Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4694 (as passed by the House)
Sponsor: Representative Jim Lilly
House Committee: Government Operations
Senate Committee: Appropriations

Date Completed: 9-17-19

CONTENT

The bill would amend the Public School Employees Retirement Act to extend the date for certain retirees to return to work and collect both a pension and a wage at a school employer. The bill would apply only to those retirees who returned to work and were employed as a school renewal coach or high impact leadership facilitator as part of a school leadership program funded by a Federal grant, by a private grant, or both.

Under current law, the retirees described above may return to work and retain their pension, but this applies only to those people who retired after June 30, 2010, and before May 11, 2018. Under the bill, the May 11, 2018, end date would be removed, and replaced with a requirement that the person retire before the ending date of funding for a Federal grant that meets the criteria in subsection (14). (Subsection (14) applies to retirees employed in a program that supports teams of school principals and teacher leaders in elementary schools by doing activities listed in the subsection. The High Impact Leadership program meets the criteria in (14).)

MCL 38.1361

FISCAL IMPACT

The bill likely would increase costs to the Michigan Public School Employees' Retirement System (MPSERS), but by an unknown and likely relatively small amount. The increase in costs would depend on the extent current employees were incentivized to retire earlier than they otherwise planned, knowing they would be able to retire and be rehired in the specified area without forfeiting their pension.

When employees are incentivized to retire earlier than otherwise planned (or earlier than without the incentive), additional unfunded liabilities accrue in the system. The costs would be picked up by the State School Aid Fund contribution to MPSERS under Section 147c, which provides State funding for the share of the unfunded accrued liability payment that exceeds 20.96% of a school employer's payroll.

Under the bill, when funding for the Federal grant ends, no additional retirees could retire and be rehired in the specified positions and program without forfeiting their pension. At that time, there would no additional liabilities incurred in the system.

Fiscal Analyst: Kathryn Summers

SAS\S1920\s4694sa