bill would allow a retiree to be rehired and not forfeit pension payments if all of the following conditions were met:

- The retiree was retired from the Department of Corrections.
- The retiree was hired indirectly by the State through a contractual engagement with another party, or was engaged by the State as an independent contractor.
- The retiree had been retired for at least 30 days.
- The Department determined that the retiree possessed specialized expertise and that the hiring of the retiree was the most cost-effective option.
- The retiree was rehired to work at a correctional facility.
- The retiree was one of not more than five retirees in a fiscal year hired under this provision.

Until September 30, 2015, a previous exemption allowed retirees to be rehired by the Department of Corrections as corrections officers if they were rehired for a limited-term position without benefits, they were not paid more than 80% of the maximum hourly wage granted to similar Civil Service employees, and they did not work more than 1,040 hours in a 12-month period.

MCL 38.68c

FISCAL IMPACT

The bill likely would increase costs to the State Employees' Retirement System (SERS), but by an unknown and likely small amount. When active employees know that there is an ability to draw a pension upon retirement and earn wages during reemployment, a portion of those employees will retire earlier than they otherwise would. In so doing, the pension system incurs a cost higher than anticipated and funded. Since the bill would allow a maximum of five retirees in a fiscal year to be indirectly rehired and simultaneously draw a pension, the impact to SERS should be small.

The bill does not restrict what positions retirees could be rehired into, as long as they were employed at a correctional facility and hired either indirectly through a contractual arrangement with another party or as an independent contractor. The bill would require the Department of Corrections to use this provision only if it was the most cost-effective option for the State, which could further limit the use of the provision (in addition to the cap of five retirees employed in a fiscal year).

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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.