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BILL ANALYSIS

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House Bill 5266 (Substitute H-3 as reported without amendment)

Sponsor: Representative Paul Condino

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT

The bill would amend the State Employees' Retirement Act to allow the banked leave time and furlough hours for State employees to count as full credited service for the purpose of determining an employee's retirement benefit. The bill also would include in the definition of "compensation" the furloughed and banked leave time hours. Finally, the bill would eliminate the current annual retirement benefit limit of \$90,000 and instead limit an annual retirement benefit as set forth in Internal Revenue Service (IRS) regulations (which currently set the limit at \$160,000 per year).

The bill would define "banked leave time program" as the Part B annual leave hours within the annual and sick leave program for State employees approved by the IRS on September 5, 2003, in which a pay reduction or other concessions are applied to a member or qualified participant in exchange for additional Part B annual leave hours. (Part B annual leave is the banked leave time program.) "Furlough hours" would mean the unworked hours incurred in conjunction with the banked leave time program.

Currently, payment for accrued annual leave at separation in excess of 240 hours is not included in the determination of final average compensation (FAC). The bill would extend this prohibition to the payment for banked leave time hours. However, beginning October 1, 2003, computation of an employee's FAC could include the value of any unpaid furlough hours and the value of any unpaid hours exchanged for Part B annual leave hours calculated at the member's then-current hourly rate of pay.

The Act defines "compensation" as the remuneration paid a participant on account of the participant's services rendered to his or her employer. The bill also would include, beginning October 1, 2003, the value of any unpaid furlough hours and the value of any unpaid hours exchanged for Part B annual leave hours at the participant's then-current hourly rate of pay for the period during which the participant is participating in the banked leave time program. Further, the definition would include the value of hours not worked during which a participant is in a voluntary or involuntary pay reduction Plan A or on a one-day layoff or designated temporary layoff calculated at the participant's then-current hourly rate of pay.

MCL 38.1a et al.

FISCAL IMPACT

The bill would have no fiscal impact on State or local resources. The banked leave time and the furlough days are days and work hours that would have been accumulated anyway, and thus are already accounted for in all actuarial assumptions.

Date Completed: 3-4-04

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