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BILL



ANALYSIS

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House Bill 5411 (as passed by the House)
Sponsor: Representative Tom Barrett
House Committee: Financial Liability Reform
Senate Committee: Appropriations

Date Completed: 9-25-18

CONTENT

The bill would amend the definition of "covered position" in the State Employees' Retirement Act. A person in a covered position is one who is responsible for the care and supervision of prisoners. Under current law, covered position means a position in civil service with a classification of any of the following: corrections officer, resident unit officer, corrections medical aide, corrections shift supervisor, corrections security specialist, deputy prison warden, or departmental administrator-prison warden.

The bill would change "corrections security specialist" to "corrections security inspector", and add "corrections security representative" to the definition of covered position. The position of "corrections security specialist" does not currently exist; the positions of "corrections security inspector" and "corrections security representative" would include members of the Department of Corrections (DOC) Absconder Recovery Unit (ARU). Until 2015, the DOC included members of the ARU in the State Employees' Retirement System (SERS) pension plan as covered positions. An internal audit in 2015 determined that these members were not eligible for benefits since their positions were not listed in SERS as covered.

A person in a covered position in SERS may retire with a supplemental early retirement allowance if between 51 and 62 years of age and with 25 or more years of service, if the last three years of service are in a covered position. The supplemental early retirement allowance, which ceases when the member reaches age 62, is equal to 0.5% multiplied by the member's final average compensation, for each year working in a covered position.

MCL 38.45

FISCAL IMPACT

The bill would create additional costs for SERS. According to the DOC, the bill would affect eight active employees and one retiree. The Office of Retirement Services' actuarial analysis estimates that the potential cost of the bill includes both an increased unfunded accrued liability (UAL) of approximately \$462,000 and an increased annual normal cost rate of approximately 1.6 percentage points, or around \$10,000 per year, while the members are actively employed, based on current salaries. The increase in UAL would be amortized and paid off over the next 20 years along with the rest of the UAL in the SERS; the increase in normal costs would be paid annually through the DOC budget, funded with General Fund/General Purpose revenue.

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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.