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BILL ANALYSIS

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Senate Bill 888 (as introduced 3-6-18)
Sponsor: Senator John Proos
Committee: Education

Date Completed: 4-17-18

CONTENT

The bill would amend the Public School Employees Retirement Act to do the following:

-- Exclude from the definitions of "member" and "qualified participant" an individual who is primarily a student while employed by a tax-supported community college or junior college.
-- Define "primarily a student" as an individual enrolled in a tax-supported community college or junior college in a course of study for academic credit while normally working 30 hours or less per week for that college.

The changes in the definitions of "member" and "qualified participant" would be effective beginning on the effective date of the legislation.

Under current law, "member" means a public school employee but does not include a full-time student who is working for the same college he or she is attending. Current law does not exclude a part-time student from the definition of "member" unless that person is under age 19 and employed in a temporary, intermittent, or irregular seasonal athletic position. Otherwise, regular, part-time students over the age of 19 are reportable to the Michigan Public School Employees' Retirement System (MPSERS).

MCL 38.1305 & 38.1424

FISCAL IMPACT

To the extent that payroll currently reported and remitted to MPSERS for part-time students would be eliminated for new hires, there could be a negative impact on MPSERS, which would result in very slightly increased costs paid from the School Aid Fund via the MPSERS rate cap. Essentially, any time a group of members is removed from the payroll on which the retirement rate is applied, the rate charged on the remaining payroll will increase, to ensure a constant level of required contributions to pay off unfunded liabilities in a timely manner.

Contributions attributable to this portion of part-time student payroll (that otherwise would be remitted) are part of the actuary's calculations of payments toward unfunded accrued liabilities; the removal of these contributions would result in a reduction of community college payroll payments toward unfunded accrued liabilities and a subsequent increased cost to the State's School Aid Fund (SAF) of an equal amount. However, because these salary data are not recorded at the student level in the MPSERS database, there is no feasible way to calculate a dollar impact on the SAF. Again, though, the likely impact would be fairly insignificant.

The overall fiscal impact on community colleges under this legislation would likely be positive, as they would see savings by removing part-time student payroll from MPSERS and avoiding the associated retirement costs. However, the amount of available money in the SAF (which provides funding for community colleges) would decline somewhat as the SAF would be used to make the increased State payment toward unfunded accrued liabilities in MPSERS.

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