

## **ALLOW THIRD-PARTY CONTRACT WORK BY STATE RETIREES WITHOUT FORFEITING BENEFITS**

Phone: (517) 373-8080  
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**House Bill 6097 as introduced**  
**Sponsor: Rep. Jason M. Sheppard**  
**Committee: Transportation and Infrastructure**  
**Complete to 9-24-18**

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

### **SUMMARY:**

House Bill 6097 would amend the State Employees' Retirement Act to allow state retirees to return to state work without forfeiting their retirement benefits if and while hired indirectly through a third-party contract.

MCL 38.68c

### **BACKGROUND:**

Section 68c was enacted as PA 95 of 2007 to eliminate the practice, often referred to as "double-dipping," in which a state employee retires and returns to work for the state, drawing both retirement benefits and a salary. It initially required the forfeiture of retirement benefits during any period in which a retiree returned to state work if he or she were either directly employed or indirectly hired through a third-party contract. Public Act 185 of 2010 expanded the benefit forfeiture to include employment with the state indirectly as an independent contractor.

Section 68c has been subsequently amended several times to create specific exceptions to this rule, typically for hard-to-fill positions or professions. Currently, it includes the following exceptions, each of which has varying applicable provisions:

- An individual hired by the Department of Corrections to provide health care services.
- An individual appointed by the Attorney General as a special assistant attorney general who was an assistant attorney general and has specialized expertise and experience.
- An individual with whom the Attorney General contracts as a witness, expert, or consultant because he or she has specialized expertise and experience.
- An individual hired by the Department of Natural Resources for active wildland fire suppression.
- An individual hired by the Department of Health and Human Services as a psychiatrist to provide mental health services in state operated psychiatric hospitals.

### **FISCAL IMPACT:**

House Bill 6097 could increase costs to the state by an indeterminate amount. By allowing retirees to return to work without forfeiting retirement benefits, the bill would create an

incentive for employees to retire earlier than they might have otherwise, knowing they can earn both current compensation as well as a pension and retiree health benefits. When retirees retire earlier than anticipated under the retirement system's actuarial assumptions, it increases the unfunded liabilities in a pension system. Increased unfunded liabilities would be borne by the state through increased departmental costs for the State Employees' Retirement System (SERS), which are assessed across all state departments as an equal percent of payroll.

Fiscal Analyst: Bethany Wicksall

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