SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 362 (as enrolled)
Sponsor: Senator Rudy J. Nichols
First Senate Committee: Judiciary
Second Senate Committee: Appropriations
House Committee: Appropriations

PUBLIC ACT 191 of 1989

Date Completed: 9-5-89

RATIONALE

The State Police Retirement Act provides for 90% of a retirant's monthly health coverage insurance premium to be paid for by the retirement system, but does not provide for payment of dental or vision coverage premiums. Those current retirement system members who are covered by collective bargaining (State Police troopers and sergeants) negotiated for 90% of dental and vision care coverage to be paid for by the system, and an increase to 95% of health care coverage, as part of their retirement benefits. Consequently, current members of the bargaining unit enjoy greater retirement benefits than those who retired before that agreement was reached and those retirement system members who are not members of the collective bargaining unit (command officers). Also included in the collective bargaining agreement was a provision to grant to members with less than 10 years of service, sufficient service credit to achieve that level, under certain specified circumstances. Some feel that the Act should reflect the negotiated collective bargaining agreements in order to treat all of the retirement system's members equitably.

CONTENT

The bill would amend the State Police Retirement Act to do all of the following:

- **Include compensatory time and emergency response compensation as part of gross pay adjustments to determine "final average compensation" for the purpose of setting a retirant's benefit level.**
- **Specify that the investment of the State Police Retirement System's funds by the State Treasurer would be subject to Public Act 314 of 1965 (MCL 38.1132-38.1140i).**
- **Allow retirement system members who had less than 10 years of service to receive an amount of service credit necessary to equal 10 years' service under certain circumstances.**
- **Add dental and vision coverage to a retirant's benefits; increase from 90% to 95%, as of October 1, 1989, the amount of a monthly premium for a retirant's hospitalization and medical coverage payable by the retirement system; and require the system to pay 90% of a retirant's monthly premium for dental and vision coverage.**

Investment Restrictions

Public Act 314 of 1965 regulates the activities of investment fiduciaries with regard to the investment of funds of public employee retirement systems. The Act includes the requirement that such systems divest of interest in corporations of South Africa over a five-year phase-in period, which was added by Public Acts 252 and 253 of 1988. Public Act 314 also includes the requirement that investment fiduciaries use all stocks and "other evidence of residual ownership" of a corporation to support shareholder resolutions proposing the adoption of the MacBride Principles for companies doing business in Northern Ireland, which was added by Public Act 343 of 1988.

Service Credit

A person who was a member of the retirement system for less than 10 years would have to receive an amount of service credit necessary to equal 10 years of service if the member did not meet the Department of State Police's vision screening standard required for continued employment. A member could not receive the service credit, however, if the Department had made "reasonable accommodation" for the member's continued employment or if the member's failure to meet the vision standard were related directly to, and arose out of, a nonduty illness, injury, or occurrence.

Insurance Coverage

Beginning October 1, 1989, appropriations to the retirement system would have to pay for dental coverage and vision coverage insurance premiums payable by a retirant, or the retirant's retirement allowance beneficiary, and his or her dependents under a group health plan that was authorized by the Civil Service Commission and the Department. The amount payable by the system would be 90% of the entire monthly premium for such coverages. The Act currently requires such payment by the system of premiums for hospitalization and medical coverage insurance; the bill would increase the system's payment for such coverage to 95% of the entire monthly premium, beginning October 1, 1989.

The Act currently specifies that State appropriations for the system's health benefits are to be paid into the Health Benefits Fund. The bill would rename the Fund the "Health-Dental-Vision Benefits Fund" and require that State appropriations for the system's health, dental, and vision benefits be paid into it.

MCL 38.1603 et al.

FISCAL IMPACT

This bill would require the State to contribute an additional $605,000 into the Michigan State Police Retirement System during the 1989-90 fiscal year. This contribution would be from the General Fund. This estimate takes the following improvements into consideration:

1. Increased State share of the health insurance premium	$200,000
2. Dental and vision coverage for command officers and existing retirees	405,000
	$605,000

This estimate assumes that the increased contribution rate of .67% of payroll would take effect on October 1, 1989.

(Note: Including compensatory time and emergency response compensation in gross pay adjustments would have no fiscal impact on the State. This provision simply would codify current practice pursuant to Civil Service rules.)

ARGUMENTS

Supporting Argument

By extending the benefits negotiated by the troopers and sergeants, the bill would provide all members of the State Police Retirement System, and all current retirees, with the same level of benefits. In addition, the bill would make the negotiated benefits more secure, because incorporating them into the Act would protect statutorily what had been gained through bargaining.

Opposing Argument

Although some may claim that the bill would meet the interests of fairness, it would overlook economic interests. With a projected annual cost of more than $600,000, the bill could be a burden on the State's budget in future fiscal years.

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