

HOUSE BILL No. 4889

June 7, 1989, Introduced by Reps. Hoffman, Barns, Nye, Walberg, Runco, Middaugh and DeMars and referred to the Committee on Senior Citizens and Retirement.

A bill to amend sections 17f, 18, 19, 20, and 31 of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act,"

sections 17f and 20 as amended by Act No. 241 of the Public Acts of 1987, section 19 as amended by Act No. 405 of the Public Acts of 1988, and section 31 as amended by Act No. 1 of the Public Acts of 1986, being sections 38.17f, 38.18, 38.19, 38.20, and 38.31 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 17f, 18, 19, 20, and 31 of Act No. 240
2 of the Public Acts of 1943, sections 17f and 20 as amended by Act
3 No. 241 of the Public Acts of 1987, section 19 as amended by Act
4 No. 405 of the Public Acts of 1988, and section 31 as amended by
5 Act No. 1 of the Public Acts of 1986, being sections 38.17f,

1 38.18, 38.19, 38.20, and 38.31 of the Michigan Compiled Laws, are
2 amended to read as follows:

3 Sec. 17f. (1) A member may elect to purchase service credit
4 for not more than 5 years of full-time service as a volunteer in
5 the VISTA program provided for under sections 101 to ~~108~~ 109 of
6 PART A OF title I of THE DOMESTIC VOLUNTEER SERVICE ACT OF 1973,
7 Public Law 93-113, 42 U.S.C. 4951 to ~~4958~~ 4959, or as a volun-
8 teer, volunteer leader, or employee in the peace corps under sec-
9 tions 5 to 7 of title I of THE PEACE CORPS ACT, Public
10 Law 87-293, 22 U.S.C. 2504 to 2506, upon request and presentation
11 of documentation of the employment rendered which is verifiable
12 from official reporting unit records or other acceptable documen-
13 tation as determined by the retirement board, and upon payment to
14 the retirement system of an amount which is equal to the actuar-
15 ial cost, multiplied by the member's highest fiscal year compen-
16 sation for each year and fraction of a year of VISTA or peace
17 corps service to be purchased, up to the maximum. For the pur-
18 pose of computing payment under this subsection, the compensation
19 amount used shall not be less than the highest fiscal year com-
20 pensation previously received by the member as a member of the
21 system.

22 (2) Service shall not be credited under this section until
23 the member has accumulated 10 years of credited service OR 5
24 YEARS OF COVERED SERVICE AS DEFINED IN SECTION 45.

25 (3) Service credit purchased under this section shall not be
26 creditable toward retirement under this act if the member is or

1 will be receiving a pension or annuity for the same service from
2 another retirement system.

3 Sec. 18. (1) A member of the retirement system who, while
4 an employee of the state, was or who shall be drafted or enlisted
5 into active military or other armed service of the United States
6 government during time of war, or a member who is drafted or
7 enlisted into active armed service during time of peace, and who
8 returns for reemployment as a state employee within 6 months
9 after the member's discharge from active service, or if hospital-
10 ized at date of discharge, returns for reemployment as a state
11 employee within 6 months after release from the military facili-
12 ty, shall have all that active service credited as a member of
13 the retirement system, in the same manner as if the member had
14 served the state uninterruptedly but not more than 5 years of
15 that service may be credited to a member. During the period of
16 active service, and until return to state employment, the
17 member's contributions to the employee's savings fund shall be
18 suspended and the balance in the employees' savings fund standing
19 to the member's credit as of the last payroll date preceding the
20 leave of absence from the service of the member's department
21 shall be accumulated at regular interest. If the member with-
22 draws all or part of the accumulated contributions from the
23 employees' savings fund, the active service shall not be credited
24 until the member returns to the fund all amounts the member with-
25 drew, together with regular interest computed from the date of
26 withdrawal to the date of repayment.

1 (2) On or after January 1, 1978 a member of this retirement
2 system who does not meet the requirements of subsection (1) and
3 who was drafted, enlisted, inducted, or commissioned into active
4 duty with the military or other armed service of the United
5 States government may elect to receive service credit for not
6 more than 5 years of active duty upon request and payment to the
7 retirement system of an amount equal to 5% of the member's
8 full-time compensation for the fiscal year in which payment is
9 made multiplied by the years of service that the member elects to
10 purchase up to the maximum. Service shall not be credited if it
11 is or would be credited under any other federal, state, or local
12 publicly supported retirement system, but this restriction shall
13 not apply to those persons who have or will have acquired retire-
14 ment eligibility under the federal government for service in the
15 reserve. Armed service shall not be credited under this subsec-
16 tion until the member has accumulated 10 years of credited serv-
17 ice OR 5 YEARS OF COVERED SERVICE AS DEFINED IN SECTION 45.
18 Armed service under this subsection shall not be creditable to a
19 member on deferred retirement status under section 20(4) before
20 the effective date of this subsection. For purposes of computing
21 payment under this subsection, the compensation amount used shall
22 not be less than the highest fiscal year compensation previously
23 received by the member.

