

RETIREMENT BENEFITS; CONSERVATION OFFICERS

House Bill 4052 as introduced First Analysis (4-22-97)

**Sponsor: Rep. David Anthony
Committee: Public Retirement**

THE APPARENT PROBLEM:

In 1990, the legislature amended the State Employees Retirement Act to provide a specific retirement plan for conservation officers, separate from the general state employee retirement provisions. At the time that Public Act 110 of 1990 was being debated, it was argued that the duties and law enforcement authority of conservation officers, with their attendant risks and stress, were more akin to that of state police troopers (who already were subject to special retirement provisions) than to that of the average state employee. The 1990 provisions, which took effect April 1, 1991, allow conservation officers to retire with full benefits after 25 years of service, and the formula used to calculate the retirement benefit is enhanced. Instead of the standard retirement allowance (based on 1.5 percent of the average compensation of the highest consecutive three-year period of service times years of service), conservation officers' retirement benefits are based on 60 percent of an average of the two highest consecutive years of earnings. However, these provisions apply only to those who retired on or after April 1, 1991. It has been pointed out that this creates a severe inequity between pre-1991 retirees and those who can retire under the new provisions. The problem is compounded by the increases in salaries that have occurred in recent years, with their effect on the calculation of the retirement benefit. The effect is that conservation officers who retired some time ago have pensions that are substantially less than what they would be if there were retiring today.

In addition, it has been argued that the duty-death retirement allowance afforded to conservation officers is woefully inadequate, especially given the dangers inherent in their jobs. At present, conservation officers fall under the general duty-death provisions of the retirement system, that is, a maximum of \$2,400 per year, or the amount which, when added to the statutory worker's compensation benefit that would apply, equaled the final compensation of the member.

THE CONTENT OF THE BILL:

The bill would amend the defined benefit provisions of the State Employees' Retirement Act to make several changes with regard to retirement benefits for conservation officers.

Supplemental retirement allowance increase. The bill would provide for a one-time supplemental increase in the retirement allowances of certain conservation officers and their beneficiaries. The increases would range from 40 percent, for those who retired before October 1, 1973, downward incrementally to 10 percent, for those who retired between October 1, 1987 to March 30, 1991. (The increase would not apply to those retiring after March 30, 1991.) This increase would only apply to a retiree or a beneficiary of a retiree who retired after at least 25 years of service as a conservation officer or who retired because of a duty-related total disability as a conservation officer, and who was receiving a retirement allowance as of October 1, 1997. The increased retirement allowance would then become the basis upon which any future adjustments would be calculated.

Minimum retirement allowance. Further, effective October 1, 1997, the bill would provide for a minimum retirement allowance of \$10,800 per year for a retired conservation officer who met the requirements to receive the supplemental increase described above, and of \$5,400 for a beneficiary of a deceased retiree who met those requirements. The increased allowance would be the basis upon which future adjustments were calculated.

Duty-death retirement allowances. The bill would also provide for an increase in the minimum retirement allowance payable to survivors of a conservation officer who died as a result of injury or disease arising out of and in the course of his or employment as a conservation officer. At present, the maximum duty-death retirement benefit payable to survivors of members of the retirement system generally is \$2,400 per year, or the amount which, when added to the

statutory worker's compensation benefit that would apply, exceeds the final compensation of the member. For conservation officers, the bill would increase the dollar figure from \$2,400 to \$5,000.

MCL 38.27 et al.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would increase state costs. The actuary for the retirement system has determined the actuarial cost of the bill to be \$1.45 million. This amount would be amortized over 40 years against the payroll of active conservation officers, resulting in an annual payroll contribution rate increase of about 0.55 percent. The contribution rate would decrease slightly in future years. It is estimated that 76 retirees and beneficiaries would be affected by the bill. The average annual retirement allowance would increase from \$13,263 to \$16,111. (4-17-97)

ARGUMENTS:

For:

The bill would offer benefit adjustments to long-time conservation officer retirees to bring them more in line with benefits provided to more recent retirees. The legislature gave similar consideration to older state police retirees with similar legislation last session. The bill would put in place a minimum retirement benefit, and provide a one-time supplemental "bump-up" in benefits to pre-1991 retirees, with the largest increases going to the oldest retirees. Of the small group of retirees and beneficiaries who would benefit from the bill, most receive pensions ranging from \$5,000 to \$8,000; this compares very poorly to the \$25,000 pension that today's officer will receive. In addition, the bill would address the paltry \$2,400 duty-death benefit provided to the beneficiaries of these officers if they are killed in the line of duty, by increasing the maximum benefit to \$5,000.

Against:

Although it has become customary for benefit increases for one segment of the retiree population to be followed by increases for other segments, it is an expensive custom that ought to be reexamined. Each benefit increase should be justified on its own merits. It is somewhat misleading to compare conservation officers with state police troopers with regard to their retirement benefits, as state troopers are not covered by Social Security, while conservation officers are.

With regard to the duty-death benefits, it is apparent to many that the benefit amount, which, reportedly, has been in place since 1955, is inadequate. However, this bill would only apply to conservation officers; the duty-

death provisions for all state employees need to be reevaluated.

POSITIONS:

The State Employees Retirees Association supports the bill. (4-17-97)

The Department of Management and Budget does not yet have a position on the bill. (4-17-97)

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.