Legislative Analysis

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EXPAND SITUATIONS FOR MPSERS RETIREES TO WORK WITHOUT LOSING BENEFITS

House Bill 5261(S-3) as amended *(Enacted as Public Act 464 of 2012)*
Sponsor: Rep. Holly Hughes
House Committee: Education
Senate Committee: Appropriations

Complete to 12-13-12

A SUMMARY OF HOUSE BILL 5261 (S-3) AS PASSED BY THE SENATE 12-13-12

The bill would amend the Public School Employees Retirement Act to allow retirees to retain their retirement allowances and health benefits while providing certain services to schools in an identified critical shortage discipline or as a substitute teacher, instructional coach or school improvement facilitator.

Currently, the Act reduces either pension or retiree health benefits or both while a Michigan Public School Employees' Retirement System (MPSERS) retiree returns to work in a reporting unit, with varying reductions depending on the retirement date and the circumstances of the new employment. Under the Act, the term "reporting unit" means a public school district, intermediate school district, public school academy, tax supported community or junior college, or university, or an agency having employees on its payroll who are members of the retirement system.

Critical Shortage

The bill would exempt, from the benefit reductions, a retiree employed by a reporting unit that has a situation (excluding a situation caused by a labor dispute) that necessitates the hiring of a retiree in an area designated as a critical shortage discipline. The Act currently requires the State Superintendent to compile and annually update a list of critical shortage disciplines.

The critical shortage provision would apply under the following circumstances, but would sunset on July 1, 2014:

- The retiree has been retired for at least 12 months before being reemployed.
- The retiree is employed for no more than a total of 3 years.
- The retiree is not eligible to use any of the service or compensation earned for a recomputation of his or her pension.
- The reporting unit pays to the MPSERS system 100% of the contribution rate for both pension and retiree health benefits for the retiree.

Substitute Teachers, Instructional Coaches, and School Improvement Facilitators

The bill also would exempt, from the current benefit reductions, a retiree who retired after July 1, 2010 who subsequently is employed by or works in a reporting unit as a substitute teacher, instructional coach, or school improvement facilitator. This provision would apply under the following circumstances, but would sunset on July 1, 2014:

- The retiree has been retired for at least 1 month before being reemployed.
- The retiree earns no more than 1/3 of his or her final average compensation in a calendar year.
- The retiree is not eligible to use any of the service or compensation earned for a recomputation of his or her pension.
- The reporting unit pays to the MPSERS system 100% of the contribution rate for both pension and retiree health benefits for the retiree. (The bill would require that a reporting unit provide the Office of Retirement Services quarterly with the names and total compensation paid under this provision. If the retiree works through a third party, the bill would require the reporting unit to obtain from the third party a list of all the retirees employed and total earnings for each quarterly period.)

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact on state and local government. By allowing retirees to return to work under critical shortage disciplines or as substitute teachers, instructional coaches, or school improvement facilitators, the bill could create an incentive to retire earlier than an employee might have otherwise, knowing they may continue to work and earn both current compensation as well as a pension. When retirees retire earlier than anticipated under the retirement system's actuarial assumptions, it increases the unfunded liabilities in a pension system. Increased unfunded liabilities would be borne either by the state or MPSERS employers depending on the required employer contribution levels at the time compared to the capped employer rate which was enacted in PA 300 of 2012. However, the limitations listed above would likely limit the use of this provision and would mitigate these added costs.

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