

**SUBSTITUTE FOR
SENATE BILL NO. 726**

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 2020 PA 267.

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 must 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



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

13 (b) The retirant's retirement allowance must be reduced by the
14 lesser of the amount that the earnings in a calendar year exceed
15 the amount permitted without a reduction of benefits under the
16 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 must 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
28 considered a reporting unit for the limited purpose described in
29 section 7(3). A university that employs a retirant under this



1 subsection shall report that employment to the retirement system by
2 July 1 of each year. The university shall include in the report the
3 name of the retirant, the capacity in which the retirant is
4 employed, and the total annual compensation paid to the retirant.

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

9 (4) Not later than April 1 of each year, the superintendent of
10 public instruction shall compile a listing of critical shortage
11 disciplines based on evidence of a shortage for each discipline.
12 The department of education shall post the listing and the
13 accompanying evidence on its website. If a discipline is not
14 included in the listing of critical shortage disciplines, 2 or more
15 contiguous reporting units may submit a written request to the
16 superintendent of public instruction to add a discipline to the
17 listing. The request must include evidence of a shortage of the
18 discipline in those contiguous reporting units. If the
19 superintendent of public instruction determines that there is a
20 shortage of the discipline in those contiguous reporting units, the
21 superintendent of public instruction shall add the discipline to
22 the listing. A discipline added under a request under this
23 subsection applies only to those contiguous reporting units. For
24 purposes of this subsection, a reporting unit that is a public
25 school academy is considered contiguous to any other reporting unit
26 in which the public school academy is located.

27 (5) Until July 1, 2025, subsection (1) does not apply to a
28 retirant if all of the following circumstances exist:

29 (a) The retirant is employed by a reporting unit that has a



1 situation, not including a situation caused by a labor dispute,
2 that necessitates the hiring of the retirant in an area that has
3 been identified by the superintendent of public instruction as a
4 critical shortage discipline under subsection (4).

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

9 (c) The reporting unit pays 100% of the contribution rates for
10 the unfunded actuarial accrued liability for retiree health care
11 and the unfunded actuarial accrued liability for pension to the
12 retirement system for each retirant who becomes employed by a
13 reporting unit under this subsection.

14 (6) Subsection (5) only applies for a retirant who has been
15 retired for at least 12 months before becoming employed under this
16 section unless, following a bona fide termination, including not
17 working in the month of the retirant's retirement effective date,
18 the retirant is employed at a reporting unit that provides
19 instruction under an extended COVID-19 learning plan under section
20 98a of the state school aid act of 1979, 1979 PA 94, MCL 388.1698a.

21 (7) Notwithstanding any other provision of this act to the
22 contrary, for a retirant who retires after June 30, 2010, and
23 following a bona fide termination, including not working in the
24 month of the retirant's retirement effective date, and who becomes
25 employed by a reporting unit and the retirant's amount of earnings
26 in a calendar year exceeds 1/3 of the retirant's final average
27 compensation, the retirant forfeits his or her retirement allowance
28 and the retirement system subsidy for health care benefits from the
29 retirement system for the entire month of each month in which the



1 retirant is employed at the reporting unit unless the retirant is
 2 employed as described in subsection (5), (9), (10), (11), ~~or~~(13),
 3 **or (15)**. A retirant who has forfeited the retirement system subsidy
 4 for health care benefits under this subsection and who wants to
 5 retain health care benefits shall pay the retirant's and retirement
 6 system's costs for the health care benefits. The retirement
 7 allowance and retirement system subsidy for health care benefits
 8 must resume without recalculation on the first of the month
 9 following the month in which the retirant has terminated reporting
 10 unit employment.

11 (8) Notwithstanding any other provision of this act to the
 12 contrary, for a retirant who retires after June 30, 2010, who
 13 performs core services at a reporting unit as determined by the
 14 retirement system but who is employed by an entity other than the
 15 reporting unit or is an independent contractor, the retirant
 16 forfeits his or her retirement allowance and the retirement system
 17 subsidy for health care benefits from the retirement system for the
 18 entire month of each month in which the retirant is performing core
 19 services at the reporting unit, unless the retirant is employed as
 20 described in subsection (9), (10), ~~or~~(12), **or (15)**. A retirant who
 21 has forfeited the retirement system subsidy for health care
 22 benefits under this subsection and who wants to retain health care
 23 benefits shall pay the retirant's and retirement system's costs for
 24 the health care benefits. The retirement allowance and retirement
 25 system subsidy for health care benefits must resume without
 26 recalculation on the first of the month following the month in
 27 which the retirant has terminated performing core services, as
 28 described in this subsection. As used in this subsection, "core
 29 services" does not include custodial, food, or transportation



1 services.

