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BILL ANALYSIS

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Senate Bill 947 (as introduced 4-17-18)
Sponsor: Senator Phil Pavlov
Committee: Education

Date Completed: 4-17-18

CONTENT

The bill would amend the Public School Employees Retirement Act to extend, until July 1, 2021, expiring provisions that allow a public school retiree to work in an area identified as a critical shortage discipline, as a substitute teacher, as an instructional coach or school improvement facilitator, or as an independent contractor without losing his or her pension. Under current law, the existing provisions are set to expire on July 1, 2018.

The bill also would require a person rehired as a substitute teacher, instructional coach, or school improvement facilitator to have retired between June 30, 2010, and September 1, 2017. (For a person rehired in a critical shortage area or as an independent contractor, the statute would remain the same: that person must have been retired since June 30, 2010.)

MCL 38.1361

FISCAL IMPACT

To the extent that extending the critical shortage exemption (allowing MPSERS retirees to collect both a pension and an active wage under certain conditions) led to more retirements, or earlier retirements, than actuarially assumed, there would be additional liabilities in the Michigan Public School Employees Retirement System (MPSERS) related to additional pension and health care benefits paid out to those retirees. However, the requirements for the critical shortage exemption that would have to be satisfied likely would lead to a fairly narrow use of the provision.

Specifically, as currently required, retirees would have to be retired at least one year, the length of reemployment under the exemption could be not more than three years, the retiree would have to be reemployed in a critical shortage field, and reporting units would have to pay unfunded accrued liability (UAL) percentages for these rehired retirees, whether directly or indirectly rehired. Also, this provision has a sunset of three years and, under the bill, would be subject to a new three-year sunset date. Because of these conditions, it is likely that the negative fiscal impact on MPSERS would be fairly insignificant.

It is likely that numerous retirees would seek to take advantage of the delayed sunset for the substitute teacher and instructional coach/school improvement facilitator provisions, but because this exemption would allow only individuals already retired (as of September 1, 2017) to use the provisions, there would be no incentive to retire earlier than otherwise planned; therefore, there should be no negative impact on the status of the MPSERS unfunded accrued liabilities.

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