

Legislative Analysis



REVISE SERS COVERED EMPLOYEE DEFINITION

Phone: (517) 373-8080
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House Bill 5411 as introduced
Sponsor: Rep. Tom Barrett
Committee: Financial Liability Reform
Complete to 4-30-18

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

SUMMARY:

House Bill 5411 would amend the State Employees' Retirement Act to align the definition of a covered position with actual corrections employee classifications. The bill would replace a single classification for corrections security specialist, which does not exist, with two classifications including corrections security inspector and corrections security representative, which would include members of the Department of Corrections (DOC)' Absconder Recovery Unit (ARU).

BACKGROUND:

Employees in covered positions, those responsible for the care and supervision of prisoners, are eligible to retire early and receive supplemental retirement benefits until they reach age 62. [The supplemental benefit is equal to an employee's final average compensation multiplied by the years of covered service multiplied by 0.5%.] However, those benefits apply only to employees hired prior to March 31, 1997, who are in the pension plan rather than the subsequent defined contribution (DC), or 401-k, plan.

Until a 2015 internal audit, the DOC had interpreted the existing definition of covered position to include ARU employees. After the audit findings ARU staff, among others, learned they were ineligible for benefits that the department told them they would receive.

MCL 38.45

FISCAL IMPACT:

The bill would create additional costs for the State Employees Retirement System (SERS). According to the DOC, the bill would affect 8 active employees and 1 retiree. The Office of Retirements Services' actuarial analysis estimates that the potential cost of the bill includes both an increased unfunded accrued liability of approximately \$462,000 and an increased annual normal cost rate of approximately 1.6 percentage points, or around \$10,000 per year while the members are actively employed, based on current salaries.

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