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House Bill 5261 (Substitute S-2)
Sponsor: Representative Holly Hughes
House Committee: Education
Senate Committee: Appropriations

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CONTENT

The Public School Employees Retirement Act requires a public school retiree to forfeit his or her pension and retiree health care benefits if reemployed by a Michigan Public School Employees' Retirement System (MPERS) reporting unit, when the retiree's earnings exceed one-third of his or her final average compensation. The bill would amend the Act to reinstate an exemption that allowed retired school employees (who had been retired at least one year) in critical shortage discipline areas to return to work and simultaneously draw a pension while earning a paycheck from a reporting unit, as long as the retiree was directly re-employed (i.e., not contracted) by the reporting unit. This exemption expired July 1, 2011. The new exemption would sunset July 1, 2014. The maximum length of reemployment for a retiree under this exemption would be three years. A MPERS reporting unit that reemployed a retiree under this exemption would be required to pay 100% of the contribution rates for the unfunded accrued liabilities for pension and health, for each retiree rehired.

MCL 38.1361

FISCAL IMPACT

To the extent the extended critical shortage exemption (allowing MPERS retirees to collect both a pension and an active wage under certain conditions) led to more retirements, or earlier retirements, than actuarially assumed, there would be additional liabilities in MPERS related to additional pension and health care benefits paid out to those retirees who retired earlier than anticipated. However, the requirements in the bill that would have to be satisfied in order for a retiree to use the critical shortage exemption likely would lead to a fairly narrow use of the provision. Specifically, retirees would have to be retired at least one year, the length of reemployment under the exemption would be no more than three years, the retiree would have to be reemployed directly and in a critical shortage field, and reporting units would have to pay unfunded liability percentages for these rehired retirees. Because of these requirements, it is likely that the fiscal impact on MPERS would be fairly insignificant.

A MPERS reporting unit considering using the exemption provision would have to determine whether hiring a retiree under the critical shortage provision were to the benefit of the reporting unit. The reporting unit would not have to pay active health care benefits, but would have to pay the unfunded accrued liability costs for these rehired retirees.

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