2 (9) Until July 1, 2025,~~2024~~, subsection (1) does not apply to
 3 a retirant who retires after June 30, 2010; who is employed as a
 4 substitute teacher by a reporting unit, by an entity other than the
 5 reporting unit, or as an independent contractor; **and** who has been
 6 retired, **following a bona fide termination**, for at least ~~12-4~~
 7 months before becoming employed under this subsection. ~~unless,~~
 8 ~~following a bona fide termination, including not working in the~~
 9 ~~month of the retirant's retirement effective date, the retirant is~~
 10 ~~employed at a reporting unit that provides instruction under an~~
 11 ~~extended COVID-19 learning plan under section 98a of the state~~
 12 ~~school aid act of 1979, 1979 PA 94, MCL 388.1698a; and whose amount~~
 13 ~~of earnings attributable to employment by or at a reporting unit in~~
 14 ~~a calendar year does not exceed 1/3 of his or her final average~~
 15 ~~compensation.~~ A retirant described in this subsection is not
 16 eligible to use any service or compensation attributable to the
 17 employment described in this subsection for a recomputation of his
 18 or her retirement allowance. ~~The reporting unit at which the~~
 19 ~~retirant provides substitute teacher services described in this~~
 20 ~~subsection shall pay 100% of the contribution rates for the~~
 21 ~~unfunded actuarial accrued liability for retiree health care and~~
 22 ~~the unfunded actuarial accrued liability for pension to the~~
 23 ~~retirement system for the employment described in this subsection.~~
 24 The reporting unit shall report the engagement of substitute
 25 teachers to the retirement system at the same interval the
 26 reporting unit reports information to the retirement system with
 27 regard to its other employees. The reporting unit shall include in
 28 the report the name of the substitute teacher and the total
 29 earnings paid to the substitute teacher for that reporting period.



1 In order to comply with the reporting requirements of this
2 subsection, a reporting unit that engages substitute teachers
3 through an entity other than a reporting unit or as independent
4 contractors shall obtain from the substitute teacher's employer a
5 list of all substitute teachers the employer supplies to that
6 reporting unit and the total earnings paid to each substitute
7 teacher for the reporting period. An employer other than a
8 reporting unit that employs substitute teachers as described in
9 this subsection shall provide to the reporting unit all information
10 that the reporting unit is required to report to the retirement
11 system under this subsection. For the purposes of this subsection,
12 an employer includes an independent contractor.

13 (10) Until July 1, 2025, subsection (1) does not apply to a
14 retirant who retires after June 30, 2010; who is employed as an
15 instructional coach or a school improvement facilitator by an
16 entity other than the reporting unit or as an independent
17 contractor; who has been retired for at least 12 months before
18 becoming employed under this subsection unless, following a bona
19 fide termination, including not working in the month of the
20 retirant's retirement effective date, the retirant is employed at a
21 reporting unit that provides instruction under an extended COVID-19
22 learning plan under section 98a of the state school aid act of
23 1979, 1979 PA 94, MCL 388.1698a; and whose amount of earnings
24 attributable to employment at a reporting unit in a calendar year
25 does not exceed 1/3 of his or her final average compensation. A
26 retirant described in this subsection is not eligible to use any
27 service or compensation attributable to the employment described in
28 this subsection for a recomputation of his or her retirement
29 allowance. The reporting unit at which the retirant provides the



