



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 888 (Substitute S-2)
Sponsor: Senator John Proos
Committee: Education

Date Completed: 4-30-18

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 excluded from the definition of employment under Section 3121(b)(10) of the Internal Revenue Code. Under that subdivision, 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).

MCL 38.1305 & 38.1424

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.

The overall fiscal impact on community colleges under this legislation 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.

Fiscal Analyst: Kathryn Summers

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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.