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

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4789 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Jason Allen
House Committee: Senior Health, Security and Retirement
Senate Committee: Appropriations

CONTENT

The bill would amend the Public School Employees Retirement Act to extend the sunset dates of the provisions that allow reporting units (local school districts, intermediate school districts, charter schools, community colleges, etc.) to hire retirants as teachers or principals when there is an approved emergency situation, or when a critical shortage discipline has been established. The bill also would allow administrators and stationary engineers to be hired under an approved emergency situation.

Under current law, a reporting unit may hire a retirant subject to certain restrictions. These restrictions include that the retirant will not be entitled to a new final average compensation unless the retiree works for at least five years, and there is an earnings limitation placed on the retirant equal to the lesser of one-third of the retiree's FAC or the maximum earnings permitted under the Federal Social Security Act. However, retirants hired under two special circumstances are exempt from the earnings limitation cap.

The first of these circumstances is an approved emergency situation, not including a labor dispute, that necessitates the hiring of a retiree in order to prevent depriving students of an education. Under current law, only teachers or principals may be rehired as postretirement employees in an approved emergency situation. Also, a retirant hired under an approved emergency situation may not be employed for more than three years, and is not eligible to use the service or compensation attributable to the postretirement employment for a recomputation of his or her retirement allowance. The emergency situations apply only to those who retire before July 1, 1999.

The second special situation that allows a retiree to be hired is when a reporting unit has been determined to have a critical shortage in certain disciplines. The State Superintendent was required to compile a listing of all disciplines that were determined to have a critical shortage by July 1, 1999. The State Superintendent is required to update that list annually. As with the first provision described above, a retiree hired in this situation may not be employed for more than three years and is not eligible to use any service or compensation attributable to this employment for a recomputation of his or her retirement allowance.

The bill would allow retirees to be rehired as administrators or stationary engineers as well as teachers or principals in an approved emergency situation. Also, the bill would extend the sunset date of these two special provisions for rehiring retirees from July 1, 2002, until July 1, 2006. Finally, the bill would change the eligible retirees who may be rehired from those who retired before July 1, 1999, to those who retired on or before July 1, 2000.

MCL 38.1361

FISCAL IMPACT

The provision to allow retirees to be employed by a reporting unit in an emergency situation or in a critical shortage discipline would have no fiscal impact on State or local sources. Since retirees hired under these two circumstances are not allowed to use that additional income to recompute their retirement allowances, their pensions remain the same as they would be if the retirees did not return to work.

Date Completed: 6-13-01

Fiscal Analyst: J. Carrasco