

**SUBSTITUTE FOR  
SENATE BILL NO. 907**

A bill to amend 1980 PA 300, entitled  
"The public school employees retirement act of 1979,"  
by amending section 61 (MCL 38.1361), as amended by 2012 PA 464.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 61. (1) Except as otherwise provided in this section, if  
2 a retirant is receiving a retirement allowance other than a  
3 disability allowance payable under this act or under former 1945 PA  
4 136, on account of either age or years of personal service  
5 performed, or both, and becomes employed by a reporting unit, the  
6 following shall occur:

7           (a) The retirant is not entitled to a new final average  
8 compensation or additional service credit under this retirement  
9 system unless additional service is performed equivalent to 5 or  
10 more years of service credit or, if the retirant has contributed to

1 the member investment plan, the equivalent of 3 or more years of  
2 service credit. The retirant may elect to have the retirement  
3 allowance recomputed based on the added credit or the final average  
4 compensation resulting from the added service, or both. A  
5 retirement allowance shall not be recomputed until the retirant  
6 pays into the retirement system an amount equal to the retirant's  
7 new final average compensation multiplied by the percentage  
8 determined under section 41(2) for normal cost and unfunded  
9 actuarial accrued liabilities, not including the percentage  
10 required for the funding of health benefits, multiplied by the  
11 total service credit in the period in which the retirant's  
12 additional service was performed.

13 (b) The retirant's retirement allowance shall be reduced by  
14 the lesser of the amount that the earnings in a calendar year  
15 exceed the amount permitted without a reduction of benefits under  
16 the social security act, chapter 531, 49 Stat. 620, or 1/3 of the  
17 retirant's final average compensation. For purposes of computing  
18 allowable earnings under this subdivision, the final average  
19 compensation shall be increased by 5% for each full year of  
20 retirement.

21 (2) The retirement system may offset retirement benefits  
22 payable under this act against amounts owed to the retirement  
23 system by a retirant or retirement allowance beneficiary.

24 (3) Subsection (1) does not apply to a retirant if all of the  
25 following circumstances exist:

26 (a) The retirant is a former teacher or administrator employed  
27 in a teaching or research capacity by a university that is

1 considered a reporting unit for the limited purpose described in  
2 section 7(3). A university that employs a retirant under this  
3 subsection shall report that employment to the retirement system by  
4 July 1 of each year. The university shall include in the report the  
5 name of the retirant, the capacity in which the retirant is  
6 employed, and the total annual compensation paid to the retirant.

7 (b) The retirant is not eligible to use any service or  
8 compensation attributable to the employment described in  
9 subdivision (a) for a recomputation of his or her retirement  
10 allowance.

11 (4) The state superintendent of public instruction shall  
12 compile a listing of critical shortage disciplines. This listing  
13 shall be updated annually.

14 (5) Until July 1, ~~2014~~, **2017**, subsection (1) does not apply to  
15 a retirant if all of the following circumstances exist:

16 (a) The retirant is employed by a reporting unit that has a  
17 situation, not including a situation caused by a labor dispute,  
18 that necessitates the hiring of a retirant in an area that has been  
19 identified by the state superintendent of public instruction as a  
20 critical shortage discipline pursuant to subsection (4) **OR THE**  
21 **RETIRANT IS EMPLOYED BY AN ENTITY OTHER THAN THE REPORTING UNIT OR**  
22 **IS AN INDEPENDENT CONTRACTOR WHO PERFORMS CORE SERVICES AT THE**  
23 **REPORTING UNIT AS DETERMINED BY THE RETIREMENT SYSTEM.**

24 (b) The retirant is employed under any situation described in  
25 subdivision (a) for a period not to exceed 3 years for that  
26 retirant.

27 (c) The retirant is not eligible to use any service or

1 compensation attributable to the employment described in  
2 subdivision (a) for a recomputation of his or her retirement  
3 allowance.

4 (d) The reporting unit shall pay 100% of the contribution  
5 rates for the unfunded actuarial accrued liability for retiree  
6 health care and the unfunded actuarial accrued liability for  
7 pension to the retirement system for each retirant who becomes  
8 employed by a reporting unit under this subsection. **FOR PURPOSES OF**  
9 **THIS SUBDIVISION, REPORTING UNIT INCLUDES AN ENTITY OTHER THAN A**  
10 **REPORTING UNIT OR AN INDEPENDENT CONTRACTOR DESCRIBED IN**  
11 **SUBDIVISION (A).**

12 (6) Subsection (5) shall only apply for retirants who have  
13 been retired for at least 12 months before becoming employed under  
14 this section.

15 (7) Notwithstanding any other provision of this act to the  
16 contrary, for a retirant who retires on or after July 1, 2010, and  
17 following a bona fide termination, including not working in the  
18 month of the retirant's retirement effective date, and who becomes  
19 employed by a reporting unit and the retirant's amount of earnings  
20 in a calendar year exceeds 1/3 of the retirant's final average  
21 compensation, the retirant shall forfeit his or her retirement  
22 allowance and the retirement system subsidy for health care  
23 benefits from the retirement system for as long as the retirant is  
24 employed at the reporting unit unless the retirant is employed  
25 under subsection (5), (9), or (10). A retirant who has forfeited  
26 the retirement system subsidy for health care benefits under this  
27 subsection and who wants to retain health care benefits shall pay

1 the retirant's and retirement system's costs for the health care  
2 benefits. Upon termination of employment at the reporting unit, the  
3 retirement allowance and health care benefits shall resume without  
4 recalculation.

