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## BILL ANALYSIS



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House Bill 5664 (Substitute S-2 as reported)  
Sponsor: Representative Robert VerHeulen  
House Committee: Appropriations  
Senate Committee: Appropriations

Date Completed: 12-7-16

**CONTENT**

The bill would amend the State Employees' Retirement Act to allow retirees to be hired by the Department of Natural Resources (DNR) for active wildland fire suppression, and allow retirees to be hired by the Department of Health and Human Services (DHHS) as psychiatrists to provide services in psychiatric hospitals operated by the DHHS, and allow both categories of hired retirees to retain their pension allowance during the time of reemployment. Under current law, a retiree (except one meeting certain qualifications, described below) who is rehired by the State has his or her pension payments suspended during the time of reemployment, with the pension reinstated when the reemployment is completed.

The Act allows the following categories of individuals to be rehired after retirement, and collect both an active employee paycheck and a pension allowance: retirees hired by the Department of Corrections to provide health care services to individuals under the jurisdiction of the Department; a retired assistant attorney general appointed to the same post; and a person the Department of Attorney General contracts with as a witness, expert, or consultant for litigation involving the State.

The bill would add to the list of retirees exempt from the "double-dipping" prohibition retirees rehired by the DNR for wildland fire suppression, as long as the following conditions were met: the retiree was employed by the DNR for active wildland fire suppression for a limited term (working not more than 600 hours in a fiscal year); there was an immediate continual need for prequalified, skilled, and trained personnel to address wildfire suppression; no benefits were paid; and the hourly compensation did not exceed 70% of the maximum paid to State Civil Service employees in the same position (which is \$27.13 per hour).

In addition, the bill would add to the list of retirees exempt from the "double-dipping" prohibition retirees rehired by the DHHS as psychiatrists in State psychiatric hospitals, as long as the following conditions were met: and the DHHS determined that the retiree possessed specialized expertise and experience necessary and that the hiring of the retiree was the most cost-effective option for the State; the retiree retired before October 1, 2015.

In addition, in each case, the DNR or the DHHS would have to report to the State Budget Office and the Department of Technology, Management, and Budget the employment of a retiree under the applicable provision within 30 days of employment and within 30 days of termination, with the name of the retiree, the capacity employed, the equivalent civil service position, the hourly wage paid, and the total hours of service provided.

(Please note that the S-2 substitute for House Bill 5664 incorporates both the provisions of the original bill as it pertained to the DHHS and the rehiring of retired State psychiatrists, and the provisions of House Bill 5128 as it pertained to the DNR and the rehiring of personnel to suppress wildland fires.)

MCL 38.68c

## **FISCAL IMPACT**

### Department of Natural Resources

The DNR currently uses contracted employees to provide wildland fire suppression. The fiscal impact of the bill on the DNR, then, would depend upon how the compensation paid to retirees (up to 70% of the maximum that would otherwise be paid to State Civil Service employees in the same position, which would be up to 70% of \$27.13 per hour, or up to \$18.99 per hour) compared to the compensation of the contracted employees (which averages \$13 per hour).

Regarding the State's retirement system, the bill could provide an incentive for some slight behavior changes, whereby active employees eligible for retirement could choose to retire earlier than otherwise planned, causing a slight increase in the potential for unfunded accrued liabilities. However, since the bill would require that the rehiring be limited in nature (not more than 600 hours in a fiscal year, which is roughly 30% of the 2,080 hours in a full-time equivalent position), it is likely that the potential for behavioral changes would be very small.

### Department of Health and Human Services

Because the bill would limit the pool of prospective rehired retirees to those who are already retired, and therefore not result in an incentive to retire earlier than otherwise planned, there would be no fiscal impact on the State Employees' Retirement System, unless these rehired retirees would have returned to work and forfeited their pensions in the absence of the legislation. In that situation, the System would save money equal to the amount of pension forfeited during reemployment. However, if that would not have occurred (i.e., the retired psychiatrists would not have returned to State employment, and would have continued to draw earned pensions), then there would be no impact on the System under this bill.

The DHHS would have to determine that the rehiring of a retired psychiatrist was the most cost-effective option; therefore, this provision of the bill could result in some minor savings to the DHHS if the Department were able to rehire personnel already trained and experienced.

According to the DHHS, there currently are 20 vacancies and the Department expects that another six or seven psychiatrists may retire in the next two years. When the DHHS contracts for psychiatrists, they are paid between \$166 and \$200 per hour (due to a shortage nationwide and competition from the Veterans Administration and the private sector), which equates to between \$345,000 and \$416,000 per year for a contracted psychiatrist; for an employee directly employed, the DHHS pays approximately \$180,000 in salary costs.

### Local Government

The bill would have no fiscal impact on local government.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.