

Michigan Public School Employees' Retirement System

A Pension and Other Postemployment Benefit Trust Fund of the State of Michigan

Archived Reporting Instruction Manual

Chapter 3 – Who Do I Report? Definition of a Member

Archived on March 18, 2022
for historical reference by reporting units of the Michigan
Public School Employees' Retirement System



**MICHIGAN OFFICE OF
RETIREMENT SERVICES**

Big Plans. Small Steps.

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3: Who Do I Report? Definition of a Member

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3.00:00: Who do I Report? Definition of a Member

This chapter will assist you in determining which of your employees should be reported to the Office of Retirement Services.

ORS can only provide retirement benefits to reporting unit employees that meet age and service requirements and the criteria for membership under PA 300 of 1980, as amended.

Some types of reporting unit employees are **not** members, so it is very important that you differentiate between members and nonmembers.

Your reporting unit is required to submit retirement detail reports on a per pay period basis using the Employer Reporting site for the following employee categories:

- Member of this retirement system
- Working retiree (no longer a member of this retirement system)

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3.01.00: Who is a Member

Retirement law defines a member as a public school employee who is not specifically excluded from membership. Any employee that does not fall in an excluded category is automatically considered a member of this retirement system. This includes, but is not limited to, temporary and intermittent employees, such as substitute teachers, crossing guards, temporary clerical help, and any other temporary help.

A public school employee on an approved leave of absence is considered an active member until two years have passed without service credit (hours) being earned, per MCL 38.1306(6). If a member has not accrued service credit for two years, that member becomes either deferred (if vested in the MPERS retirement plan) or inactive (if not vested in the MPERS retirement plan). See section **3.01.02: Extended Leave of Absence (More Than Two Years)**.

Sections 3.02.00 through 3.02.11 in this chapter provide specific information on categories of included members. Sections 3.03.00 through 3.03.11 provide examples of employees who are excluded from membership (see navigation links on the right).

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3.01.01: Active, Deferred, and Inactive Members

Members are considered active when they are currently working for and have wages and service credit (hours) reported and posted to ORS by a reporting unit. When active members leave employment with a reporting unit but have not yet retired from MPSERS, they continue to be members but are considered either:

- Deferred members (if vested in the MPSERS retirement plan – members are vested when they have 10 or more years of service credit)
- Inactive members (if not vested in the MPSERS plan)

If an inactive or deferred member returns to work for your reporting unit, the member is considered active again when your reporting unit reports and posts service credit (hours) for the member.

If a member is on an approved extended leave of absence and two years have passed without service credit (hours) being earned and reported to ORS, ORS considers the member either deferred or inactive, depending on the member's vested status.

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3.01.02: Extended Leave of Absence (More Than Two Years)

An employee on an approved leave of absence is considered an active member until two years have passed without service credit (hours) being earned. Once an employee on leave has passed that threshold, ORS considers the employee to be terminated for the purposes of retirement benefits and treats the employee as a deferred member (if vested in the retirement system) or an inactive member (if not vested).

This is in accordance with the Retirement Act as amended in 2012, which states: "a public school employee includes a public school employee on an approved leave of absence that does not exceed 2 years from the date the employee ceases to accumulate service credit: (MCL 38.1306(6)).

Your reporting unit, as the employer, may continue to consider this employee as on a leave, and there is still an employer-employee relationship, but ORS considers them to be terminated for retirement benefit purposes. ORS rules regarding terminated, deferred or inactive members apply to this employee as well.

Notes:

- Members receiving workers' compensation are not considered to be on an extended leave of absence. As a reminder, workers receiving workers' compensation should be reported on a DTL2 record using employment class code 8000 with the wages and hours that the employee would have normally worked. See section **7.13.00: How to Report Workers Compensation on a DTL2 Record**.
- Members on professional services leave are not considered to be on an extended leave of absence. Professional services leave is renewed each year. See section **3.02.05: Professional Services Leave and Professional Services Released Time**.

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3.02.00: Special Membership

You may have questions when it comes to reporting employees with special membership circumstances. Please see further sections in this chapter for the membership in question.

