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Senate Bill 413 (as introduced 6-7-11)
Sponsor: Senator Mark C. Jansen
Committee: Appropriations

Date Completed: 10-11-11

CONTENT

Senate Bill 413 would amend Section 68c of the State Employees' Retirement Act, which prohibits the practice commonly referred to as "double dipping". Under current law, a retired State employee is required to forfeit his or her pension if re-employed by the State, either directly or indirectly, for the duration of the re-employment. In this manner, a retiree is not allowed to "double dip".

The bill would suspend this prohibition and allow a retired State employee to simultaneously draw a pension and indirectly work for the State through a contractual arrangement with the Department of Human Services (DHS) for services related to child welfare, if the contractual arrangement were limited in term. The contractual arrangement could be extended, however, if the DHS determined that the stability of caseworkers providing services related to child welfare, and achieved through the extension, was necessary to promote child welfare.

The DHS is subject to a settlement with Children's Rights, Inc. that requires the Department to meet certain worker-to-caseload ratios. The Michigan Federation of Children and Families estimates that private and nonprofit agencies will hire approximately 250 to 300 child welfare workers statewide, or three to four workers per agency, in the upcoming year with the new caseload ratios going into effect. The private and nonprofit agencies will pay the salaries and benefits of each new hire, receiving partial reimbursements from the State through a \$37 per diem rate per case.

Although it is difficult to predict the number of former State workers who would return to work if Senate Bill 413 passed, the Department hopes that the bill would provide an incentive to qualified workers, in addition to giving the hiring agencies the flexibility to meet their staffing goals. The average pension allowance is \$18,511, which the State would continue to pay if the retirees were hired by a private or nonprofit agency. There would not be a cap on the number of former workers who could be hired, either by an individual private agency or in total.

Compliance with the settlement depends on multiple factors, including the worker-to-caseload ratios. As the private and nonprofit agencies begin hiring new staff with the goal of meeting the new ratio, the degree to which former State employees would fill the gap is unknown. The agencies' ability to meet staffing goals is not necessarily dependent upon the hiring of former State workers, but this bill would provide the option and make hiring more flexible. If the caseload targets, among other goals, are not achieved, legal fees for

ongoing monitoring will cost the State \$400,000 annually, according to estimates of the Attorney General's office. Allowing former State child welfare workers to work for private agencies without losing their pensions would not guarantee that the State would avoid these additional legal fees. The Department does, however, anticipate that this provision would help the State to attain compliance with caseload ratios more quickly.

MCL 38.68c

FISCAL IMPACT

The bill would reduce savings for the State only in situations in which current retirees chose to return to work indirectly for the DHS and forfeit their pensions during the time of re-employment. In other words, if people are currently choosing to return to work for the State and forfeiting their pensions, then this bill would require the payout of pensions that otherwise would not occur. However, according to the Office of Retirement Services, few former State retirees return to work and forfeit their pensions, so it is not likely that the State will realize any significant savings under current law.

The State's pension system already accounts for the pensions of retirees, so additional retirement funding would not be necessary if this bill were implemented. It is possible, but not likely, that the State would experience increased costs due to noncompliance with the consent decree if the bill were not passed, if the nonpassage of the legislation were found to be a cause in the DHS's failure to meet required caseload ratios.

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