Legislative Analysis

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ALLOW RETIREES TO WORK IN COUNTY OFFICES WITHOUT SUSPENDING PENSION BENEFITS

House Bill 5203 (S-1) as passed by the Senate
Sponsor: Rep. Kelly Breen
House Committee: Local Government and Municipal Finance
Senate Committee: Local Government
Complete to 12-18-24

SUMMARY:

House Bill 5203 would amend 1851 PA 156, an act that authorizes county boards of commissioners to provide retirement benefits to their employees, to allow retired county employees who return to work at a county office for more than 1,000 hours in a year to continue to receive retirement benefits.

Generally, under the act, if a person who has retired and is receiving retirement benefits becomes re-employed with the same county, the retirement benefit payment is suspended for the period of employment. The act contains certain exceptions to this provision, including for employees who return to work for 1,000 hours or less in any 12-month period.

The bill would eliminate the 1,000-hour cap to allow pension or retirement benefit payments to continue without change in amount or conditions if a retiree becomes employed by a county, including as an employee in the sheriff's office, for any amount of time, as long as all of the following apply:

- The retiree is not eligible for any benefits from the county other than those required by law or otherwise provided because they are a retiree.
- The retiree is not a member of the county retirement plan during the period of reemployment and does not receive any additional retirement credits.
- The retiree does not receive an increase in pension or retirement benefits because of the employment.

MCL 46.12a

BRIEF DISCUSSION:

According to committee testimony, 11 counties currently operate a retirement plan under the act.[1] In these counties, retired individuals cannot come back to work in the same county, so years of institutional knowledge are lost. The bill intends to give those retirees the same opportunity as individuals employed by most other counties, who can return to work after retirement and continue to receive pension benefits. Supporters of the bill believe that allowing these individuals, who have extensive experience working in public safety, to come back to work would help address staffing shortages in county sheriff departments.

[1] Reportedly, these counties are Bay, Berrien, Genesee, Gogebic, Jackson, Kent, Macomb, Midland, Monroe, Oakland, St. Clair, Washtenaw, and Wayne Counties.

SENATE FLOOR ACTION:

House Bill 5203 as introduced and passed by the House applied only to retired county employees who returned to work in a sheriff's office. The S-1 substitute adopted and passed by the Senate amended the bill to allow *all* retired employees who return to work with the county (specifically including those who work in a county sheriff's office) to continue to receive their retirement benefits, regardless of whether they work for more than 1,000 hours in a year.

FISCAL IMPACT:

Generally speaking, the bill would create an incentive for employees to retire earlier than they might have otherwise knowing that they may return to work and earn both current compensation and a pension. When retirees retire earlier than anticipated under a retirement system's actuarial assumptions, it increases the unfunded liabilities in a pension system. Increased unfunded liabilities would be borne by the county through increased costs on payroll. An estimate of the costs is not available at this time and would vary by county assuming the county chose to allow retirants to return to work. The increased unfunded liabilities would be directly related to the number of employees choosing to retire earlier than the system otherwise assumed. How this policy would affect employment and staffing in county offices is unknown.

POSITIONS:

Representatives of the following entities testified in support of the bill (2-21-24):

- Kent County Sheriff
- Michigan Sheriffs' Association

The following entities indicated support for the bill:

- Michigan Association of Counties (3-6-24)
- Southeast Michigan Council of Governments (2-21-24)

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