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3.02.01: Sabbatical Leave

Members on sabbatical leave maintain their membership status during their leave (as long as they have accrued service credit in the past two years), but they do not receive retirement service credit. Do not report sabbatical wages and hours on the retirement detail report for any member while on a sabbatical leave. Do not submit any wages or hours until the member returns back to work.

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3.02.02: Temporary Layoff

Members terminated by temporary layoff retain membership status for a period of one year following the layoff date. Do not include any information on the retirement detail report for any member while on temporary layoff. Do not submit any wages or hours until the member returns back to work.

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3.02.03: Workers' Compensation

Workers' compensation while absent from work is recognized as the same as sick leave pay. Members receiving workers' compensation maintain their membership unless the employer/employee relationship is terminated. Do not report workers' compensation for retirees.

Weekly Workers' Compensation (WWC) is subject to employer contributions and member contributions for wages reported on a DTL2 record. WWC wage totals should not be considered part of the gross wage total when calculating member and employer contribution withholding for the Defined Contribution portion of a member benefit plan or for the Personal Healthcare Fund. No part of WWC wages should be entered in the Employer Reporting Wages field on a DTL4 record.

If employees are on workers' compensation and also being paid for working at temporary jobs, the wages and hours earned for work performed while receiving workers' compensation are reportable compensation.

See section **4.04.16: Workers' Compensation (Wage Code 01)** for more Workers' Compensation information. Also see section **7.13.00: How to Report Workers' Compensation on a DTL2 Record**.

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3.02.04: Retirees Receiving a Pension from ORS - Michigan Public Schools Employees' Retirement System

A person who is retired and is receiving a pension from the Michigan Public Schools Employees' Retirement System (MPERS) is excluded from active membership. A MPERS retiree must be separated from all reporting unit employment, including volunteer service, for at least one calendar month following the retirement effective date before being eligible to work in a Michigan public school.

A person receiving a pension from another retirement system administered by the State of Michigan is not recognized as a MPERS retiree and must be reported as an active MPERS employee.

See section **13.01: Employment Class Codes and Definitions** for more information.

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3.02.05: Professional Services Leave/Professional Services Released Time

Professional services leave (PSL) is when a public school employee leaves their normally assigned duties to work in a position for an employee organization or union on a part-time or full-time basis. The public school employee has a contract renewed annually with the employee organization/union for their role.

Examples:

- A public school teacher who works part time within the district but also holds a position as union board secretary receiving a contracted compensation by the employee organization or union for their position.
- A public school employee who leaves normally assigned duties within the school district to work full time for an employee organization or local union. Their compensation is funded by the employee organization or union.

Professional services released time (PSRT) is when a public school employee is released from their normally assigned duties to handle employment matters for an employee organization or union.

Example:

- A district secretary leaves his/her normally assigned duties 2 hours a day to address employment matters such as employment grievances or contract negotiation issues. The union compensates the school district and/or member for their time addressing these matters. The compensation received from the employee organization group/union for the 2 hours/day is reportable as PSRT.

It is the reporting unit's obligation to collect employer contributions from the employee organization group or unions which are paid to the retirement system for member's performing PSL or PSRT. MCL38.1371(6) states "The reporting unit shall be reimbursed those sums paid to the retirement board pursuant to subsection (5) by the member or the public school organization on a current basis."

Employer contributions are the total percentage of reportable compensation charged to all Michigan Public School Employees Retirement System reporting units. Contributions are the sum of Pension Normal Cost, Pension UAAL, Early Retirement Incentive Program, Health Normal Cost, Health UAAL, MPSERS UAAL Rate Stabilization and (in 2014) the One-Time MPSERS Liability Prepayment.

Reporting PSL and PSRT

Members on professional services leave/professional services released time fall into the following two categories based on the date their PSL/PSRT time began.

Category One: The professional services leave/professional services released time first began prior to October 1, 1996, and it is renewed annually.

- Report retirement reportable wages and hours, correlating with the reporting unit's payroll calendar, that the member is paid while working at the employee organization. It is your reporting unit's responsibility to establish procedures with the employee organization to ensure that hours and compensation reported to ORS are consistent with the statute for reportable compensation as per MCL 38.1303(a).
- Use employment class code 9001 when reporting professional services leave or professional services released time.
- Seek reimbursement from the member or from the employee organization for contributions paid to the retirement system.
- PSL/PSRT must be reported when paid, consistent with the reporting unit's pay cycle reporting for active members. Reporting cannot be delayed while the reimbursement transaction is in process.

