

EXPAND SITUATIONS FOR MPSERS RETIREES TO WORK WITHOUT LOSING BENEFITS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4059 (Reported from committee as H-2)
Sponsor: Rep. Holly Hughes
Committee: Financial Liability Reform

Analysis available at
<http://www.legislature.mi.gov>

Complete to 2-20-15

SUMMARY:

The bill would amend the Public School Employees Retirement Act (the 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.

Previously, Public Act (PA) 464 of 2012 (House Bill 5261) amended the Act to allow retirees to retain their retirement benefits while providing services in each of the circumstances described below; however, that bill sunset each of the provisions as of July 1, 2014. House Bill 4059 would delete the sunsets, thus restoring the PA 464 provisions.

Currently, with the sunsets in place, 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 current retiree benefit reductions, a retiree employed directly by, or employed as an independent or through a third party contract in, a reporting unit that has a situation that necessitates the hiring of a retiree in an area designated as a critical shortage discipline. The Act currently requires the State Superintendent of Public Instruction to compile and annually update a list of critical shortage disciplines¹. The critical shortage provision would apply under the following circumstances:

- The retiree has been retired for at least 12 months before being reemployed.
- The retiree is employed for no more than a total of three 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 the unfunded actuarial accrued liability (UAAL) for the pension and for the UAAL for retiree health care.

¹ http://www.michigan.gov/documents/mde/Educator_Shortage_Retirees_427800_7.pdf

Substitute Teachers, Instructional Coaches, and School Improvement Facilitators

The bill would also exempt, from the current benefit reductions, a retiree 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:

- The retiree has been retired for at least one 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 the UAAL for the pension and for the UAAL for retiree health care. (The Act requires that a reporting unit provide the Department of Technology, Management, and Budget - Office of Retirement Services quarterly with the names and total compensation paid under this provision. If the retiree works through a third party, the Act requires 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 substitutes, 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 reporting units depending on the required employer contribution levels at that time compared to the capped employer UAAL rate enacted under PA 300 of 2012. However, the limitations listed above would likely limit the use of this provision and would mitigate these added costs.

Fiscal Analysts: Bethany Wicksall
Kyle I. Jen

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.