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**House
Legislative
Analysis
Section**

PSERS; RETIREE EARNINGS LIMIT

House Bill 4082

Sponsor: Rep. Gerald Law

**Committee: Senior Health, Security and
Retirement**

Complete to 2-16-99

A REVISED SUMMARY OF HOUSE BILL 4082 AS INTRODUCED 1-28-99

Under the Public School Employees Retirement Act, certain restrictions are placed on the practice of retirees becoming re-employed by a "reporting unit" (a public school, intermediate school district, charter school, community college, etc.). These include a limit on the amount that can be earned without affecting the retiree's pension. If a retiree becomes employed by a reporting unit, the retiree's pension is reduced if earnings exceed either: a) 1/3 of the retiree's final average compensation (increased 5 percent per year), or b) the maximum earnings permitted under the federal Social Security Act. The pension is reduced by the full amount that earnings exceed the lesser of the two limitations. These restrictions apply only to re-employment with a PSERS "reporting unit" (but not to employment with other employers). Prior to the passage of Public Act 272 of 1995, certain public universities (though not all) were participants in the Public School Employees Retirement System. The 1995 legislation exempted the future employees of those universities from participation in the system. After January 1, 1996, the term "reporting unit" in the statute does not include a university unless it has pre-1996 employees who are members of the retirement system. The seven affected universities are Eastern Michigan University, Western Michigan University, Northern Michigan University, Central Michigan University, Michigan Technological University, Lake Superior State University, and Ferris State University.

House Bill 4082 would amend the Public School Employees Retirement System Act to increase the earnings limitation that applies to PSERS retirees who become re-employed by a "reporting unit"; to make a specific exception to the earnings limitation for post-retirement employment with one of the seven universities that were formerly part of the PSERS; and to create an exception to the earnings limitation for post-retirement employment with other reporting units in the case of an emergency situation.

- The bill would increase the earnings limitation on post-retirement employment by a retiree, which is currently set at the lesser of either a) 1/3 of the retiree's final average compensation (increased 5 percent per year), or b) the maximum earnings permitted under the federal Social Security Act. Under the bill, the first component of the earnings limitation would be increased from 1/3 to 1/2 of the retiree's final average compensation.

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- The bill would specify that the earnings limit would not apply to a retiree who works for a university that is no longer a member of the system (but for having employees who were members before the 1995 legislation took effect) if the retiree is not eligible to use any service or compensation attributable to the employment for a recomputation of his or her retirement allowance.

- The bill would specify that the earnings limit would not apply to post-retirement employment by a reporting unit (e.g., a school district), under certain limited circumstances. The bill would allow post-retirement employment by a retiree without affecting the retiree's pension if the reporting unit had an emergency situation -- not including a labor dispute -- that necessitated the hiring of a retiree in order to prevent depriving students of an education. The chief executive officer of the reporting unit would have to notify the state superintendent of public instruction of the existence of such an emergency situation, including documentation to support the contention that the reporting unit had been unable to fill a vacancy with qualified personnel. (This would include evidence of unsuccessful efforts to recruit applicants through such means as advertising the open position, listing the position with college and university placement offices or other employment agencies, and notifying other appropriate agencies, employee unions, and professional associations.) The state superintendent would have to approve the plan for the bill's exception to apply. Further, the emergency employment could not exceed one year, and the retiree could not be eligible to use the service or compensation attributable to the post-retirement employment for a recomputation of her or her retirement allowance.

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