Category Two: The member's professional services leave/professional services released time first began on or after October 1, 1996.

- Report retirement reportable wages and hours, correlating with the reporting unit's payroll calendar, based on the rate the member was paid in the reporting unit immediately preceding the date the member began the PSL or PSRT. Include the normal and customary increases that would have been paid if the member had remained in the same position he or she worked at your reporting unit. It is your reporting unit's responsibility to establish

procedures with the employee organization to ensure that hours and compensation reported to ORS are consistent with the statute for reportable compensation as per MCL 38.1303(a).

- If the member was not working a full 12 months immediately preceding the date the PSL or PSRT began and is working a full 12 months for the reporting unit employee organization, you may report wages and hours proportionately to reflect the additional time worked.
- Submit employer and member contributions each pay period based on the adjusted compensation.
- Use employment class code 9001 when reporting professional services leave or professional services released time.
- Seek reimbursement from the member or from the employee organization for contributions paid to the retirement system.
- PSL/PSRT must be reported when paid, consistent with the reporting units pay cycle reporting for active members. Reporting cannot be delayed while the reimbursement transaction is in process.

See section **7.17.01: How to Report Professional Services Leave and Professional Services Released Time**

NOTE: There is a separate provision for employees of the Detroit Public Schools who have credited service for professional services leave before October 1, 1981. These employees will continue to receive credit based on the provision of the law in effect at the time the leave of absence was initially effective.

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3.02.06: Library or Museum Employment

Employees of a library or museum that has separated from the local school district continue their membership in this retirement system and are reported on your retirement detail report only if one or both of the following conditions are met:

- The district library adopts a resolution to become a reporting unit of this retirement system and agrees to remit to ORS the amount due for all employer and member contributions. The employee was performing library or museum service at the time of the separation.
- The employee performed service for a library or museum before the separation occurred and was rehired at the same library or museum.

The employment class code will depend on the position of the individual member within the library or museum.

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3.02.07: Full-time Faculty and Administrators of Community Colleges with ORP

After a reporting unit is required to offer an Optional Retirement Plan (ORP) to all full-time faculty and full-time administrative staff performing professional services, its board must establish the participation and eligibility guidelines of this benefit for eligible employees. These employees then have 90 days from the date the ORP is offered to elect to participate in the ORP rather than this retirement system. An eligible newly hired employee must decide within the first 90 days of employment whether to stay with this retirement system or to elect the ORP. Once employees have elected to participate in the ORP, their choice is irrevocable at your reporting unit.

To offer an existing ORP to eligible new hires or current employees who are now eligible to participate:

- You must offer the employees a 90-day window from their date of hire or from their date of eligibility to elect an ORP. If the employee does not elect ORP within 90 days, the employee remains a member of this retirement system.
- You must report wages to ORS up to the date of election in ORP. Once an election is made, it will be retroactive to the date of eligibility.
- If you reported wages for an employee who has elected ORP after the eligibility date, you must submit adjustments to those pay periods on your next retirement detail report
- If the employee chooses the ORP, all employer and member contributions received by ORS retroactive to the eligibility date will be credited to your reporting unit account.

All eligible employees choosing to participate in your ORP may request a refund of their personal contributions and accumulated interest on deposit with the retirement system for the time before the ORP eligibility date. The ORP election must be noted in the "Completion by Employer" portion of the refund application since the standard justification for a refund request (termination) does not apply.

NOTE: Universities and community colleges may offer an Optional Retirement Plan (ORP) to retirees of this retirement system. If the retiree chooses to participate in ORP, the reporting unit is still required to report the retiree wages and hours as follows in this section.

Last updated: 04/09/2012

3.02.08 Fullbright Teacher Exchange Program

The Fulbright Teacher Exchange Program gives teachers the opportunity to teach in a foreign country while continuing employment with a Michigan public school. Usually, the member teaches in the foreign country for one year and continues to be paid by the reporting unit in exchange for a teacher from the foreign country. The teacher from the foreign country teaches in the same reporting unit and is paid by his or her representative school.

