

## REVISE SUNSET ON PROVISION ALLOWING MPSERS RETIREES TO WORK IN CERTAIN SITUATIONS WITHOUT LOSING BENEFITS

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

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

**House Bill 4422 as enacted**  
**Public Act 141 of 2018**  
**Sponsor: Rep. Holly Hughes**  
**House Committee: Education Reform**  
**Senate Committee: Education**  
**Complete to 1-25-19**

### SUMMARY:

House Bill 4422 amends the Public School Employees Retirement Act to allow certain retirees to work without losing retirement benefits while providing certain services to schools in an identified critical shortage discipline<sup>1</sup> or as a substitute teacher, instructional coach, or school improvement facilitator. These provisions were already in the Act with a sunset (expiration date) of July 1, 2018; the bill moves the sunset to July 1, 2021. It also exempts from benefit reductions certain retirees returning to work as school renewal coaches or high impact leadership facilitators. Finally, it extends the retirement deadline for those eligible for the benefit.

#### Qualifying roles

Previously, Public Act 464 of 2012 (House Bill 5261) amended the Act to allow retirees to retain their retirement benefits while serving in certain roles; that bill sunsetted each of the provisions as of July 1, 2014. Public Act 219 of 2015 (HB 4059) extended the sunsets to July 1, 2018. House Bill 4422 extends the sunsets to July 1, 2021. The roles include the following, for individuals who meet certain criteria:

- Retirees hired in areas identified as critical shortage disciplines.
- Retirees hired as substitute teachers.
- Retirees hired as instructional coaches or school improvement facilitators.

(Retirees hired in a teaching or research capacity or in a program-department direction capacity by a university are also exempt from benefit reductions, with no sunset date.)

Additionally, the bill extends the exemption to retirees hired as school renewal coaches or certain high impact leadership facilitators.

Absent HB 4422's extension of the sunset, beginning July 1, 2018, the Act would have reduced either pension or retiree health benefits, or both, while a MPSERS retiree returned to work in a *reporting unit*, with varying reductions depending on the retirement date and the circumstances of the new employment.

---

<sup>1</sup> The academic year 2017-2018 list of critical shortage disciplines is available at [https://www.michigan.gov/documents/mde/2017-18\\_Critical\\_Shortage\\_Retirees\\_List\\_555370\\_7.pdf](https://www.michigan.gov/documents/mde/2017-18_Critical_Shortage_Retirees_List_555370_7.pdf).

**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.

**Retirement date**

Under the Public School Employees Retirement Act, a teacher who retired between June 30, 2010, and September 1, 2015, who meets the requirements of a bona fide termination and whose compensation would be less than 1/3 of the teacher's final average compensation, may work as a substitute teacher or instructional coach or school improvement facilitator without losing certain benefits. (The retiree may not apply this work to a recomputation of his or her pension.)

The bill extends the retirement deadline of eligible retirees by two years to September 2, 2017. Also, retirees returning to work as school renewal coaches or high impact leadership facilitators must have retired between June 30, 2010 and May 10, 2018 (the effective date of HB 4422).

**Substitute Teachers**

[Note: The Act requires the reporting unit at which the retiree substitute teaches to pay 100% of the contribution rate for the UAAL<sup>2</sup> for the pension and for the UAAL for retiree health care to the Michigan Public School Employees' Retirement System (MPERS). The House-passed version of HB 4422 removed that provision. The S-1 substitute, which is the version of the bill that was enacted into law, reinstated the provision.]

MCL 38.1361

**FISCAL IMPACT:**

The bill would have an indeterminate fiscal impact on state and local government.

**Critical Shortage**

By extending the sunset to allow retirees to return to work in certain critical shortage positions, 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 MPERS reporting units depending on the required employer contribution levels at that time compared to the capped employer UAAL rate enacted under Public Act 300 of 2012. However, the existing statutory limitations could limit the use of this provision and thus mitigate these added costs.

---

<sup>2</sup> Unfunded Actuarial Accrued Liability, or the difference between the retirement system's assets and the pensions or health benefits accrued (for past service) to current or future retirees. (According to the Michigan Office of Retirement Services, <http://www.michigan.gov/psru/0,2496,7-284-60462-345746--,00.html>)

### **Other Positions**

Extending the date to September 2, 2017, by which a former teacher must have retired in order to return to work as a substitute teacher or instructional coach without forgoing 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 for the retirement system. Expanding the exemption to cover retirees who are employed as school renewal coaches or high impact leadership facilitators also would have no fiscal impact because it applies to retirees who had retired before the effective date of the bill.

Legislative Analyst: Jenny McInerney  
Fiscal Analyst: Bethany Wicksall

---

■ 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.