



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



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

House Bill 4752 (Substitute S-5 as reported)  
Sponsor: Representative Matt Koleszar  
House Committee: Education  
Senate Committee: Education

### **CONTENT**

The bill would amend the Public School Employees Retirement Act to do the following:

- Allow a retiree to be employed at a reporting unit and continue to receive the retiree's pension and subsidy for retirement healthcare benefits if the retiree retired after a bona fide termination of employment and the retiree had either been retired for six months before returning *or* earned \$15,100 or less per calendar year.
- Allow a retired superintendent to return to work in the retiree's original position and continue to receive retirement benefits if the retiree retired after a bona fide termination of employment and the retiree had either been retired for six months before returning *or* earned \$15,100 or less per calendar year and did not serve as a superintendent.
- Establish a sunset for these provisions at five years after the bill's effective date.

MCL 38.1361

### **BRIEF RATIONALE**

Generally, Michigan public schools are suffering from a shortage of employees, such as teachers, bus drivers, and coaches. The number of people planning to enter careers in education has risen over the past few years; however, these individuals will need time to train and gain experience. As such, it has been suggested that Michigan schools temporarily attempt to reduce the teacher shortage by allowing retirees to return to work.

Legislative Analyst: Abby Schneider

### **FISCAL IMPACT**

The fiscal impact to a retirement system of allowing retirees to return to work and simultaneously draw a pension arises because, when this is allowed, people choose to retire earlier than they otherwise would if 'double dipping' were not allowed. Existing law requires a retiree to wait at least nine months before returning to the school workforce to reduce the number of people who may retire earlier, because they would have to wait nine months before returning to the school workplace and simultaneously drawing a pension. For a period of five years, the bill also would allow a retiree (who was not a superintendent) to return to work after six months of retirement with no earnings cap, or at any point after retirement if the retiree's earnings did not exceed \$15,100 in a calendar year. And, for a period of five years, the bill would allow a retiree (who was a superintendent) to return to work (in any position) after six months with no earnings cap, or at any point after retirement if employed in a position other than superintendent and earnings did not exceed \$15,100.

Some workers, knowing that they could return to work, and draw a pension and an active uncapped salary after six months of retirement, or immediately after retirement if earnings did not exceed \$15,100, likely would be induced to retire earlier than they have otherwise

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planned. By doing so, the actuarial assumptions used, and contributions remitted, during each of those employees' years of work would be insufficient to fund their pensions, which would be drawn earlier than planned (and paid) for. This, then, would increase costs to MPSERS as a whole, funded by the State and the School Aid Fund (SAF). The size of this increased State/SAF cost is indeterminate and would depend on how many people chose to retire earlier than otherwise planned, and how much this would increase unfunded liabilities associated with those retirees' pensions (being drawn earlier than planned for and funded).

In addition, Public Act 184 of 2022 removed provisions that required school employers to remit a portion of rehired retiree wages to support unfunded accrued liabilities related to pension and retiree health care. This increased costs to the State and the SAF. On the reverse side, this reduced those costs currently borne by school employers. According to the Office of Retirement Services, roughly \$13.0 million was remitted by school employers in school year 2020-21 for this purpose. Even if no additional retirees retired earlier than otherwise planned, this aspect of the legislation would result in a net State cost increase (of approximately \$13.0 million if numbers of rehired retirees remain stable) and an equal local cost decrease (since the cost would be shifted to the State/SAF).

To the extent school employers rehired retirees instead of hiring nonretirees, those employers would see reduced costs because they would not be paying health care insurance. Instead, health care coverage would be provided to the retirees who were rehired, using benefits provided under MPSERS. Further, school employers rehiring retirees would not pay costs related to the support of MPSERS (normal costs and payments to support unfunded accrued liabilities related to pension and retiree health care) that those employers would pay if hiring nonretirees.

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Fiscal Analyst: Kathryn Summers  
Ryan Bergan