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BILL ANALYSIS

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Senate Bill 888 (as enrolled)
Sponsor: Senator John Proos
Senate Committee: Education
House Committee: Financial Liability Reform

Date Completed: 6-19-18

CONTENT

The bill would amend the Public School Employees Retirement Act to exclude from the definitions of "member" and "qualified participant" an individual employed by a reporting unit while enrolled as a student at that reporting unit, if the student performs a service that is excepted from employment as described in 26 CFR 31.3121(B)(10)-2. Under that Federal regulation, a service is excluded if it is performed for a school, college, or university by a student who is enrolled and regularly attending classes at that school, college, or university. The bill also provides that a student who was a member or qualified participant, as applicable, on the effective date of the bill would remain a member or qualified participant if the individual elected to remain a member or qualified participant, and would require the Office of Retirement Services (ORS) to determine a method of administering the elections.

The changes in the definitions of "member" and "qualified participant" would be effective beginning on the effective date of the legislation.

Under current law, "member" means a public school employee but does not include a full-time student who is working for the same college he or she is attending. Current law does not exclude a part-time student from the definition of "member" unless that person is under age 19 and employed in a temporary, intermittent, or irregular seasonal athletic position. Otherwise, regular, part-time students over the age of 19 are reportable to the Michigan Public School Employees' Retirement System (MPSERS).

The bill also would require each community college, within 60 days of the bill's effective date, to submit a report that included the number of individuals employed by the college while enrolled as a part-time student at that college; the amount of retirement contributions made by the college associated with those individuals; and, the amount of contributions the college failed to contribute that were associated with those individuals. The report would have to include data for each of the four school years preceding the 2017-18 State fiscal year. The bill would require ORS to compile the information submitted by the community colleges and submit that information within 90 days after the bill's effective date to the Senate and House Education Committees.

MCL 38.1305 et al.

FISCAL IMPACT

To the extent that payroll currently reported and remitted to MPSERS for part-time students would be eliminated for new hires, there could be a negative impact on MPSERS, which would result in increased costs paid from the School Aid Fund via the MPSERS rate cap. Essentially,

any time a group of members is removed from the payroll on which the retirement rate is applied, the rate charged on the remaining payroll will increase, to ensure a constant level of required contributions to pay off unfunded liabilities in a timely manner.

Contributions attributable to this portion of part-time student payroll (that otherwise would be remitted) are part of the actuary's calculations of payments toward unfunded accrued liabilities; the removal of these contributions would result in a reduction of community college payroll payments toward unfunded accrued liabilities and a subsequent increased cost to the State's School Aid Fund (SAF) of an equal amount. However, because these salary data are not recorded at the student level in the MPSERS database, there is no feasible way to calculate a dollar impact on the SAF.

Other than the reporting requirements in the legislation (which could result in some additional administrative costs related to compiling and remitting the required data), the overall fiscal impact on community colleges likely would be positive, as they would see savings by removing part-time student payroll from MPSERS and avoiding the associated retirement costs for new hires. However, the amount of available money in the SAF (which provides funding for community colleges, in addition to K-12 and higher education) would decline somewhat as the SAF would be used to make the increased State payment toward unfunded accrued liabilities in MPSERS.

The requirement for ORS to produce a report within 90 days, based on data remitted by community colleges within 60 days, likely would create additional administrative costs for ORS, which likely would incur additional costs stemming from the bill's requirement to offer elections to part-time student workers who currently are members or qualified participants, as applicable. However, the amount of the additional costs outlined above is indeterminate.

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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.