

Legislative Analysis



BANKED LEAVE; DROP PROGRAM

Senate Bill 1021

Sponsor: Senator Cameron S. Brown

Committee: Appropriations

First Analysis (3-12-04)

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BRIEF SUMMARY:

The SB 1021 would create the Deferred Retirement Option Plan (DROP) which would allow an enlisted officer with 25 or more years of credited service to participate. The DROP program, which is to be administered by the office of retirement services, would allow a participant to defer his or her retirement for up to six years but continue to be an employee of the State Police. A DROP account would be created for each participant, which would be credited with a certain percentage of his or her monthly retirement allowance, depending on the number of years of participation. The DROP account would earn interest at the rate of 3% per annum. A DROP participant would not receive a monthly retirement allowance until termination of his or her DROP participation and commencement of retirement.

FISCAL IMPACT:

There would be annual savings of between 25% to 26% of the total cost of an employee, or an average of \$32,000 per Command officer and \$22,300 per Trooper and Sergeant.

FISCAL INFORMATION:

The Department of State Police would pay only the salary and insurance costs of participating employees. Retirement system contributions will no longer be required because DROP participants will not receive service credit for the time served. This would result in annual savings of between 25% to 26% of the total cost of an employee, or an average of \$32,000 per Command officer and \$22,300 per Trooper and Sergeant.

The total annual GF/GP savings would be dependent on the extent to which eligible employees opt for the DROP program. The Department of State Police could realize annual savings up to \$3.3 million if all of 125 eligible employees (52 Command officers, 73 Troopers and Sergeants) choose to join DROP program. Should the bill be enacted in time to allow for eligible employees to join the DROP program beginning April 1, 2004, a six month saving of \$1.65 million would result in FY 2003-04.

However, it is not known how many of eligible employees would participate. Should 50 of the Command officers and 40 (approximately half) of the Troopers and Sergeants participate; annual savings of \$2.5 million would result. Assuming that the DROP program would begin on April 1, 2004, the total savings to be gained in FY 2003-04 would be \$1,247,000.

In December 2004, another 60 employees would become eligible for the program. However, it would not be until 2007 that another group of employees would become eligible.

This bill is 'revenue neutral' to the Michigan State Police Retirement System.

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