



**House
Legislative
Analysis
Section**

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STATE POLICE RETIREMENT

Senate Bill 362 with committee amendments
First Analysis (6-7-89)

RECEIVED

Sponsor: Sen. Rudy J. Nichols
First Senate Committee: Judiciary JUL 11 1989
Second Senate Committee: Appropriations
House Committee: Appropriations Mich. State Law Library

THE APPARENT PROBLEM:

The State Police Retirement Act provides for 90 percent of a retirant's monthly health coverage insurance premium to be paid by appropriations to the retirement system, but does not provide for payment of dental or vision coverage premiums. Current troopers and sergeants successfully negotiated a collective bargaining agreement to have retirement benefits pay 90 percent of dental and vision coverage and 95 percent of medical and hospitalization insurance. Thus, current members of the bargaining unit will have health care benefits better than those who retired before the collective bargaining agreement was made, and better than command officers, who are not members of the collective bargaining unit. Also included in the collective bargaining agreement was a provision allowing certain members who develop vision problems and have less than ten years service credit to receive the amount of service credit necessary to equal ten years of service. Many believe that fairness requires that the retirement act reflect the collective bargaining agreement so that all may receive the negotiated benefits.

THE CONTENT OF THE BILL:

The bill would amend the State Police Retirement Act to increase benefits for health, dental and vision coverage in a manner consistent with those established under the collective bargaining agreement; allow retirement system members with less than ten years of service to receive an amount of service credit necessary to equal ten years, under certain circumstances; include compensatory time and emergency response compensation in the determination of final average compensation; and, specify that retirement fund investments are to be subject to the limitations of Public Act 314 of 1965 (Public Act 314 includes, among other things, provisions requiring divestiture of holdings with connections to South Africa). A more detailed explanation follows.

Service credit. Special provision would be made for someone who had been a member of the retirement system for less than ten years and had failed to pass the vision test necessary for continued employment. Generally, such a person would receive the amount of service credit necessary to equal ten years. However, the person could not receive the credit if the vision problems had arisen out of a nonduty illness or injury, or if the department had made "reasonable accommodation" for the member's continued employment.

Insurance coverage. Beginning October 1, 1989, appropriations to the retirement system would pay 90 percent of the monthly insurance premiums for dental coverage and vision coverage under any group health plan authorized by the Department of State Police and the civil service commission; the coverage would be for a retirant,

or the retirant's beneficiary, and his or her dependents. Also beginning October 1, 1989, payment for medical and hospitalization coverage would increase from 90 to 95 percent of the monthly premium.

MCL 38.1603 et al.

HOUSE COMMITTEE ACTION:

The House Appropriations Committee adopted amendments that made the improved vision, dental, and medical benefits effective October 1, 1989. Under the original bill, they would have commenced January 1, 1989.

FISCAL IMPLICATIONS:

The House Fiscal Agency says that the bill would cost \$605,000 in fiscal year 1989-90. (5-30-89)

ARGUMENTS:

For:

By extending to retirees and command officers the benefits negotiated for current troopers and sergeants, the bill would provide all state police with the same level of benefits, and thus make the system more equitable. By incorporating the negotiated benefits into the retirement act, the bill would make them more secure by protecting in statute what had been gained through bargaining.

Against:

Though the bill may meet the interests of fairness, it overlooks the interests of economy. It would be expensive to extend benefits as proposed. With a projected annual cost of \$600,000 or more, the bill may burden the budget more than it is worth.

POSITIONS:

The Retirement Bureau supports the concept of equity for retirement system members, but has concerns about the potential cost of the bill. (6-2-89)

The Department of Management and Budget would support the bill with proper funding. (6-5-89)

The Department of State Police does not oppose the bill. (6-2-89)

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