



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 6191 (as reported without amendment)

Sponsor: Representative Donald Gilmer

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT

The bill would amend the State Employees Retirement Act (SERA) to allow current employees of the Michigan Biologic Products Institute, on the date the Institute is conveyed to a private purchaser pursuant to the proposed Michigan Biologic Products Institute Transfer Act, and certain employees of the Michigan Liquor Control Commission, to execute an early retirement option. The bill also would allow these employees who had completed between five and 10 years of credited service to purchase service credit in order to meet the 10-year vesting requirement of the SERA. Currently, the Act provides full retirement benefits upon reaching age 60 with at least 10 years of credited service, or age 55 with 30 or more years of credited service. Early retirement is allowed at age 55 with at least 15 years of service, although there is a reduction in retirement benefits equal to 0.5% for each month retired before age 60. The proposed amendments to the SERA would allow a member of the State Employees Retirement System who is an employee of the Michigan Biologic Products Institute on the date the Institute is conveyed or the Michigan Liquor Control Commission on the date it is privatized, to retire if the member's age and his or her length of service were equal to or greater than 70 on the date of the conveyance. This "70 and out" provision would apply regardless of age and would extend full benefits without penalty. Full health benefits also would be granted to the retirant the same as they are granted to any other normal retirant.

The bill also would amend the SERA to allow the aforementioned employees who have five or more but less than 10 years of credited service as of the effective date of the conveyance, to purchase additional service credit. Currently, these State employees have a 10-year vesting requirement. The proposed amendment would allow these employees who are between five and 10 years of service to purchase the additional years needed to meet the vesting requirements as specified in the SERA. Members would have to decide within one year after the effective date of the conveyance to purchase additional service credit. Biologic Products employees would have up to 11 years and Liquor Control employees would have up to six years to pay for that purchase. A member choosing to purchase additional years of service credit would be eligible for health care benefits on the date of his or her retirement to the same extent as a member who vested on the same date with 10 or more years of credited service. Furthermore, members from the Biologic Products Institute choosing to purchase additional service credit would have to remain employed with the transferee (private purchaser) for at least one year after the effective date of the conveyance, unless the employee was laid off by the new employer for reasons other than good cause.

In addition, the bill would require former employees of the Michigan Biologic Products Institute who purchased additional service credit and who returned to employment with the State to complete 10

years of credited service, regardless of the service credit purchased, before receiving a retirement benefit under the SERA.

MCL 38.17l et al.

FISCAL IMPACT

The Michigan Biologic Products Institute has a current staff of 146 employees. It is estimated that seven employees currently meet the age and service requirements for normal retirement. An additional estimated 23 employees would qualify for the early retirement provision in this bill while 34 employees would meet the criteria to purchase up to an additional five years of service credit in order to meet the 10-year vesting requirement. The remaining 82 employees either would not meet the "70 and out" age and service requirements or would have less than five years of service credit and be ineligible to purchase additional service credit.

There would be no additional cost for the seven members who are currently eligible to retire because the State has contributed to the retirement system on their behalf during their years of service. If all 23 members who would be eligible for early retirement chose that option, the State's actuaries estimate that the additional unfunded accrued liability would be an estimated \$1,088,500.

There also would be an additional unfunded accrued liability of an estimated \$360,000 for the 34 employees with between five and 10 years of credited service who would be eligible to purchase up to an additional five years of service credit to meet the 10-year vesting requirement. Although these eligible employees would be contributing 11% of their highest salary per year of additional service credit purchased, this 11% contribution would not fully cover the cost of retirement for these employees at age 60.

It is estimated that 76 employees of the Michigan Liquor Control Commission would be eligible for the "70 and out" provision. In addition, an estimated 36 employees would be eligible to purchase additional service credit. However, there are no actuarial data available to estimate the costs of including these employees from the Michigan Liquor Control Commission in this bill.

House Bill 6192, to which this bill is tie-barred, provides that the costs of the early retirement provision of this bill would be reimbursed to the State Employees Retirement System from any proceeds of the sale of the Michigan Biologic Products Institute. Also, the aforementioned costs do not include any estimates for the health care benefits that are provided to all retirees. Currently, the State pays for the health insurance premiums on a cash basis; therefore, it is unknown what the costs would be for these employees until they actually retired.

Date Completed: 12-5-96

Fiscal Analyst: J. Carrasco

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