1 services described in this subsection shall pay 100% of the
2 contribution rates for the unfunded actuarial accrued liability for
3 retiree health care and the unfunded actuarial accrued liability
4 for pension to the retirement system for the employment described
5 in this subsection. The reporting unit shall report the engagement
6 of instructional coaches or school improvement facilitators to the
7 retirement system at the same interval the reporting unit reports
8 information to the retirement system with regard to its other
9 employees. The reporting unit shall include in the report the name
10 of the instructional coach or school improvement facilitator and
11 the total earnings paid to the coach or facilitator for that
12 reporting period. In order to comply with the reporting
13 requirements of this subsection, a reporting unit shall obtain from
14 the coach's or facilitator's employer a list of all instructional
15 coaches and school improvement facilitators the employer supplies
16 to that reporting unit and the total earnings paid to each coach or
17 facilitator for the reporting period. An employer other than a
18 reporting unit that employs instructional coaches or school
19 improvement facilitators as described in this subsection shall
20 provide to the reporting unit all information that the reporting
21 unit is required to report to the retirement system under this
22 subsection. For the purposes of this subsection, an employer
23 includes an independent contractor. As used in this subsection,
24 "instructional coach" and "school improvement facilitator" mean
25 those terms as used in the listing of critical shortage disciplines
26 developed by the superintendent of public instruction under
27 subsection (4).

28 (11) Subsection (1) does not apply to a retirant who is a
29 former teacher or administrator who retires after June 30, 2010 and



1 before October 2, 2014, who following a bona fide termination,
2 including not working in the month of his or her retirement
3 effective date, becomes employed in a teaching or research capacity
4 or in a program-department direction capacity by a university that
5 is considered a reporting unit for the limited purpose described in
6 section 7(3). A retirant described in this subsection is not
7 eligible to use any service or compensation attributable to the
8 employment described in this subsection for recomputation of his or
9 her retirement allowance. The reporting unit at which the retirant
10 provides the services described in this subsection shall pay 100%
11 of the contribution rates for the unfunded actuarial accrued
12 liability for retiree health care and the unfunded actuarial
13 accrued liability for pension to the retirement system for the
14 employment described in this subsection. The reporting unit shall
15 report the employment of a retirant as described in this subsection
16 to the retirement system by July 1 of each year. The reporting unit
17 shall include in the report the name of the retirant, the capacity
18 in which the retirant is employed, and the total annual
19 compensation paid to the retirant.

20 (12) Until July 1, 2025, notwithstanding any provision of this
21 act to the contrary, for a retirant who retires after June 30,
22 2010, who is employed as an independent contractor at a reporting
23 unit for a situation described in subsection (5)(a) or is employed
24 at a reporting unit for a situation described in subsection (5)(a)
25 by an entity other than the reporting unit, and who has been
26 retired for at least 12 months before becoming employed under this
27 subsection unless, following a bona fide termination, including not
28 working in the month of the retirant's retirement effective date,
29 the retirant is employed at a reporting unit that provides



1 instruction under an extended COVID-19 learning plan under section
 2 98a of the state school aid act of 1979, 1979 PA 94, MCL 388.1698a,
 3 the reporting unit at which the retirant provides services under
 4 this subsection shall pay 100% of the contribution rates for the
 5 unfunded actuarial accrued liability for retiree health care and
 6 the unfunded actuarial accrued liability for pension to the
 7 retirement system for the employment described in this subsection.

8 (13) Subsection (1) does not apply to a retirant who retires
 9 after June 30, 2010 and before the ending date of funding for a
 10 federal grant given from the United States Department of Education
 11 in 2017, including any extensions, to fund the high-impact
 12 leadership for school renewal project and that meets the
 13 requirements of subsection (14) and who, following a bona fide
 14 termination, becomes employed by a reporting unit as a school
 15 renewal coach or ~~high-impact~~ **high-impact** leadership facilitator as
 16 part of a school leadership support program that is funded by the
 17 federal grant given from the United States Department of Education
 18 in 2017, including any extensions, to fund the high-impact
 19 leadership for school renewal project and that meets the
 20 requirements of subsection (14). Also, subsection (1) does not
 21 apply to a retirant who retires after June 30, 2010 and before the
 22 ending date of funding for a federal grant that meets the
 23 requirements of subsection (14) and who, following a bona fide
 24 termination, becomes a national service member with a federally
 25 funded national service program such as Americorps State and
 26 National or Americorps VISTA and is placed by the federally funded
 27 national service program at a service site that is a reporting
 28 unit. A retirant described in this subsection is not eligible to
 29 use any service or compensation attributable to the employment



1 described in this subsection for a recomputation of his or her
 2 retirement allowance. The reporting unit shall pay 100% of the
 3 contribution rates for the unfunded actuarial accrued liability for
 4 retiree health care and the unfunded actuarial accrued liability
 5 for pension to the retirement system for the employment described
 6 in this subsection. The reporting unit shall report the engagement
 7 of school renewal coaches or ~~high-impact~~ **high-impact** leadership
 8 facilitators to the retirement system at the same interval the
 9 reporting unit reports information to the retirement system with
 10 regard to its other employees. The reporting unit shall include in
 11 the report the name of the school renewal coach or ~~high-impact~~
 12 **high-impact** leadership facilitator and the total earnings paid to
 13 the school renewal coach or ~~high-impact~~ **high-impact** leadership
 14 facilitator for that reporting period.

