

MPSERS: EXCLUDE COMMUNITY COLLEGE PART-TIME STUDENT EMPLOYEES

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

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

House Bill 5679 as introduced
Sponsor: Rep. Aaron Miller
Committee: Financial Liability Reform
Complete to 4-30-18

SUMMARY:

House Bill 5679 would amend the Public School Employees Retirement Act to exclude part-time students who work for the community or junior 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).

More specifically, beginning on the effective date of the bill, House Bill 5679 would exclude an individual who is "primarily a student" in a tax supported community or junior college if the student is enrolled in a course of study for academic credit while normally working 30 hours or less per week for that community or junior college.

Currently, the Act excludes full-time student employees.

MCL 38.1305 and 38.1424

FISCAL IMPACT:

House Bill 5679 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, an identical bill, 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.

Fiscal Analyst: Bethany Wicksall

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.