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BILL ANALYSIS

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Senate Bill 888 (Substitute S-3 as reported)
Sponsor: Senator John Proos
Committee: Education

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 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 the Office of Retirement Services to provide a report to the House and Senate Education Committees within 60 days after the bill's effective date. The report would have to include the following, by community college, for each of the prior 10 fiscal years: the number of individuals employed by the community college while enrolled as a part-time student; the amount of remitted MPSERS contributions associated with such students; the amount of MPSERS contributions not remitted associated with such students; and, any late fee or interest charges incurred by the community college associated with such students.

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, the overall fiscal impact on community colleges would likely be positive, as they would see savings by removing part-time student payroll from MPSERS and avoiding the associated retirement costs. However, the amount of available money in the SAF (which provides funding for community colleges) would decline somewhat as the SAF would be used to make the increased State payment toward unfunded accrued liabilities in MPSERS.

The requirement for the Office of Retirement Services (ORS) to produce a report within 60 days for each of the past 10 years of data related to part-time student workers likely would create additional administrative costs for ORS. The ORS does not collect these data; community colleges would have to provide these data to ORS for compilation of the report. If community colleges were to collect and provide the data for the report, the colleges could incur additional personnel time costs.

Date Completed: 5-2-18

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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.