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PSERS; EXCLUDE WORK FIRST EMPLOYEES

House Bill 5951 as introduced First Analysis (10-3-00)

Sponsor: Rep. Jerry VanderRoest
**Committee: Senior Health, Security and
Retirement**

THE APPARENT PROBLEM:

Under the Public Employees Retirement Act, people employed by "reporting units" (local and intermediate school districts, public school academies, district libraries, and community colleges) are members of the retirement system on the first day of their employment. Being a member of the retirement system means that employees have a portion of their wages withheld as member contributions to the retirement system, and that employers must pay contributions on behalf of those employees into the retirement system. Additionally, when a member leaves the employ of a school district or other reporting unit after working a short period of time, he or she is entitled to receive a refund of contributions to the retirement system. This, obviously, entails an administrative burden for the employees, the employer, and the retirement system. Consequently, certain kinds of employment are listed in the statute as exempt from membership in the retirement system. The listed employment is understood to be short-term, or not within the traditional (or permanent) school workforce. There are exceptions in the statute for neighborhood youth corps employees, transitional public employment program employees, election workers, and so forth.

One listed exemption is for persons who are not regularly employed by a reporting unit, but are employed through participation in a program established under the Michigan Opportunity and Skills Training Program (MOST) administered by the Family Independence Agency and the Department of Career Development. According to the Department of Career Development, the MOST program is no longer in existence. Its successor program is the Work First program. Legislation is required to change the reference in the statute so that these temporary employees need not be included in the "membership" of the retirement system.

THE CONTENT OF THE BILL:

House Bill 5951 would amend this provision to change the reference to the Work First program under the Social Welfare Act.

MCL 38.1305

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill has no fiscal implications. (9-29-00)

ARGUMENTS:

For:

The bill would simply update a reference in the statute so that participants in the Work First program would be exempted from membership in the Public School Employees Retirement System, just as participants in the predecessor program, the MOST program, were exempted. Apparently, without such an explicit exemption in the statute, these temporary workers would have to have retirement contributions withheld from their wages, and would have to file an application to have them refunded at the conclusion of the temporary employment.

POSITIONS:

The Department of Career Development supports the bill. (9-18-00)

Analyst: D. Martens

#This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.