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BILL ANALYSIS

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Senate Bill 1053 (Substitute S-1)
Sponsor: Senator Roger Kahn, M.D.
Committee: Appropriations

Date Completed: 9-28-12

CONTENT

Senate Bill 1053 (S-1) would amend the State Employees' Retirement Act to allow retirees to collect a pension and concurrently be re-employed by the State, in the event that the re-employment was found to be the most cost-effective option for the State.

Public Act 95 of 2007 prohibited the practice of retiring, drawing a pension, and becoming re-employed by the State. However, this bill would allow the practice only if the retirant possessed specialized expertise and experience necessary for the employment and the employment were the most cost-effective option for the State.

The bill would allow for the rehire of retirees in the following three areas:

-- Executive branch departments where the director is not an elected official (e.g., Department of Community Health and Department of Human Services); the director would have to determine that the employment of a retirant would be the most cost-effective option.
-- Executive branch departments where the director is an elected official (e.g., Secretary of State and Attorney General); the director would have to determine that the employment of a retirant would be the most cost-effective option.
-- Legislative branch; the Speaker of the House, the Senate Majority Leader, or the Legislative Council Administrator, as appropriate, would have to determine that the employment of a retirant would be the most cost-effective option.

MCL 38.68c

FISCAL IMPACT

If a re-employed retirant would have been willing to forfeit his or her pension to return to State employment, then this bill would have a negative fiscal impact in that it would allow for the payment of pensions that otherwise would not have been paid. However, to the extent that retirants with specialized expertise would be willing to return only if they could collect a pension and active pay, then the fiscal impact would have to be determined by the applicable authorities to be the most cost-effective option for the State.

Note: The FY 2012-13 Department of Corrections budget assumes $10.0 million in savings at facilities around the State from the rehire of retired corrections officers. If a change is not made to the State Employees' Retirement Act allowing for this rehiring, then the Department of Corrections budget would need to find $10.0 million in other savings or spending reductions, ask for supplemental funding of $10.0 million, or some combination therein.

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