Service performed under this exchange program is reportable if the following criteria are met:

- The employee/employer relationship continues to exist between the reporting unit and the teacher.
- The service performed by the teacher is performed for the reporting unit, just in a different location.
- The reporting unit continues to pay the teacher regular wages for the services performed.
- The employment class code is 1240 – Teaching.

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3.02.09 Student Age 19 or Older (Not Employed by a Community College)

If you have a student who is 19 years old or older who is not enrolled in and attending classes as a full-time student at your reporting unit where the student is working, he or she is a member:

- Do report a student 19 years old or older who is working for your reporting unit at any time of the year if the person is enrolled full time as a student in a different reporting unit.
- Do report a student 19 years old or older who is working for your reporting unit during the summer (unless the student is enrolled in and attending summer school full time.)
- Do report an employee under age 19 if working in a permanent position and not a student. Effective July 1, 1998, PA 123 of 1998 excludes from retirement system membership anyone under the age of 19 employed by your reporting unit "in a temporarily, intermittent or irregular seasonal or athletic position," whether a student or not.

You may also want to refer to section [3.03.02 – Full-time Student or Employee Under 19 \(Not Employed by a Community College\)](#) or section [3.03.12 – Student Employed by a Community College](#).

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3.02.10: OBSOLETE - Election Worker

OBSOLETE. Election workers are not performing services for MPSERS reporting units. The language below is retained for historical record only.

If a person is already a member of this retirement system, is currently working for your reporting unit, and is assisting with the election, then the election wages and hours are reportable.

If a person is a retiree of this retirement system and is working for your reporting unit in another position, and is assisting with the election, or if he or she is only working for your reporting unit for the election, the wages and hours are reportable.

A retiree is subject to the earnings limits when employed by a reporting unit in an election capacity.

If a person is not a retiree of this retirement system and is working for your reporting unit for the sole purpose of an election, the wages and hours are not reportable per Public Act 150 of 2000.

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3.02.11: Public School Academy/Charter School Employees

The eligibility requirements for a public school academy (PSA) or charter to become a reporting unit of this retirement system are:

- All reporting unit academies are covered by this retirement plan except a reporting unit academy where the employees are actually employees of Grand Valley State University, Michigan State University, Oakland University, Saginaw Valley University, University of Michigan, or Wayne State University.
- Personnel hired directly by the academy/school are retirement system members.
- Personnel contracted through an outside company, rather than hired by the academy/school, are not eligible to participate in this retirement plan.

Other than the specific exception noted in the first bullet above, all public school academies and charter schools are reporting units of this retirement system. However, employees should only be reported to ORS if they are hired by the PSA not by the contractor.

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3.03.00: Who is Not a Member

Some types of reporting unit employees are specifically excluded from membership and reporting in this retirement system.

See the following articles in this chapter for who is not a member.

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3.03.01: Transitional Youth - Youth Training Program Enrollees

An employee hired through participation in any of the programs below, who is not regularly employed, is not a member of the MPERS system and should not be reported to ORS. If the employee is hired permanently by the reporting unit as a result of the program, they would become a member of MPERS effective the date of their permanent hire.

- A person enrolled in a Neighborhood Youth Corps Program.
- A person participating in a program through Michigan Rehabilitation Services.
- A person hired as part of the Michigan youth corps or Michigan community service corps.
- A person enrolled in a transitional public employment program as defined in the Comprehensive Employment and Training act of 1973.

Last updated: 06/19/2014

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3.03.02: Full-time Student or Employee Under 19 (Not Employed by a Community College)

Effective July 1, 1998, Public Act 123 of 1998 excludes from membership anyone under age 19 employed by your reporting unit "in a temporary, intermittent or irregular seasonal or athletic position," whether a student or not.

A person employed by your reporting unit while also enrolled in and attending classes as a full-time student in your reporting unit is not a member of this retirement system, regardless of age. "Enrolled and attending" is defined as effective the first day a student commences full time class status within your reporting unit. A person who is enrolled in classes but not actively attending is considered a member of the Michigan Public Schools Retirement System.

For example, a student is enrolled in full time classes which begin September 4, 2013. The person is hired by your reporting unit and begins working on August 1, 2013. This employee is considered a member and is reportable to ORS from August 1, 2013 until September 3, 2013. Please see the chart below for situations when to report or not report a full time student or employee.

