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BILL ANALYSIS



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House Bill 4415 (Substitute H-1 as passed by the House)

Sponsor: Representative Frank Foster

House Committee: Natural Resources, Tourism, and Outdoor Recreation

Senate Committee: Natural Resources, Environment and Great Lakes

Date Completed: 5-4-11

### **CONTENT**

**The bill would amend the State Employees' Retirement Act to allow a retirant to continue to receive his or her retirement allowance while being compensated by the Department of Natural Resources (DNR) for wildfire suppression services, or if appointed as an attorney for the Legal Division of the Legislative Service Bureau (LSB), under certain circumstances.**

Generally, under the Act, a retirant who is receiving a retirement allowance and is employed by the State beginning on or after October 2, 2007, forfeits his or her right to receive the allowance during this period of State employment. The retirement system must cease payment of the allowance during this period, and reinstate payment without recalculation when the period of State employment ceases.

These provisions do not apply to a retirant who was employed by the State on October 1, 2007, so long as he or she remains in the same position. The bill would refer to a retirant who is employed either directly or indirectly by the State.

The Act contains several exceptions to the requirement that a retirant forfeit his or her right to receive a retirement allowance while employed by the State. The bill would create another exception for a retirant being compensated on a per diem basis by the DNR for wildfire suppression service during peak wildfire conditions, as the Department determined necessary. Also, the forfeiture requirement would not apply to the appointment of a retirant as an attorney for the Legal Division of the LSB when the Legislative Council Administrator determined that, as a result of his or her previous employment with the State, the retirant possessed specialized expertise and experience necessary for the appointment and that the appointment was the most cost-effective option for the State.

MCL 38.68c

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

Current law prohibits a retiree from simultaneously drawing a pension and returning to work for the State; this practice is often called "double dipping". This bill would allow two instances in which the double dipping prohibition would be lifted, as described above.

The impact on the State of allowing retirees to return to work at the DNR during peak wildfire season is indeterminate. In the absence of this legislation, the Department would have to use existing employees, paying overtime if necessary, or hire temporary employees.

Alternatively, the Department could rehire retirees, but those retirees would have their pension suspended during the period of time they were rehired. If this legislation were enacted, and retirees were hired on a per-diem basis, the cost of continuing to pay the pension combined with the departmental per-diem costs would be compared to the cost of paying for the options the Department has under current law.

According to the DNR, the bill would result in cost savings because the Department would pay the retirees \$11 per hour with no benefits, rather than paying overtime to current employees. In addition, since the retirees already would be trained, it would be less costly to employ them than to hire new temporary workers.

There should be either no fiscal impact on, or potential small savings to, the State for allowing the LSB to rehire retired attorneys, since the language in the bill would allow this only if the appointment were the most cost-effective option for the State.

Fiscal Analyst: Kathryn Summers

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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.