Public Act 75 of 2010 Summary

Public School Employees Retirement System

Department of Technology, Management & Budget

The following information is a summary of the changes to the Public School Employees Retirement Act as signed into law on May 19, 2010. The full law changes can be reviewed at **www.michigan.gov/ORSschools**.

Incentive

Retirement incentives for those with a retirement effective date of July 1, August 1, or September 1, 2010, who apply no later than June 11, 2010.

An increased multiplier is available based on retirement eligibility.

Multiplier of 1.6 percent for employees who meet regular eligibility:

- Must meet retirement age and service eligibility by August 31, 2010, for a September 1 retirement effective date (or earlier if selecting a July 1 or August 1 retirement effective date).
  - Member Investment Plan
    - Age 46 with at least 30 years of service, or
    - Age 60 with at least 10 years of service, or
    - Age 60 with at least 5 years of service (if you have creditable service earned in each of the five school fiscal years immediately before your retirement effective date and you terminated your public school service immediately before your retirement effective date.)
  - Basic Plan
    - Age 55 with at least 30 years of service, or
    - Age 60 with at least 10 years of service.

OR

Multiplier of 1.55 percent for employees whose combined age and years of service total 80:

- Must have a combined age and years of service totaling 80 by August 31, 2010, for a September 1 retirement effective date (or earlier if selecting a July 1 or August 1 retirement effective date).

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Other provisions for those choosing to retire:

- The increased multiplier applies to final average compensation up to $90,000; the 1.5 percent multiplier is used for amounts over $90,000.
- Members retiring under this incentive are eligible to receive subsidized retiree health insurance, including members who purchased service credit after July 1, 2008, except for some part time employees and those who have been off of work in the last six months. Those who fall into this category should see the insurance premium subsidy requirements posted on the website.
- This law allows a limited number of optional extensions through September 1, 2011, to be designated at the discretion of the superintendent or chief administrative officer.
- Requests to rescind an application must be received by June 11, 2010, after which time it becomes irrevocable.

R0833C (Rev. 5/26/2010)
Authority: 1980 PA 300, as amended

Reform

Reform provisions affecting those retiring on or after July 1, 2010.

Changes to post-retirement earnings limitations

- Members retiring July 1, 2010, or later, who work directly for any Michigan public school and exceed the earnings limitation, one-third of final average compensation, forfeit their pension and retiree health care subsidy until the employment ceases.
- Members retiring July 1, 2010, or later, who perform any core services for a reporting unit, but who are employed by an entity other than the Michigan public school, immediately forfeit their pension and retiree health care subsidy until the employment ceases.

Reform

Reform provisions affecting active members as of July 1, 2010.

Changes to employee contributions

- All members of the retirement system will begin to contribute an additional 3 percent of pay into a trust for retiree health care.
  - Funds are passed through the trust and are used to pay for retiree health costs.
  - Employees who made less than $18,000 in 2009-10, and new employees expected to make less than $18,000 in the 2010-11 school year, will contribute 1.5 percent in 2010-11, increasing to 3 percent thereafter.

Hybrid plan introduced for new employees

- All new public school employees who first work on or after July 1, 2010, will participate in a hybrid retirement plan. The hybrid retirement plan combines a defined benefit (DB) plan and a defined contribution (DC) plan. The hybrid plan includes employer and employee contributions to the DB and DC plans.
  - The DB portion:
    - Requires retirement eligibility of at least age 60 with a minimum of 10 years of service.
    - Retains the current pension calculation formula with a five-year final average compensation.
    - Does not allow the purchase of service credit or provide any post-retirement increases.
  - The DC portion:
    - Automatically enrolls members with a 2 percent employee contribution.
    - Provides for an employer match of 50 percent, up to a maximum total employer contribution of 1 percent of pay.