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PSERS; POST-RETIREMENT EARNINGS LIMIT

House Bill 4789

Sponsor: Rep. Jason Allen

Committee: Senior Health, Security and
Retirement

Complete to 5-18-01

A SUMMARY OF HOUSE BILL 4789 AS INTRODUCED 5-17-01

Under the Public School Employees Retirement Act, certain restrictions are placed on the practice of retirees becoming re-employed by a "reporting unit" (a public school, intermediate school district, charter school, community college, etc.). These include a limit on the amount that can be earned without affecting the retiree's pension. If a retiree becomes employed by a reporting unit, the retiree's pension is reduced if earnings exceed either: a) 1/3 of the retiree's final average compensation (increased 5 percent per year), or b) the maximum earnings permitted under the federal Social Security Act. The pension is reduced by the full amount that earnings exceed the lesser of the two limitations. Public Act 68 of 1999 amended these provisions to create certain exceptions to the earnings limitation for post-retirement employment with "reporting units" in the case of an emergency situation.

Under the 1999 amendments, until July 1, 2002, the earnings limit does not apply to post-retirement employment by a reporting unit (e.g., a school district), under certain limited circumstances. There are two specific exceptions that apply in the case of an emergency situation -- not including a labor dispute -- that necessitates the hiring of a retiree in order to prevent depriving students of an education. The emergency employment cannot exceed three years, and the retiree is not eligible to use the service or compensation attributable to the post-retirement employment for a recomputation of her or her retirement allowance. The emergency exceptions only apply to retirees who retired before July 1, 1999.

- The first exception is for a reporting unit that has an approved emergency situation. In such a case, the chief executive officer or superintendent of the reporting unit must notify the state superintendent of public instruction of the existence of such an emergency situation, including documentation showing that, for the 1998-99 school year, more than eight percent of all classes in the district were taught by full-time substitute teachers who were not certified in the subjects or grade levels which they taught. Within 30 days after receiving such notification, the Department of Education is to notify the district of its approval or disapproval of the emergency situation. If approved, the district may employ a retiree as a teacher or principal, and such employment does not affect the retiree's pension.

- The second exception is for a reporting unit who needs to hire a retiree to teach in a "critical shortage discipline". The state superintendent was required to compile a listing of such disciplines by July 1, 1999, and update the listing annually.

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House Bill 4789 would extend the scheduled expiration date of these provisions, from July 1, 2002, until July 1, 2006. Further, the bill would make the exceptions apply to retirees who retired on or before July 1, 2000, rather than on or before July 1, 1999.

MCL 38.1361

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Analyst: D. Martens

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