Who To Report

Do Not Report	Do Report
Anyone under the age of 19 employed by your reporting unit "in a temporary, intermittent, or irregular seasonal or athletic position" whether they are a student or not.	An employee age 19 and over who is working for your reporting unit any time of the year outside of "enrolled and attending" status. This includes summer and winter breaks.
An employee enrolled in and attending full time classes.	An employee under age 19 if working in a permanent position and not a student.

You may also want to refer to [section 3.02.09: Student Age 19 or Older \(Not Employed by a Community College\)](#) or [section 3.03.12 Student Employed by a Community College](#).

Last updated: 07/26/2018

3.03.03: Optional Retirement Plan (ORP)

When you have an employee who elected the Optional Retirement Plan (ORP), at your reporting unit, that employee is excluded from membership in this retirement system through you. This only applies if he or she is employed by a community college or one of the Michigan universities who report to the Office of Retirement Services(ORS).

Reporting Retiree Wages

When a retiree from this retirement system earns wages from a participating reporting unit, the retiree is subject to earnings limitations or a cessation of pension payments and insurance premium subsidies for the duration of the employment. This includes retirees who have elected an ORP. Your reporting unit must report retiree wages to ORS; however, the responsibility for tracking wages to make sure that the earnings limit is not exceeded belongs to the retiree.

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3.03.04: New Employees of Certain Universities after 1/1/1996

Newly hired employees of the seven universities listed below are excluded from membership in this retirement system unless they performed membership service under this retirement system for one of these universities before January 1, 1996. The universities are:

- Central Michigan University
- Eastern Michigan University
- Ferris State University
- Lake Superior State University
- Michigan Technological University
- Northern Michigan University
- Western Michigan University

Members hired by these universities between 1/1/96 and 3/28/96 were retirement system members from the date of hire to 3/28/96 and then became ineligible for membership. If you have to report employees in that category and need more information, please contact Employer Reporting at 800-381-5111.

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3.03.05: Employees of Community College Enrolled in ORP after 10/1/94

Employees of a community college who elected the Optional Retirement Plan after October 1, 1994 are excluded from membership in this retirement system at the reporting unit where they elected the ORP.

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3.03.06: New Employee of Library/Museum Separated from a School District

An employee of a library or museum that separated from a local school district who did not perform services for that same library/museum before the separation occurred is excluded from membership in this retirement system.

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3.03.07: Employees Excluded Under Certain Acts/Programs

A person employed by your reporting unit under one of the following programs is excluded from membership in this retirement system if the program exists as a result of any of the following acts:

- Michigan Youth Corps Act (1983 PA 69)
- Workforce Investment Act of 1998 (WIA) (Public Law 105-220, 112 Stat. 936)
- Michigan Community Service Corps Program (1983 PA 259)
- Senior Community Service Employment Program (Public Law 89-73)
- Work First Program (replaced Michigan Opportunity and Skills Training Program)

Exception: If a person was regularly employed by a reporting unit prior to participation in these programs, the person is a member and must be reported. Regular employment is defined as:

- Continuous employment rendered
- With one reporting unit
- In a permanent position
- For which retirement service credit was earned

This regular employment could have occurred at any time in the past.

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3.03.08: Independent contractors and third-party employees

An independent contractor is a worker who is self-employed, offers services to the general public, works for a number of people, and sets their own fees or wages. Independent contractors are not employees of your reporting unit and thus are not members of this retirement system. Sometimes it may be unclear whether a worker is an independent contractor or an employee of your reporting unit, but it is important to determine whether to report the worker for retirement purposes.

Employees hired by a third party are not employees of your reporting unit and thus are not members of this retirement system. Do not report third-party employees for retirement purposes unless they are a MPSERS retiree.

If an independent contractor or third-party employee is a MPSERS retiree, they must be reported in some circumstances. See Chapter 9: Retirees Who Return to Work. It is the reporting unit's responsibility to know whether or not third-party employees and independent contractors are MPSERS retirees.

