



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

**BILL ANALYSIS**

**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

Senate Bill 1225 (as reported without amendment)  
Sponsor: Senator Mike Shirkey  
Committee: Michigan Competitiveness

**CONTENT**

The bill would amend the Public School Employees Retirement Act to specify that a retiree who performs custodial, food, or transportation services at a reporting unit after his or her retirement would not be subject to a provision requiring the forfeiture of his or her retirement allowance and the retirement health care benefits.

Generally, if a Michigan Public School Employees' Retirement System retiree is directly employed by a reporting unit, his or her retirement allowance must be reduced by the amount that the earnings in the calendar year exceed the lesser of the amount permitted without a reduction of benefits under the Social Security Act, or one-third of the retiree's final average compensation.

Notwithstanding any other provision of the Act to the contrary, for a retiree who retires after June 30, 2010, who performs core services at a reporting unit as determined by the Office of Retirement Services, but who is employed by an entity other than the reporting unit or is an independent contractor, he or she forfeits his or her retirement allowance and the retirement system subsidy for health care benefits from the retirement system for the entire month of each month in which the retirant is performing core services at the reporting unit, unless the retirant is employed as specified under the Act. Under the bill, this requirement would be subject to the definition of core services prescribed by the bill. "Core services" would not include custodial, food, or transportation services.

MCL 38.1361

Legislative Analyst: Jeff Mann

**FISCAL IMPACT**

The bill would have no fiscal impact on the State or local units of government based on current practice. Under current law, a retiree cannot return to work as an independent contractor in a core services position without forfeiting his or her pension during the time of reemployment. Also, under current law, the Office of Retirement Services (ORS) has the ability to define a core service. At this time, the ORS does not define custodial, food, and transportation services as core services.

The bill would codify ORS's current practice by specifying that custodial, food, and transportation services would not be core services. Since the bill would codify the status quo, it would have no fiscal impact on the State or local units of government compared to current practice. Only in the event where, at some point in the future, the ORS would have otherwise changed current practice to include custodial, food, and transportation services as core services would there have been a fiscal impact (in which case, the bill would have resulted in an increase in unfunded accrued liabilities and associated higher payments for the State and/or schools).

Date Completed: 12-6-18

Fiscal Analyst: Kathryn Summers

[floor\sb1225](#)

Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.