

## **PREVIOUSLY EARNED RETIREMENT BENEFITS FOR CERTAIN PART-TIME STUDENT EMPLOYEES**

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**House Bill 6378 as introduced**  
**Sponsor: Rep. Scott VanSingel**  
**Committee: Financial Liability Reform**  
**Complete to 9-25-18**

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

### **SUMMARY:**

House Bill 6378 would amend the Public School Employees Retirement Act to create a process in which eligible part-time student employees of community colleges could apply for and be credited with service for retirement benefits they earned, but for which their employers did not report or contribute to the Michigan Public School Employees' Retirement System (MPSERS).

#### **Community College Part-Time Student Employees**

The bill would require that a part-time student employee of a community college, who was employed prior to July 2, 2018, under Section 5(p) of the Act and who did not previously have that service reported by his or her employer, may claim and be credited with that service if all of the following apply:

- The individual files a written application with the retirement board between January 1, 2019, and January 31, 2020, in a method determined by ORS.
- The written application filed by the individual is irrevocable.
- The individual fulfills the terms of a billing statement issued by ORS that corresponds to the amount he or she would have contributed for that service, plus regular interest before he or she retires.

An individual who was eligible to apply and does not satisfy the conditions above would forfeit any claim to receive service credit unless good cause is shown to the satisfaction of the retirement board.

The bill would require the applicable community college to remit employer contributions required by the Act for service credited pursuant to the bill's provisions including regular interest and late fees, in a time and manner determined by ORS. After the application deadline, the ORS must determine and assess a supplemental employer contribution for each community college based on that college's report required under Section 42a and its payroll data reported to ORS. The contribution must take into account all of the following:

- The extent to which the college remitted employer contributions and related retirement information for applicable part-time student employees for each school fiscal year beginning with 2001-2002.
- The contribution rate must be calculated as provided in section 42 except must not include pension costs for service rendered before the 2000-2001 school fiscal year nor retiree health benefit costs for service rendered before the 2011-2012 school fiscal year.

- The contribution rate must include interest and late fees as provided under section 42.

Finally, the bill would appropriate \$650,000 for FY 2018-19 to DTMB to administer the bill's proposed application and remediation process. It would make the appropriation a work project, thus allowing unspent funds at the end of the fiscal year to be carried forward into subsequent fiscal years.

### **MPSERS Payroll Growth Assumption**

House Bill 6378 also would amend a newly enacted provision,<sup>1</sup> which requires the MPSERS payroll growth assumption to be decreased over time until it is zero, to clarify that after the required reduction begins in FY 2021-22, ORS and the MPSERS board may agree to reduce the payroll growth assumption rate by any number of additional basis points over and above the either 25 or 50 basis points as otherwise required in that year.

MCL 38.1341 and proposed MCLs 38.1343h-38.1343j

## **BACKGROUND:**

House Bill 6378 builds upon Public Act 328 of 2018,<sup>2</sup> legislation passed to address an Auditor General finding<sup>3</sup> that at least one community college had not been reporting, nor making contributions for, retirement benefits earned by certain part-time student employees. Subsequent information suggested that less than half of community colleges had been complying with the law regarding this subset of student employees. PA 328 required that colleges submit to ORS a report with detailed information regarding the number of applicable student employees along with the contributions the college made and/or failed to make associated with them. That information was due to ORS within 60 days of PA 328's enactment, and ORS must provide a summary report to the Legislature within 90 days, or by September 30, 2018.

Part-time student employees hired on or after July 2, 2018, are no longer eligible for retirement benefits under PA 328.

## **FISCAL IMPACT:**

The bill would have an indeterminate impact on the state and applicable community colleges.

Information collected from the PA 328 report is not yet available, so the scope of the issue both on a statewide basis and for each college is currently unknown. The bill's cost would

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<sup>1</sup> See House Fiscal Agency Summary of PA 181 of 2018: <http://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-5355-4ED7E075.pdf>

<sup>2</sup> See House Fiscal Agency Summary of PA 328 of 2018: <http://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0888-FB930B6F.pdf>

<sup>3</sup> Auditor General Audit: <https://audgen.michigan.gov/wp-content/uploads/2018/02/r917DTMB01.pdf>

also be determined by the extent to which the applicable student employees apply for and are willing to make the required contributions toward their retirement benefit. Assuming that ORS can accurately calculate and collect the required member and employer contributions, the additional benefits provided to the applicable students should be adequately paid for, and the net cost to the MPSERS system would be zero.

The bill would appropriate \$650,000 general purpose/general fund revenues to DTMB with which to carry out the bill's application and remediation process.

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