



**House  
Legislative  
Analysis  
Section**

House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

**PSERS; ELECTION WORKERS**

**House Bill 5468 (Substitute H-1)  
First Analysis (5-9-00)**

**Sponsor: Rep. Jerry Vander Roest  
Committee: Senior Health, Security and  
Retirement**

***THE APPARENT PROBLEM:***

Under the Public Employees Retirement Act, people employed by "reporting units" (local and intermediate school districts, public school academies, district libraries, and community colleges) are members of the retirement system on the first day of their employment. Being a member of the retirement system means that employees have a portion of their wages withheld as member contributions to the retirement system, and that employers must pay contributions on behalf of those employees into the retirement system. People who don't work in schools long enough to "vest" in the retirement system customarily request and receive a refund of their contributions after their employment ends. Consequently, the legislature has exempted certain groups of individuals, such as those employed through programs such as the neighborhood youth corps, summer youth employment programs, transitional public employment, and similar programs, and those in temporary, intermittent, or irregular seasonal or athletic positions, from the requirement that they become members of the retirement system when they become school district employees. Legislation has been proposed to similarly exempt temporary workers hired to assist in the conduct of school elections.

***THE CONTENT OF THE BILL:***

House Bill 5468 would amend the Public School Employee Retirement Act to exempt from "membership" in the retirement system people who were employed by a reporting unit only in a temporary position to assist in the conduct of a school election. Further, the bill would make technical amendments to update references to federal law and to certain programs administered by the Family Independence Agency and the Department of Career Development.

MCL 38.1305

***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the bill has no fiscal implications for the state, and would result in small cost savings to local school districts. (4-25-00)

***ARGUMENTS:***

***For:***

The bill would simply exempt election workers from membership in the Public School Employee Retirement System. These election workers, many of them senior citizens, are unlikely to become "vested" in the retirement system and receive a pension benefit. The bill would benefit these temporary employees as they would not have retirement contributions withheld from their wages, and would not have to file paperwork to receive a refund. It would also simplify administrative matters for the school districts that employ them and for the retirement system, thereby reducing costs.

***Response:***

Other, similar situations exist for other temporary or part-time workers who would also benefit from being exempted from membership in the retirement system. For example, in one case, a part-time playground worker with minimal employment with a school district found that her family's ability to claim a deduction on their federal income taxes for contributing to an individual retirement account was lost because her employment with a school district made her a "member" of the Public School Employees Retirement System (though she was unlikely to ever collect a pension). Similarly, many community colleges (which are also "reporting units" under the act) employ people to teach one or two classes, and these individuals may also lose their federal tax deduction for contributions to an IRA. [The instructions for Line 23, IRA Deduction, on the 1999 federal Form 1040 include the following: "If you were covered by a retirement plan (qualified pension, profit-sharing [including 401(k)], annuity, Keogh, SEP, SIMPLE, etc.), your IRA deduction may be reduced or eliminated."]

House Bill 5468 (5-9-00)

***Reply:***

Making further exceptions to the membership requirement would likely cause many unanticipated problems and administrative difficulties. How would substitute teachers, who may work intermittently for some years, and full-time in other years, be treated? How would school districts administer the many variations that could be opened up? It may be difficult to craft language to address this issue without creating further unintended results.

***POSITIONS:***

The Office of Retirement Services, Department of Management and Budget, supports the committee substitute but has concerns about expanding the bill any further. (5-3-00)

Oakland Schools supports the bill. (5-3-00)

A representative of the Retirement Coordinating Council testified in support of the bill. (5-3-00)

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.