



**House
Legislative
Analysis
Section**

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EARLY RETIREMENT FOR DMH EMPLOYEES

House Bill 4781 as enrolled
Second Analysis (1-11-90)

Sponsor: Rep. Joe Young, Sr.
Committee: Senior Citizens and Retirement

THE APPARENT PROBLEM:

The Traverse City Regional Psychiatric Hospital officially closed 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, with full retirement benefits.

THE CONTENT OF THE BILL:

The bill would amend the State Employees Retirement Act to provide early retirement benefits for members who were employees of the Department of Mental Health or a department inpatient facility and who were on layoff status 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 on or after October 1, 1989, by the department director.

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 5 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 5 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, the director of the Department of Mental Health would be required to notify the legislature and the retirement board of the official date of closure of a facility or agency 240 days before the designated official date of closure. Employees who were eligible to retire could do so effective on the date of closure, upon written application to the retirement board not less than 30 nor more than 180 days before the designated official date of closure. Employees on layoff status from a facility or agency that had been designated and that did close on or after October 1, 1989, could retire within 30 to 180 days after the facility

actually closed. 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:

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 options for several groups, such as corrections employees in "covered positions" — positions that require contact with prison inmates. The precedent of giving special considerations to employees who undertake stressful work already has been set, and DMH employees should be given similar options.

H.B. 4781 (1-11-90)