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Senate Bill 592 (Substitute S-3 as reported by the Committee of the Whole)  
Sponsor: Senator Ed McBroom  
Committee: Appropriations

### **CONTENT**

Senate Bill 592 (S-3) would amend the State Employees' Retirement Act by amending Section 68c, MCL 38.68c, to allow, under certain conditions, retirees from the Department of Corrections to be rehired and to draw pension payments during the period of reemployment.

Under current law, a retiree with a pension must forfeit his or her pension payments during a period of reemployment, unless the retiree is reemployed under one of several provisions in the Act. At the present time, the following are exemptions that allow a retiree to return to work and simultaneously draw a pension and wages:

- A retiree appointed as a special assistant attorney general with specialized expertise.
- A retiree contracted by the Attorney General as a witness, expert, or consultant for litigation involving the State.
- A retiree hired by the Department of Natural Resources for active wildland fire suppression.
- A retiree employed by the Legislative Service Bureau with specialized expertise.
- A retiree hired by the Department of Health and Human Services (DHHS) as a psychiatrist to provide mental health services in psychiatric hospitals operated by the DHHS.
- A retiree hired by the DHHS in a position other than a psychiatrist, to provide mental health services in psychiatric hospitals operated by the DHHS.

The bill would allow a retiree to be rehired and not forfeit pension payments if all of the following conditions were met:

- The retiree was retired from the Department of Corrections.
- The retiree was hired indirectly by the State through a contractual engagement with another party providing telecommunications services to the Department of Corrections for the primary purpose of collecting or analyzing intelligence generated within the Department.
- The retiree had been retired for at least 30 days.
- The Department determined that the retiree possessed specialized expertise to be hired by a party providing telecommunications services to collect or analyze intelligence generated within the Department.
- The Department reported the employment of a retiree hired under this exception within 30 days after employment and within either 30 days after termination or within 30 days after the end of each fiscal year, whichever occurred first.

Until September 30, 2015, a previous exemption allowed retirees to be rehired by the Department of Corrections as corrections officers if they were rehired for a limited-term position without benefits, they were not paid more than 80% of the maximum hourly wage

granted to similar Civil Service employees, and they did not work more than 1,040 hours in a 12-month period.

MCL 38.68c

### **FISCAL IMPACT**

The bill likely would increase costs to the State Employees' Retirement System (SERS), but by an unknown amount. When active employees know that there is an ability to draw a pension upon retirement and earn wages during reemployment, a portion of those employees will retire earlier than they otherwise would. In so doing, the pension system incurs a cost higher than anticipated and funded. The bill would require the retiree to be hired indirectly by a party providing telecommunication services for the primary purpose of collecting and analyzing intelligence data, which should limit the number of potential retirees rehired. If that were the case, the impact to SERS would be relatively small.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.