Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5760 (Substitute H-1 as passed by the House)
Sponsor: Representative David Palsrok
House Committee: Education
Senate Committee: Education

Date Completed: 4-26-06

CONTENT

The bill would amend the Public School Employees Retirement Act to extend until July 1, 2011, provisions that allow retired employees to work for certain school districts without a reduction in their retirement allowance. The current provisions are to expire on July 1, 2006.

Under the Act, if a retirant is receiving a retirement allowance other than a disability allowance, and becomes employed by a reporting unit (i.e., a public school district, intermediate school district, public school academy, tax supported college or university, or agency with employees who are members of the retirement system), his or her retirement allowance must be reduced by the lesser of the following:

-- The amount that his or her earnings exceed the amount permitted without a reduction in benefits under the Social Security Act.
-- One-third of his or her final average compensation.

For the purpose of calculating allowable earnings under this provision, the retirant's final average compensation is increased by 5% for each full year of retirement.

Until July 1, 2006, those provisions do not apply to a retirant who is employed for six years or less by a reporting unit that has one of the following:

-- An approved emergency situation, not including a situation caused by a labor dispute, in which hiring a retirant in the capacity of a teacher, principal, stationary engineer, or administrator is necessary to prevent depriving students of an education.
-- A critical shortage discipline, as identified by the State Superintendent of Public Instruction.

The retirant is not eligible to use any service or compensation attributable to the employment under those provisions for a recalculation of his or her retirement allowance.

The bill would extend those exceptions until July 1, 2011.

Currently, the exceptions apply only to retirants who retired on or before July 1, 2003. Under the bill, they would apply to retirants who retired on or before January 1, 2006.

MCL 38.1361 Legislative Analyst: Curtis Walker

FISCAL IMPACT

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

Fiscal Analyst: Joe Carrasco