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BILL ANALYSIS

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Senate Bill 1225 (as enacted)
Sponsor: Senator Mike Shirkey
Senate Committee: Michigan Competitiveness
House Committee: Education Reform

PUBLIC ACT 482 of 2018

Date Completed: 5-10-19

CONTENT

The bill amended the Public School Employees Retirement Act to specify that a retiree who returns to work as an independent or third-party contractor and performs custodial, food, or transportation services at a reporting unit after his or her retirement is not subject to a provision requiring the forfeiture of his or her retirement allowance and retirement health care benefits during the period of reemployment.

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 is subject to the definition of core services specified below.

"Core services" does not include custodial, food, or transportation services.

The bill took effect on March 29, 2019.

MCL 38.1361

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill will have no fiscal impact on the State or local units of government. Generally, 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, the Office of Retirement Services (ORS) has the ability to define a core service. Before the bill was enacted, the ORS did not define custodial, food, and transportation services as core services.

The bill codified ORS's then-practice by specifying that custodial, food, and transportation services are not core services. Since the bill codifies the ORS's policy, it will have no fiscal impact on the State or local units of government compared to current practice.

Fiscal Analyst: Kathryn Summers

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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.