



**House
Legislative
Analysis
Section**

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PSERS: SERVICE CREDIT FOR INJURIES

House Bill 4095 as passed by the House
Second Analysis (5-4-89)

RECEIVED

Sponsor: Rep. Walter DeLange

MAY 23 1989

Committee: Senior Citizens and Retirement

Mich. State Law Library

THE APPARENT PROBLEM:

The concept of granting service credit for purposes of increasing a member's retirement allowance has precedent in Michigan's public retirement systems: the Public School Employees Retirement System (PSERS) grants members service credit for military leave under certain conditions; the State Employees Retirement System grants service credit for time spent while absent from work due to work related injuries that make the employee eligible for workers disability compensation. It has been suggested that PSERS members should also receive service credit for time periods they are absent, provided that they receive weekly workers' disability compensation.

THE CONTENT OF THE BILL:

The bill would amend the Public School Employees Retirement Act to require the retirement board to grant service credit to a member who is or was absent from reporting unit service because of personal injury or mental or physical illness that occurred 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). Service credit would be granted for the time period or periods the member was absent from service if the member received weekly workers' disability compensation for that absence on account of employment by the reporting unit. Under the bill, the number of hours of service credit granted to a member would be based upon the member's number of hours of service during the 12-month period immediately before the injury or illness resulting in the receipt of workers' disability compensation payments. A member would not be granted service credit under the bill if he or she received service credit for the same time period or periods under any other provision of the act.

MCL 38.1375a

FISCAL IMPLICATIONS:

According to the Retirement Bureau in the Department of Management and Budget, the bill would cost the retirement system .03 percent of payroll each year. The cost would be \$1.65 million for the first year, and would rise each year due to inflation. (4-27-89)

ARGUMENTS:

For:

Service credit is already granted for other periods of time that cause interruptions in members' employment, including a provision of the State Employees Retirement System that grants service credit for time spent while absent from work due to work related injuries that make the employee eligible for workers disability compensation. It is only fair that the same provision be extended to members of the Public School Employees Retirement System.

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. As written, the bill would allow a member who had only contributed one year of actual hours worked, before being disabled and receiving workers' disability compensation payments, to receive service credits and ultimately be vested after ten years.

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 calculating the number of hours of service credit granted — how many hours of service are covered?

POSITIONS:

The Retirement Coordinating Council for Michigan Public School and State Employees supports the bill. (4-26-89)

The Michigan Federation of Teachers supports the bill. (4-27-89)

The Michigan Education Association supports the bill. (5-3-89)

The Bureau of Retirement Systems in the Department of Management and Budget supports a version of this concept that is included in its proposed package of bills designed to streamline and provide cost neutrality to the system. (4-25-89)

H.B. 4095 (5-4-89)