Legislative Analysis

STATE RETIREES: COLLECT BENEFITS WHILE EMPLOYED IN WILDLAND FIRE MANAGMENT

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House Bill 5128 (H-1 as reported from committee)
Sponsor: Rep. Bruce R. Rendon
Committee: Natural Resources
Complete to 2-17-16

REVISED SUMMARY:

House Bill 5128 would amend Section 68c of the State Employees Retirement Act (SERA) by allowing a retired state employee to still receive a retirement allowance if hired by the Department of Natural Resources (DNR) for wildland fire management.

To be eligible, that retirant must be hired to a position of which all of the following are true:

- That person is hired by the DNR for wildland fire suppression as the department deems necessary.
- Limited in term.
- No benefits are paid.
- Hourly pay is not more than 80% of the maximum hourly wage granted to a classified civil service employee employed by the DNR to perform the same duties as the retiree for the fiscal year during which the retiree is employed.
- The DNR, by March 1 of each year, reports the employment of each retirant for the preceding fiscal year to the House and Senate Natural Resources subcommittee for appropriations, the state budget office, the House and Senate fiscal agencies, and the Department of Technology, Management, and Budget. The report would have to include the name of the retirant, the capacity in which that retirant is employed, and the total compensation paid to the retirant. The report may be submitted electronically.

The following are already defined in statute: *Retirant* means "a person who has ceased to be a member of the retirement system by reason of retirement with a pension or retirement allowance payable from the funds of the retirement system." *Retirement allowance* means the sum of the annuity and the pension. *Employed by the state* means "employed directly by this state as an employee, indirectly by this state through a contractual arrangement with other parties, or by engagement of the retirant by this state as an independent contractor."

BACKGROUND INFORMATION:

Generally, Section 68c requires a retirement allowance under SERA to be suspended if a retirant (retired former employee) is re-employed by the state. The allowance is reinstated after the employment ends, and the additional time spent working for the state is not counted toward that allowance.

Presently, similar exemptions exist for the following individuals under certain circumstances, including:

- Persons hired by the Department of Corrections to provide health care services to individuals under the jurisdiction of the department.
- Until Sept. 30, 2015, a person hired to provide for the custody of individuals under the jurisdiction of the Department of Corrections.
- A retired assistant attorney general appointed to that same post.
- A person the Department of Attorney General contracts with as a witness, expert, or consultant for litigation involving this state.

MCL 38.68c

FISCAL IMPACT:

DNR and Local Impact

House Bill 5128 would have an indeterminate fiscal impact on the Department of Natural Resources. The department currently uses contract employees to staff the wildland fire management program. If retirants are used to staff this program they would be similarly employed as contract personnel. Consequently, DNR does not anticipate personnel costs to be impacted by House Bill 5128. Retirants who are reemployed as contract staff for this program would not see their total retirement allowance altered beyond a temporary suspension for the duration of their reemployment. It is unclear how many retirants would be reemployed through the wildland fire management program if House Bill 5128 is enacted.

House Bill 5128 would have no fiscal impact on local units of government.

Retirement Impact

By allowing retirees to return to work with the Department of Natural Resources, the bill could create an incentive to retire earlier than an employee might have otherwise, knowing they may continue to work and earn both current compensation and a pension. When retirees retire earlier than anticipated under the retirement system's actuarial assumptions, it increases the unfunded liabilities in a pension system. Increased unfunded liabilities would be borne by the state through increased departmental costs for the State Employees' Retirement System (SERS), which are assessed across all state departments as an equal percent of payroll.

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