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BILL ANALYSIS

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House Bill 4340 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Bruce Caswell
House Committee: Senior Health, Security, and Retirement
Senate Committee: Education

Date Completed: 1-26-04

RATIONALE

Many rural and inner-city school districts experience a shortage of principles, teachers in certain subjects, and, sometimes, superintendents. Retired school employees are often recruited to fill these spots, because they tend to be highly qualified and willing to work for a few years until the district can find a more permanent employee. Districts also benefit because they do not have to pay for the retirants' medical or retirement benefits. Retirants gain because they receive their retirement allowance in addition to the pay they earn from their new jobs. In most cases, in order to prevent "double dipping", a retirant's pension is reduced when this postretirement pay reaches a certain amount, as required under the Public School Employees Retirement Act.

In some cases, however, retirants are not subject to these limitations. If a school district is experiencing an "emergency situation" (as defined in the Act) or the district needs to hire someone in a "critical shortage area", as determined by the State Superintendent, these limitations on earnings and service credit do not apply for a period of three years. In other words, a retirant who is rehired by a school district, a public school academy, or a college or university experiencing one of these conditions may collect his or her full pension in addition to the full amount the new district or school is willing to pay for three years. Currently, these exemptions apply only to those who retired on or before July 1, 2000. In light of the continuing teacher shortage in some districts and in certain subject areas, it has been suggested that these exemptions be extended to those who retired more recently, and for a longer period of time.

CONTENT

The bill would amend the Public School Employees Retirement Act to allow retirants who retired by July 1, 2003, rather than July 1, 2000, to be rehired by a "reporting unit" experiencing an emergency situation or needing to hire a retirant in a critical shortage discipline, without a reduction in the retirant's retirement allowance; and to increase the maximum period of re-employment from three to six years. (A "reporting unit" is a public school district, intermediate school district, public school academy, tax-supported community or junior college, or university, or an agency employing members of the retirement system.)

Under the Act, retirants from the Public School Employees Retirement System (PSERS) who are re-employed by a reporting unit are not entitled to a new final average compensation or additional service credit for their postretirement work, unless they perform the equivalent of at least five years of additional service (or three years, if a retirant has contributed to the member investment plan). Also, retirants' allowances must be reduced when their new earnings exceed either one-third of their final average compensation, or the maximum earnings permitted under the Social Security Act; the retirants' allowances are reduced by the full amount that their earnings exceed the lesser of the two calculations.

The Act makes an exception to these limitations, however, for a retirant who is employed for three years or less by a reporting unit experiencing an "emergency situation", which means that more than 8% of all classes in the district during the 1998-99 school year were taught by uncertified, full-time substitute teachers. Also, the limitations do not apply to a retirant hired in an area identified by the State Superintendent of Public Instruction as a "critical shortage discipline". In either case, the retirant may not use the service or compensation for a recomputation of his or her retirement allowance; the exceptions apply only until July 1, 2006; and the retirant may not be employed for more than three years.

These exceptions currently are available only for PSERS members who retired on or before July 1, 2000. The bill would extend the exceptions to those who retired on or before July 1, 2003, and allow the retirant to work under these exemptions for up to six years.

MCL 38.1361

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would make the current exemptions on earnings limitations apply to a wider group of retirees, thereby opening up a larger pool of qualified candidates for hire in areas experiencing a shortage of educators. In light of the new, stricter standards for teachers established under the Federal No Child Left Behind Act, the bill should make finding "highly qualified teachers" for every grade in every subject a more manageable task. Under that Act, in order to be highly qualified, teachers must pass a core subject-area test, have a major in the subject they teach, possess a graduate degree, or have advanced certification in their subjects. For rural districts that employ just a handful of teachers who teach across multiple subject areas, this standard may be impossible to reach without additional recruitment tools. Many districts also struggle to find educators to teach in the inner city, or in the critical shortage areas of special education, vocational education, English as a second language, and math and physical sciences. It makes sense for a district to hire a retirant with a wealth of experience, whether it is in teaching or as an administrator. Under the bill, more retirants would experience the satisfaction of helping out a district in need while, for up to six years, earning enough to make it worth their while.

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Joe Carrasco

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