



**House
Legislative
Analysis
Section**

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PSERS: SERVICE CREDIT FOR INJURIES

House Bill 4095 as introduced
First Analysis (2-21-89)

Sponsor: Rep. Walter DeLange
Committee: Senior Citizens and Retirement

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THE APPARENT PROBLEM:

The Public School Employees Retirement Act allows members to purchase service credit for various types of public service employment or other periods of time which cause interruptions or delays in school employment, such as maternity or paternity leave. Members of the system may purchase service credit for time spent in the military, employment with the federal government, other states, or local governments, for service in the Peace Corps or VISTA, or for sabbatical leave. It has been suggested that members of the retirement system should be able to purchase service credit for time spent while absent from work due to work related injuries that make the employee eligible for workers' disability compensation.

THE CONTENT OF THE BILL:

The bill would amend the Public School Employees Retirement Act to allow members of the Public School Employees Retirement System (PSERS) to purchase up to five years of service credit if they were absent from reporting unit service due to certain work related injuries incurred while serving as an employee of a reporting unit (i.e., a public or intermediate school district, tax-supported community or junior college, college, university, or agency having employees who are PSERS members). Under the bill, members absent due to personal injury or mental or physical illness who returned to service as public school employees could purchase service credit for the time period or periods they were absent, provided that they received weekly workers' disability compensation for the absence and paid the actuarial cost to the retirement system. The number of hours of service credit that an employee could purchase would be based upon the member's number of hours of service during the 12-month period immediately preceding the injury or illness resulting in the receipt of workers' disability compensation payments. Service credit could be purchased in increments of one or more years, or a remaining fraction of a year. The purchased service credit could not be used to satisfy the minimum of ten years of service credit required to receive a retirement allowance.

Under the bill, payments made by members who purchased service credit, but then died or left reporting unit service before their retirement became effective, would be refunded upon request to their refund beneficiary, legal representative, or estate. Members who worked reduced hours of employment with a reporting unit, due to a personal injury or mental or physical illness that occurred while serving as an employee, could purchase service credit for those hours by which employment was reduced if all the above requirements were met.

MCL 38.1375a

FISCAL IMPLICATIONS:

According to the Retirement Bureau in the Department of Management and Budget, the bill would not result in costs to the retirement system, other than administrative costs. (2-16-89)

ARGUMENTS:

For:

The concept of purchasing service credit for purposes of increasing a member's retirement allowance has many precedents in Michigan's public retirement systems; the Public School Employees Retirement System (PSERS) allows members to purchase service credit for maternity or paternity leave. It is only fair that the same provision should be extended to all members, regardless of the reason for the disability. Further, the purchase of service provisions proposed in the bill specify that the member would have to pay to the retirement system the actuarial cost of the service; thus, the bill would not result in costs to the retirement system, other than administrative costs.

Against:

Although the bill's provision for purchase of service credit for absence due to work related injuries may be a logical extension of the existing provisions for purchase of service, the additional buy-in would add even more complexity to an already difficult administrative process. PSERS, in particular, has more than 20 different buy-in options for members, each of which necessitates an additional administrative burden.

Against:

Retirement allowances were originally provided as a "reward" for service rendered. Service credit should therefore only be given for time that is actually worked.

Against:

Questions have been raised involving the problem of calculating the actual disability period when an employee has been involved in litigation over this issue. If the litigation results in a lump sum settlement, how can it be determined — for purposes of service credit purchase — how many hours of service are covered?

Against:

As written, the bill requires PSERS members to bear the expense of purchasing service credit for time spent while absent from work due to work related injuries. It is unfair that an employee who suffers personal injury or mental illness that is work related should bear this expense. Instead, the employee's reporting unit should continue to make contributions into the retirement system on behalf of the absent employee.

POSITIONS:

The Retirement Coordinating Council supports the bill. (2-16-89)

The Bureau of Retirement Systems in the Department of Management and Budget does not oppose the bill. (2-16-89)

The Michigan Education Association does not support legislation that would require its members to bear the cost of purchasing service credits when absent from work due to work related illness. (2-17-89)

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