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BILL ANALYSIS

Senate Fiscal Agency

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**Senate Bill 1042 (Substitute S-1 as reported)**

Sponsor: Senator Mitch Irwin

Committee: Judiciary

Date Completed: 11-23-88

**RATIONALE**

The Department of Mental Health (DMH) hospital in Traverse City is tentatively scheduled to close on October 1, 1989. Several of the facility's employees are eligible for early retirement benefits under the State Employees' Retirement Act. To take advantage of those early benefits, however, the Act requires that an employee retire between April 1, 1988, and April 1, 1989. If the eligible DMH employees retired before April 1, 1989, the Department would have to hire temporary replacements for the six-month period that the hospital would remain open. Such a necessity could prove to be very costly and inconvenient. Some people feel that the early retirement effective period should be extended for the DMH employees at the Traverse City hospital, so that they can remain on the job until that facility closes and still be eligible for early retirement benefits.

**CONTENT**

The bill would amend the State Employees' Retirement Act to extend the Act's early retirement effective period for retirement system members who were employed by a DMH hospital or facility that was in the process of being closed. The effective period for those individuals would be from April 1, 1988, to October 1, 1989.

The bill would take effect on January 1, 1989.

MCL 38.19

**FISCAL IMPACT**

There would be no fiscal impact on the State Retirement System if this bill passed. The total retirement system liability would be increased by no more than \$100,000 for the estimated 18 employees who would be eligible for early retirement under the bill. No adjustment to the contribution rate would be necessary.

**ARGUMENTS****Supporting Argument**

The bill would allow employees of the DMH's Traverse City hospital who are eligible for early retirement to defer the effective date of their retirement until the facility's scheduled closing date. If they were required to retire during the current early retirement effective period, the Department would face the difficult situation of either having to replace the retired workers with inexperienced, temporary employees, or operating with a short staff for the facility's last six months.

**Opposing Argument**

The bill would set a precedent of extending early-out provisions for special concerns. If the Legislature continued to allow such extensions, it could be moving toward a

permanent early retirement plan, which could cost the State up to \$10 million per 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.

S.B. 1042 (11-23-88)