

EXTEND RETIREMENT DEADLINE FOR MPSERS RETIREES TO SUBSTITUTE WITHOUT LOSING BENEFITS

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House Bill 5806 as passed the House
Sponsor: Rep. Holly Hughes
Committee: Financial Liability Reform
Complete to 12-7-16

SUMMARY:

The bill would amend the Public School Employees Retirement Act (the Act) to allow additional retirees to retain their retirement allowances and health benefits while working as a substitute teacher.

Previously, PA 219 of 2015 (House Bill 4059) amended the Act to allow retirees who had retired between July 1, 2010, and September 2, 2015, to retain their retirement benefits while substitute teaching through July 1, 2018, under the following conditions:

- 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 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 period.)

House Bill 5806 would amend this to include retirees who retired by September 2, 2016, extending the retirement deadline by one year.

Absent the exceptions allowed under PA 219 and expanded under House Bill 5806, 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.

FISCAL IMPACT:

The bill would have no fiscal impact on state and local government. Extending the date by which a former teacher must have retired in order to return to work as substitute without foregoing retirement benefits would not create an incentive to retire earlier than an employee might have otherwise because that date has already passed, and thus creates no additional costs to the retirement system.

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