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## EARLY RETIREMENT FOR DMH EMPLOYEES

House Bill 4781 (Substitute H-1)  
First Analysis (5-11-89)

**RECEIVED**

Sponsor: Rep. Joe Young, Sr. JUN 06 1989  
Committee: Senior Citizens and Retirement  
Mich. State Law Library

### THE APPARENT PROBLEM:

The Traverse City Regional Psychiatric Hospital is scheduled to close on October 1, 1989, and it is possible that three other Department of Mental Health (DMH) facilities could close or be partially consolidated next year, due to the development of community-based mental health program services or budget constraints. While some hospital employees, such as registered nurses and doctors, have no difficulty in finding new employment, many positions in these facilities — residential care aides, for example — require only a high school education, which means that these employees do not qualify, and will find it difficult to obtain other well-paying positions. Some have worked at the hospital for up to twenty five years. Department officials believe that those employees who are close to retirement, and who have served the less fortunate members of our society for so long, deserve the option of early retirement.

### THE CONTENT OF THE BILL:

The bill would amend the State Employees Retirement Act to provide early retirement benefits for members whose employment with the Department of Mental Health was terminated because an agency of the department (such as Wayne Community Living Services or Southwest Michigan Community Living Services), or a department inpatient facility (a developmental disability center or a psychiatric hospital) had been designated for closure by the department director as a result of the development of community-based mental health programs, or due to budgetary constraints.

Under the bill, full retirement benefits would be granted upon satisfaction of any one of the following conditions:

- a) The member was 51 years or older and had 25 or more years of credited service, the last 10 of which were as an employee of a department agency or inpatient facility designated for closure.
- b) The member was at least 56 years of age and had 10 or more years of credited service, the last 10 of which were as an employee of a department agency or inpatient facility designated for closure.
- c) The member had 25 or more years of credited service, regardless of age, as an employee of a department agency or inpatient facility designated for closure.

Under the bill, members who were eligible to retire could do so 180 days prior to the official date of closure of the facility or agency. Costs for health insurance and any additional accrued actuarial costs resulting from the implementation of the bill would be funded from department appropriations for this purpose.

MCL 38.19

### FISCAL IMPLICATIONS:

According to the Departments of Management and Budget and Mental Health, an actuarial study has shown that it would cost approximately \$1.5 million if the Traverse City Regional Psychiatric Hospital and all nine Department of Mental Health Developmental Disability Centers were closed, and 51 employees selected an early retirement option. The bill, however, has been introduced for the specific purpose of providing an early retirement option to 12 employees at the Traverse City hospital, and it would cost the retirement system \$176,100 for these employees. These funds have been included in the Department of Mental Health's fiscal year 1989-90 budget bill, and no additional funding would be required. (5-10-89)

### ARGUMENTS:

#### For:

Long-time employees in state mental health facilities and agencies — who have devoted a substantial portion of their life working with the mentally handicapped — are entitled to full retirement benefits if their facility or agency closes. Otherwise these employees must transfer to another — distant — DMH facility or retrain for another position in state government, in order to retain their retirement benefits.

#### Against:

As written, the bill would allow members to retire six months prior to the official closing date of a facility. This could leave the department in the difficult position of either having to replace the retired workers with inexperienced, temporary employees, or operating with a short staff for the facility's last six months.

**Response:** It is unlikely that all employees would take advantage of the bill's proposed early retirement option six months before a facility closes. In any case, during the last six months that a facility remains open, the department is normally faced with a higher ratio of employees to patients that it requires.

#### Against:

The bill would set a precedent of providing early retirement benefits for special concerns. If the legislature continued to allow such provisions, it could be moving toward a permanent early retirement plan, which could cost the state millions of dollars per year.

**Response:** The State Employees Retirement System already provides early retirement benefits for corrections employees in "covered positions" — positions that require contact with prison inmates. There is precedent, therefore, to provide this option to those who undertake work that is, by any standard, extremely stressful, and not to provide it to all members.

### POSITIONS:

The Department of Mental Health supports the bill. (5-10-89)

The State Employees Retirement Association supports the bill. (5-10-89)

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OVER

The Bureau of Retirement Systems in the Department of Management and Budget supports the bill. (5-10-89)

The Office of the Budget in the Department of Management and Budget supports the bill. (5-10-89)

The Office of the State Employer in the Department of Management and Budget supports the bill as reported by the Senior Citizens and Retirement Committee. (5-10-89)

The Michigan State Employees Association, AFSCME Local 5, supports the bill. (5-10-89)