



**House  
Legislative  
Analysis  
Section**

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**STATE EMPLOYEES RETIREMENT:  
FORENSIC CENTER NURSES**

**House Bill 4581 as introduced  
First Analysis (5-15-02)**

**Sponsor: Rep. Judith Scranton  
Committee: Senior Health, Security and  
Retirement**

***THE APPARENT PROBLEM:***

Under the defined benefit provisions of the State Employees' Retirement Act, Department of Corrections employees working in certain specified positions requiring supervision or custody of prisoners are considered to be in "covered" service for purposes of the retirement system. Members with "covered" service may be eligible for earlier retirement and supplementary benefits. (See *Background Information*.)

"Covered" positions include certain positions with the Center for Forensic Psychiatry, including certain security aides and security supervisors. (The Center for Forensic Psychiatry is a 210 bed psychiatric facility that provides both diagnostic services to the criminal justice system and psychiatric treatment for criminal defendants who have been found incompetent to stand trial or have been acquitted by reason of insanity.) However, nursing positions at the center are not considered to be "covered" positions, even though nurses have extensive contact with prisoners, and even though nursing positions at prisons, and at the Huron Valley Center – a state-operated psychiatric hospital that provides mental health services to prisoners under contract with the Department of Corrections – are "covered" positions for purposes of retirement. This has resulted in disparate retirement benefits for the 44 employees who are nurses, nurse managers, and nurse directors at the Center for Forensic Psychiatry.

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

House Bill 4581 would amend the State Employees' Retirement Act to include registered nurses, registered nurse managers, and registered nurse directors at the Center for Forensic Psychiatry as "covered" positions.

MCL 38.45 et al.

***BACKGROUND INFORMATION:***

Under the defined benefit provisions of the State Employees Retirement System, a member must meet certain age and service requirements to be eligible to receive a retirement allowance. Generally, a member must reach age 60 with 10 years of service, or age 55 with 25 years of service. A regular retirement allowance is calculated by multiplying 1.5 percent of the member's final average compensation by years of service credit  $[.015 \times \text{FAC} \times \text{years of credited service}]$ .

By contrast, a corrections employee in a "covered" position is eligible for retirement at age 51 with 25 or more years in a covered position, or at age 56 with 10 or more years in a covered position. [The final three years must be in the "covered" position.] The benefit formula for members retiring with a supplemental retirement allowance from a "covered" position is 2 percent of final average compensation times years of "covered" service, plus 1.5 percent of final average compensation times years of non-covered service, until age 62. At age 62, the benefit is recalculated using the normal 1.5 percent formula. In other words, retiring from a "covered" position results in an additional .5 percent added to the retirement allowance calculation for the years from retirement until age 62.

***FISCAL IMPLICATIONS:***

According the Department of Management and Budget, the bill would result in a maximum state cost of \$117,000 per year, based on 44 employees in the affected positions. It should be noted, however, that this is based on the number of employees before any early retirements take effect, so the actual number may be less. (5-14-02)

The House Fiscal Agency notes that the State Employees' Retirement System is 109 percent funded, or \$863 million overfunded, according to the most recent SERS annual report (9-30-2000). Thus,

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the additional cost of the bill could be absorbed through the surplus. (5-8-02)

### ***ARGUMENTS:***

#### ***For:***

Nurses at the Center for Forensic Psychiatry have extensive contact with prisoners, and as such, should be classified as being in “covered” positions for purposes of retirement. The facility they work in is a maximum security facility, and the prisoner population they care for includes many charged or convicted of violent/assaultive offenses. Especially considering that other nursing positions at similar facilities are “covered” positions, it is only fair that the nurses at the Center for Forensic Psychiatry also be considered “covered”. (The disparity apparently stems from the complex funding arrangements between the Department of Community Health and the Department of Corrections, which results in some positions being DOC employees and others being DCH employees, while doing the same kind of work.)

#### ***Response:***

It should be noted that, should this bill be enacted with an effective date before November 1, some of the group of 44 employees affected that may be planning to take advantage of the recently enacted early retirement program may actually become *ineligible* for early retirement, due to the language of that act.

### ***POSITIONS:***

The Department of Management and Budget supports the bill. (5-14-02)

The Michigan Association of Governmental Employees supports the bill. (5-14-02)

Analyst: D. Martens

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■ 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.