15 (14) Subsection (13) applies to retirants employed as part of
 16 a program that supports teams of school principals and teacher
 17 leaders in elementary schools by doing all of the following:

18 (a) Providing intense professional development and support,
 19 and money, for renewal projects for teams of school leaders in a
 20 number of project schools that are implementing a set of new
 21 literacy essentials.

22 (b) Placing a trained team of school renewal coaches or ~~high~~
 23 ~~impact~~ **high-impact** leadership facilitators in each project school.

24 (c) Providing a lower level of professional development
 25 support and funding for leaders in additional schools.

26 (d) Applying a set of proven school leadership practices for
 27 school renewal and sustainable implementation.

28 (e) Providing training, support, and oversight for the school
 29 renewal coaches or ~~high-impact~~ **high-impact** leadership facilitators



1 as a coordinator or supervisor of that work.

2 (15) Beginning July 2, 2024 and until July 1, 2025, subsection
3 (1) does not apply to a retirant who retires after June 30, 2010;
4 who is employed as a substitute teacher by a reporting unit, by an
5 entity other than the reporting unit, or as an independent
6 contractor; who has been retired for at least 12 months before
7 becoming employed under this subsection; and whose amount of
8 earnings attributable to employment by or at a reporting unit in a
9 calendar year does not exceed 1/3 of his or her final average
10 compensation. A retirant described in this subsection is not
11 eligible to use any service or compensation attributable to the
12 employment described in this subsection for a recomputation of his
13 or her retirement allowance. The reporting unit at which the
14 retirant provides substitute teacher services described in this
15 subsection shall pay 100% of the contribution rates for the
16 unfunded actuarial accrued liability for retiree health care and
17 the unfunded actuarial accrued liability for pension to the
18 retirement system for the employment described in this subsection.
19 The reporting unit shall report the engagement of substitute
20 teachers to the retirement system at the same interval the
21 reporting unit reports information to the retirement system with
22 regard to its other employees. The reporting unit shall include in
23 the report the name of the substitute teacher and the total
24 earnings paid to the substitute teacher for that reporting period.
25 In order to comply with the reporting requirements of this
26 subsection, a reporting unit that engages substitute teachers
27 through an entity other than a reporting unit or as independent
28 contractors shall obtain from the substitute teacher's employer a
29 list of all substitute teachers the employer supplies to that



1 reporting unit and the total earnings paid to each substitute
2 teacher for the reporting period. An employer other than a
3 reporting unit that employs substitute teachers as described in
4 this subsection shall provide to the reporting unit all information
5 that the reporting unit is required to report to the retirement
6 system under this subsection. For the purposes of this subsection,
7 an employer includes an independent contractor.

8 (16) By May 1, 2024, the retirement system shall prepare and
9 submit a report to the senate majority leader, the speaker of the
10 house of representatives, the senate and house of representatives
11 appropriations committees, and the senate and house fiscal
12 agencies. The report must include all of the following information:

13 (a) The number of employees who retired after the effective
14 date of the amendatory act that added this subsection and before
15 March 2, 2024.

16 (b) The number of retirants who were employed as described in
17 this section on or after the effective date of the amendatory act
18 that added this subsection and before March 2, 2024.

19 (c) The number of retirants who were employed as described in
20 this section after December 31, 2021 and before the effective date
21 of the amendatory act that added this subsection.

22 (d) The number of retirants who were employed as described in
23 this section for each calendar year from 2012 to 2021.

24 (17) The retirement board and the department shall include in
25 the 2024 experience investigation study under section 41(16)
26 variances from assumptions in the rate of normal retirement or
27 early retirement, if any, after the effective date of the
28 amendatory act that added subsection (16).