5 (8) Notwithstanding any other provision of this act to the  
6 contrary, for a retirant who retires on or after July 1, 2010, who  
7 performs core services at a reporting unit as determined by the  
8 retirement system, but who is employed by an entity other than the  
9 reporting unit or is an independent contractor, the retirant shall  
10 forfeit his or her retirement allowance and the retirement system  
11 subsidy for health care benefits from the retirement system for as  
12 long as the retirant is performing core services at the reporting  
13 unit, unless the retirant is employed under subsection (5), (9), or  
14 (10). A retirant who has forfeited the retirement system subsidy  
15 for health care benefits under this subsection and who wants to  
16 retain health care benefits shall pay the retirant's and retirement  
17 system's costs for the health care benefits. Upon termination of  
18 services at the reporting unit, the retirement allowance and health  
19 care benefits shall resume without recalculation.

20 (9) Until July 1, ~~2014~~, **2017**, subsection (1) does not apply to  
21 a retirant who retires on or after July 1, 2010 **AND ON OR BEFORE**  
22 **JUNE 1, 2014**; who following a bona fide termination, including not  
23 working in the month of his or her retirement effective date,  
24 becomes employed as a substitute teacher by a reporting unit, by an  
25 entity other than the reporting unit, or as an independent  
26 contractor; and whose amount of earnings attributable to employment  
27 by or at a reporting unit in a calendar year does not exceed 1/3 of

1 his or her final average compensation. A retirant described in this  
2 subsection is not eligible to use any service or compensation  
3 attributable to the employment described in this subsection for a  
4 recomputation of his or her retirement allowance. The reporting  
5 unit at which the retirant provides substitute teacher services  
6 described in this subsection shall pay 100% of the contribution  
7 rates for the unfunded actuarial accrued liability for retiree  
8 health care and the unfunded actuarial accrued liability for  
9 pension to the retirement system for the employment described in  
10 this subsection. The reporting unit shall report the engagement of  
11 substitute teachers to the retirement system at the same interval  
12 the reporting unit reports information to the retirement system  
13 with regard to its other employees. The reporting unit shall  
14 include in the report the name of the substitute teacher and the  
15 total earnings paid to the substitute teacher for that reporting  
16 period. In order to comply with the reporting requirements of this  
17 subsection, a reporting unit that engages substitute teachers  
18 through an entity other than a reporting unit or as independent  
19 contractors shall obtain from the substitute teacher's employer a  
20 list of all substitute teachers the employer supplies to that  
21 reporting unit and the total earnings paid to each substitute  
22 teacher for the reporting period. An employer other than a  
23 reporting unit that employs substitute teachers as described in  
24 this subsection shall provide to the reporting unit all information  
25 that the reporting unit is required to report to the retirement  
26 system under this subsection. For the purposes of this subsection,  
27 an employer includes an independent contractor.

1           (10) Until July 1, ~~2014~~**2017**, subsection (1) does not apply  
2 to a retirant who retires on or after July 1, 2010 **AND ON OR BEFORE**  
3 **JUNE 1, 2014**; who following a bona fide termination, including not  
4 working in the month of his or her retirement effective date,  
5 becomes employed as an instructional coach or a school improvement  
6 facilitator by an entity other than the reporting unit or as an  
7 independent contractor; and whose amount of earnings attributable  
8 to employment at a reporting unit in a calendar year does not  
9 exceed 1/3 of his or her final average compensation. A retirant  
10 described in this subsection is not eligible to use any service or  
11 compensation attributable to the employment described in this  
12 subsection for a recomputation of his or her retirement allowance.  
13 The reporting unit at which the retirant provides the services  
14 described in this subsection shall pay 100% of the contribution  
15 rates for the unfunded actuarial accrued liability for retiree  
16 health care and the unfunded actuarial accrued liability for  
17 pension to the retirement system for the employment described in  
18 this subsection. The reporting unit shall report the engagement of  
19 instructional coaches or school improvement facilitators to the  
20 retirement system at the same interval the reporting unit reports  
21 information to the retirement system with regard to its other  
22 employees. The reporting unit shall include in the report the name  
23 of the instructional coach or school improvement facilitator and  
24 the total earnings paid to the coach or facilitator for that  
25 reporting period. In order to comply with the reporting  
26 requirements of this subsection, a reporting unit shall obtain from  
27 the coach's or facilitator's employer a list of all instructional

1 coaches and school improvement facilitators the employer supplies  
2 to that reporting unit and the total earnings paid to each coach or  
3 facilitator for the reporting period. An employer other than a  
4 reporting unit that employs instructional coaches or school  
5 improvement facilitators as described in this subsection shall  
6 provide to the reporting unit all information that the reporting  
7 unit is required to report to the retirement system under this  
8 subsection. For the purposes of this subsection, an employer  
9 includes an independent contractor. As used in this subsection,  
10 "instructional coach" and "school improvement facilitator" mean  
11 those terms as used in the listing of critical shortage disciplines  
12 developed by the state superintendent of public instruction under  
13 subsection (4).