Legislative Analysis

Waiver for Notice Requirement for Trooper Contract

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Senate Concurrent Resolution 33 As Reported by the House Appropriations Committee
Sponsor: Senator Colbeck
Committee: Appropriations
Analysis Completed: September 25, 2012

SUMMARY:

SCR 33 would waive the notice requirement contained in Article XI, Section 5 of the State Constitution, relative to increases in rates of compensation, and would authorize increases for State Police troopers to be effective as specified in the current bargaining agreement.

BACKGROUND:

Article XI, Section 5 of the State Constitution states that increases in rates of compensation authorized by the Civil Service Commission can only be effective at the start of a fiscal year. Also under the section, notice of the increased rates in compensation is required to be provided to the Governor, and the Governor is required to transmit such increases to the Legislature in the Executive budget proposal. The Legislature, by a majority vote of the members elected to and serving, may waive the notice and permit increases to be effective at times other than at the start of a fiscal year.

The bargaining agreement between the state and the Michigan State Police Troopers Association (MSPTA), which specifies compensation and other terms and conditions of employment for troopers, was settled in March 2012. The agreement was approved by the Civil Service Commission in May. Because of the timing of the final ratification and approval of the contract, notice of rate increases was not provided and the Governor did not transmit such increases to the Legislature as part of the Executive budget.

SCR 33 would waive the notice requirement and authorize increases in rates of compensation to be effective as specified in the contract settled between the state and the MSPTA.

The contract is effective from January 1, 2012 to September 30, 2014. Major highlights of the contract include:

- Effective October 1, 2012, employees will receive a 2% base pay increase and a 1% base lump sum payment.
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- Effective October 1, 2012, employees will contribute an additional 10% of health insurance costs (from 90% employer/10% employee to 80% employer/20% employee).
- Effective October 1, 2012, current employees will pay 1% of salary toward the employer's pension contribution.

- Effective October 1, 2013, current employees will pay 2% of salary toward the employer's pension contribution.
- Effective October 1, 2012, newly hired employees will receive a hybrid pension plan consisting of both defined benefit and defined contribution components.
- Effective October 1, 2012, for the defined benefit component, newly hired employees will contribute 4% of the employer's pension contribution and receive a 2% multiplier for years of service up to 25 years. For each year after, the multiplier decreases by .4% until reaching 0% after 30 years of service. This equates to a defined benefit pension is 50% at 25 years and 54% at 30 years.
- Effective October 1, 2012, for the defined contribution component for newly hired employees, the employer will match 50% of employee contributions up to a maximum of 1% of pay into a 401K.
- Effective October 1, 2012, newly hired employees will receive a one-time incentive of 5% of their annual base salary to facilitate job retraining.
- Effective October 1, 2012, state subsidized retirement health care is eliminated for newly hired employees, who will instead receive a 2% matching contribution to a 401K/457 for retirement healthcare, plus $2,000 deposited into a Health Reimbursement Account.

FISCAL IMPACT:

According to the Department of State Police and the Office of the State Employer, the new compensation plan will have no fiscal impact on the already enacted FY 2011-12 or FY 2012-13 budgets. The new compensation plan includes adjustments to salary, healthcare, and pension costs. Salary adjustments will increase costs to the state, but increased employee contributions for healthcare and pension costs will result in a savings to the state. Therefore, it is anticipated the contract will be approximately cost-neutral for the state.

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