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BILL ANALYSIS



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House Bill 5765 (as reported without amendment)
Sponsor: Representative Julie Alexander
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

The bill would amend the State Employees' Retirement Act to specify that, until two years after the bill's effective date, a provision requiring a retiree under the State Employees' Retirement System (SERS) to forfeit his or her right to receive a retirement allowance during a period of State employment would not apply to a retiree hired by the Michigan Department of Corrections (MDOC) under certain circumstances.

Generally, the Act requires a retiree who is receiving a retirement allowance to agree to forfeit his or her right to receive that retirement allowance during a period of State employment. The System must stop payment of the retirement allowance to a retiree while he or she is employed with the State and must reinstate payment without recalculation when the period of employment ends.

Under the bill, until two years after the bill's effective date, this requirement would not apply to a retiree if the MDOC hired the retiree to provide for the custody of individuals under the jurisdiction of MDOC, the retiree was hired in limited-term position and no benefits would be paid, and the retiree retired before January 1, 2022, and after a bona fide termination of employment.

MCL 38.68c

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have a likely negligible fiscal impact on the MDOC and no fiscal impact on local governments. Depending on the number of corrections officers rehired under the bill's provisions, savings in overtime costs could be realized. Currently, the MDOC operates its facilities with a corrections officer vacancy rate that averages 800 officers. The void is filled by allowing currently employed officers to work overtime hours. Through the April 28, 2022, pay period the MDOC's corrections officers have worked a total of 1,349,000 hours of overtime. The average hourly rate for a corrections officer is \$29.29 and overtime rules require those officers to be paid 1.5 times their hourly rate (\$43.94) for each hour of overtime worked. Through the April 28, 2022, pay date the MDOC had paid nearly \$59.3 million in overtime pay.

The Department also would incur costs associated with rehiring a State retiree as a corrections officer. Costs for retraining would vary depending on the length of time since the retiree was last certified as an officer. Training time could range from a few days to having to complete a

new officer academy. Additionally, there are fixed costs for uniforms, training staff, and the space needed to provide that training. These costs also would vary and would depend on the length of time needed to recertify a returning officer. Finally, officers receive their regular pay during training; thus, the cost to the MDOC would be an average of \$29.29 per hour, per officer. However, each officer rehired would save the MDOC an average of \$14.65 per hour worked as the rehired officer would be paid at the regular hourly rate and not the overtime rate of 1.5 times the regular hourly rate.

The number of retirees who would return under the proposed exemptions is unknown. According to the MDOC, past exemptions to allow former State employees to return as corrections officers for a limited time have not resulted in many retirees' returning. Under the last exemption in 2012 and 2013, a total of 36 retired officers returned to work. However, the exemptions provided in the bill would be less restrictive than past exemptions and could attract a higher number of retirees. The Department estimates that the costs noted above coupled with the potential savings in overtime hours would result in negligible savings for the Department.

Because the bill would allow only those who were already retired as of January 1, 2022, to become reemployed and simultaneously draw a pension and an active employee paycheck, the bill would have no impact to SERS. Generally, 'double-dipping' provisions can negatively affect a retirement system because they incentivize people to retire earlier than they would have in the absence of the provision. But, since the bill would restrict the rehiring of retirees to those who have already retired, there would be no negative impact on the system.

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