



**House
Legislative
Analysis
Section**

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MUNICIPAL EMPLOYEES RETIREMENT ACT

5-1-7-2
MAY 22 1989

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House Bill 4507
Sponsor: Rep. Kay Hart
Committee: Senior Citizens
and Retirement

Complete to 4-21-89

A SUMMARY OF HOUSE BILL 4507 AS INTRODUCED 3-22-89

The bill would make general amendments to the Municipal Employees Retirement Act. Under the bill, a municipality or court could not participate in the retirement system unless, on the effective date of participation, ten percent or more of all employees were included as members. However, a municipality or court that included less than ten percent of all employees as members could participate if it had elected to include only individuals first hired after the effective date of participation. At present, the act lists employees who may not be classified as "municipal employees" for purposes of membership in the retirement system. The bill would delete from this list persons employed under the former Comprehensive Employment and Training Act (CETA), and would add to the list individuals who, on the effective date of the municipality or court's participation under the act, were members of another retirement system sponsored by the participating municipality or court, and who retained membership in the other retirement system.

Currently, the retirement board is required to provide credit to a member for qualifying service with the state or federal government, or with a political subdivision of a state, provided that the qualifying service is not followed by a break of 60 or more months in the member's employment by the governmental unit. The act also provides for credit for qualifying governmental service with another participating municipality or court if the service was rendered within 180 months of a break in employment. The bill would increase the length of the break in the former provision from 60 to 180 months; thus, service with any governmental unit within the 180-month period would be credited.

At present under the act, a vested former member is defined as member with ten or more years of credited service at the time membership terminates. The bill would amend the act to define a "vested former member" as a member with 8 or more years of credited service under the termination of membership vesting benefit program V-8 at the time his or her membership terminates.

Under the act, a member or a vested former member of the Municipal Employees Retirement System (MERS) may retire if he or she meets the following requirements:

- is 50 years of age, and has 25 or more years of credited service;
- is 55 years of age, and has 15 or more years of credited service;
- is 60 years of age, and has 10 or more years of credited service.

Under the bill, a member or vested former member could retire at 60 years of age, with 8 or more years of credited service, if the member's participating municipality or court adopted the termination of membership

House Bill 4507 (4-21-89)

vesting benefit program V-8 for the member.

Currently, under retirement plans E-1 and E-2, which are annual cost-of-living adjustments to the basic retirement allowance, the act provides for a maximum cumulative adjustment of 100 percent of the cumulative percentage increase in the consumer price index since the date of retirement. The bill would amend the act to require -- for each plan -- a maximum cumulative adjustment limitation of 100 percent of the percentage increase, if any, in the average consumer price index monthly values from the base index period to the current index period. The base index period, under the bill, would be the 12-month period ending on the September 30 that was 15 months before the first adjustment date; the current index period would be the 12-month period ending on the September 30 that was immediately before the current adjustment date.

The bill would also amend the act to require the auditor general, or a certified public accountant appointed by the auditor general, to conduct biennial financial and compliance audits of the retirement system's books and financial records, and to submit copies of each report to the governor, the Retirement Board, and the Bureau of Retirement Systems not later than the December 31 following the fiscal year end of the second year of the biennial period.

The act specifies that retirement benefits are subject to court orders for child support payments. The bill would add language specifying that the provision could not be construed to permit or require a benefit to be paid that would not otherwise be available under the act.

MCL 38.1502b et al.