

Legislative Analysis



MPSERS: EXCLUDE COMMUNITY COLLEGE PART-TIME STUDENT EMPLOYEES

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Senate Bill 888 (H-3) as reported from committee
Sponsor: Rep. John Proos
Senate Committee: Education
House Committee: Financial Liability Reform
Complete to 6-4-18

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 328 of 2018)

BRIEF SUMMARY:

Senate Bill 888 would amend the Public School Employees Retirement Act to exclude part-time students who work for a community college in which they are enrolled from participating in either the pension plan or defined contribution (DC, 401k-style) plan in the Michigan Public School Employees' Retirement System (MPSERS). It would also require colleges and ORS to submit reports on applicable part-time student employees.

DETAILED SUMMARY:

More specifically, beginning on the effective date of the bill, Senate Bill 888 would exclude from MPSERS an individual employed by a reporting unit while enrolled as a student in that same reporting unit if the student's service in the employ of the reporting unit are excluded from the definition of employment under Section 3121 (b)(10)-2 of the federal Internal Revenue Code—or in other words, a student employee whose primary relationship with the college is as a student and who is regularly enrolled and attending classes in the pursuit of a course of study, the completion of which fulfills the requirements necessary to receive an educational credential granted by a college. Currently, the Act already excludes full-time student employees.

However, if an applicable part-time student employee was already a MPSERS pension plan or hybrid plan member or a defined contribution (401k) qualified participant and was employed on the effective date of the enacted bill, then the student employee would remain a member while employed and enrolled in that same college if he or she elects to remain a member. The bill would require the retirement system to determine the method of administering such elections.

The bill would require that not later than 60 days after the effective date of the bill, a community college must submit to Office of Retirement Services (ORS) a report including the information necessary for ORS to fulfill the reporting requirements described below for each of fiscal years (FY) 2013-14 through 2016-17.

Additionally, within 90 days of the bill's effective date, the Office of Retirement Services (ORS) would have to submit a report to the Senate and House committees on Education including all of the following, for each of 4 fiscal years noted above and for each community college based on the information submitted as required above:

- The number of part-time student employees.
- The amount of MPSERS contributions contributed for those part-time student employees.
- The amount of MPSERS contributions that should have been, but were not, contributed for those part-time student employees.

MCL 38.1305 and 38.1424

FISCAL IMPACT:

Senate Bill 888 would decrease retirement costs for community colleges but increase costs to the State.

The bill would decrease the people for whom community colleges must currently provide retirement benefits, thereby reducing their costs. Currently MPSERS employers pay normal retirement cost rates ranging from about 3% to 9% of payroll depending on the employee's retirement benefit—determined based on employment date and employee benefit choices over time. The normal retirement cost is the cost of the benefit accrued by an employee in a given year.

MPSERS employers also pay 20.96% of MPSERS payroll for unfunded accrued liabilities related to previously accrued benefits. Excluding part-time student employees from MPSERS payroll would reduce the payroll on which the community college share of unfunded liabilities is determined, thereby shifting a portion of the unfunded liability costs to the School Aid Fund, which currently pays for the share of unfunded liabilities that exceeds 20.96% of MPSERS payroll.

ORS is currently auditing student employee payroll issues and does not have the data necessary to calculate a fiscal impact. However, according to testimony in the Senate on Senate Bill 888, just 12 of the 28 community colleges have been complying by reporting and making contributions for this type of part-time student employee, thus limiting the potential fiscal impact.

The bill could create administrative costs for both colleges and ORS to collect and report the data as required by the bill. It would also create administrative costs for ORS to create an election process for current part-time student employees who are MPSERS members or qualified participants.

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