Reporting units should use the economic realities test to determine whether an individual is an employee or an independent contractor. The economic realities test includes four (or more) factors, including: (1) control of a worker's duties, (2) payment of wages, (3) right to hire, fire, and discipline, and (4) performance of the duties as an integral part of the employer's business toward the accomplishment of a common goal. All factors are viewed cumulatively, however, and no single factor conclusively establishes the existence or absence of an employer-employee relationship.

Use this comparison guide to help distinguish whether a worker is an employee of a reporting unit or is an independent contractor.

Employee or independent contractor?

Employee	Independent contractor
Works prescribed hours	Works self-determined hours
Does not offer skills or services to the public at large	Offers services to public or to other reporting units under self-determined terms and conditions
Reporting unit furnishes tools and equipment	Furnishes own tools and equipment
Expenses reimbursed	Expenses not reimbursed
Paid a salary or hourly wage	Paid on a per-job basis
Reporting unit provides fringe benefits such as sick days, unemployment insurance, hospitalization insurance, group insurance, paid vacations, etc.	Does not participate in fringe benefits extended to regular employees of the reporting unit
Reporting unit carries liability insurance for employee	Carries own liability insurance
Reporting unit furnishes assistants and determines when and how many are needed	Hires own assistants, determines their compensation, and pays their wages from personal resources

Employee or independent contractor?

Employee	Independent contractor
Fills a position budgeted by reporting unit as part of ongoing business	Does not fill a position budgeted by reporting unit as part of ongoing business
Cannot realize a profit or loss	Realizes a profit or loss
Reporting unit withholds state and federal taxes	Is responsible for paying their own income taxes and self-employment taxes

The burden of proof to establish the existence of an independent contractor relationship (or a bona fide third-party employment relationship) falls on your reporting unit. The mere existence of a contract that specifies the terms and conditions under which a person is being employed does not necessarily establish that the person is a self-employed, independent contractor or, in cases where the individual is otherwise employed through a third party, whether they are a third-party employee.

The distinction between employees and self-employed independent contractors has become increasingly significant over time because of the different way these workers are treated under certain laws, particularly the Michigan Public School Employees Retirement Act and the Internal Revenue Code. Whether or not a worker is an employee or an independent contractor affects your reporting unit's employer contributions as well as the member's right to retirement benefits.

Note: As it pertains to non-retirees who are engaged to perform reporting unit service as an employee of a third-party, MPERS reserves the right to determine whether the employment (or dual employment, as applicable) constitutes reportable service in view of the totality of the circumstances using the economic reality test.

These are general guidelines intended to help your reporting unit reach a conclusion and are not intended to force a specific conclusion. The burden of proof to establish the existence of an independent contractual relationship falls on your reporting unit.

Last updated: 11/16/2021

3.03.09: Athletic Officials, Referees, and Umpires

People working in the capacity of an athletic official, referee, or umpire may or may not be reported, depending on their relationship with the reporting unit. An employee directly employed by the reporting unit serving in an athletic role or as a referee is considered a member of this retirement system and the wages should be reported under class code 1560 - Coaches – Recreational. People not directly employed and paid by the reporting unit serving in the role of an athletic official, referee, or umpire and classified as an Independent Contractor should not be reported. Please see section 3.03.08 for rules and requirements of independent contractors.

Please note: Employees who are issued a 1099 form for wages in an athletic role may still be MPSERS members and should be reported. The fact that a 1099 form is issued is not enough to exclude that employee from reporting requirements as per PA 300 of 1980.

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3.03.10: Election Worker

Compensation for service as an election worker is not considered remuneration for services performed as a public school employee and is nonreportable whether or not the employee is a member of the MPSERS retirement system.

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3.03.11: Contracted Workers

A person hired through a third-party is not a member of this retirement system. Contracted workers are not employees of your reporting unit and must not be reported for retirement purposes.

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For historical reference only
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3.03.12: Student Employed by a Community College

Effective July 2, 2018, please do not report student employees whose first day worked was July 2, 2018 or after. For students whose first day worked was prior to July 2, 2018, please contact ORS web reporting to determine if this person should be reported.

Last updated: 07/26/2018

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3.03.13: Reporting Unit Board Members

An individual, not regularly employed by a reporting unit, who is serving as a reporting unit board member, is not a member of this retirement system and must not be reported for retirement purposes.

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