24 (3) A person who was in the employ of the Michigan employ-
25 ment service on January 1, 1942, the date on which the employment
26 service and its personnel were taken over by the United States
27 employment service, and who continued in the employ of the United

1 States employment service or who was temporarily taken out of the
2 United States States employment service for service in the war
3 manpower commission or other government agency engaged in the
4 prosecution of the war and later returned to the United States
5 employment service, and whose service to the state, United States
6 government, and state again was continuous and who was in the
7 employ either of the United States employment service or of this
8 state on November 16, 1946, the date on which the employment
9 service was returned to the state, and who reentered state serv-
10 ice on or before that date, shall upon his reentry into the state
11 service become an original member of the retirement system, and
12 shall receive full service credit for the period during which the
13 personnel of the Michigan employment service was taken over by
14 the United States employment service.

15 (4) A person who entered into the employ of the Michigan
16 employment service while the employment service was under the
17 United States employment service and who retires after April 30,
18 1978, may receive service credit for the service under the United
19 States employment service by contributing to the retirement
20 system contributions the person would have made from July 1,
21 1943, to November 16, 1946, as if that service were rendered as a
22 state employee, plus the interest with which the contributions
23 would have been credited from the January following the year of
24 employment to the date of repayment. The salary on which contri-
25 butions are based shall be the salary received as a state
26 employee on November 16, 1946.

1 (5) A member who has prior service as defined in section
2 1(j) ~~of this chapter~~ is entitled to credit for that prior
3 service if at the time of retirement the member has 15 or more
4 years of total service, of which the last 5 are continuous years
5 of service and if the member contributions equal the contribu-
6 tions made or that would have been made for not less than 15
7 years of membership service. In the computation of unpaid member
8 contributions, the contribution rate will be computed on the
9 member's salary level at retirement or date of payment, whichever
10 first occurs.

11 Sec. 19. (1) A member who is 60 years of age or older and
12 has 10 or more years of credited service OR 5 OR MORE YEARS OF
13 COVERED SERVICE AS DEFINED IN SECTION 45 may retire upon written
14 application to the retirement board, stating a date, not less
15 than 30 nor more than 90 days after the execution and filing of
16 the application, on which he or she desires to retire. Beginning
17 on the retirement allowance effective date, he or she shall
18 receive a retirement allowance computed according to section
19 20(1).

20 (2) A member who is 55 years of age or older, but less than
21 60 years of age, and has 15 or more years of credited service,
22 may retire upon written application to the retirement board stat-
23 ing a date, not less than 30 nor more than 90 days after the exe-
24 cution and filing of the application, on which he or she desires
25 to retire. Upon retirement he or she shall receive a retirement
26 allowance computed according to section 20(1). The retirement
27 allowance of a member who has less than 30 years' credited

1 service shall be reduced by an amount which is 0.5% of the
2 retirement allowance multiplied by the number of months the
3 person's age at retirement is under 60 years. The reduction of
4 $1/2$ of 1% for each month and fraction of a month from the
5 member's retirement allowance effective date to the date of the
6 member's sixtieth birthday provided for in this subsection shall
7 not apply to a member who retired before July 1, 1974 and before
8 attainment of age 60, with 30 or more years of credited service.
9 The retirement allowance of a retirant or beneficiary of a retir-
10 ant who retired before that date shall be recalculated disregard-
11 ing the reduction and the person receiving the retirement allow-
12 ance shall be eligible to receive an adjusted retirement allow-
13 ance based on the recalculation beginning October 1, 1987, but
14 shall not be eligible to receive the adjusted amount attributable
15 to any month beginning before October 1, 1987. The recalculated
16 retirement allowance provided by this subsection shall be paid by
17 January 1, 1988. The retirement allowance of a retirant who dies
18 before January 1, 1988, and who has not nominated a retirement
19 allowance beneficiary pursuant to section 31, shall not be recal-
20 culated pursuant to this subsection.

21 (3) Notwithstanding any other provision of this section,
22 effective April 1, 1988, a member may retire with a retirement
23 allowance computed according to section 20(1), without regard to
24 the reduction in subsection (2), if all of the following apply:

25 (a) The member files a written application with the retire-
26 ment board stating a date, not less than 30 nor more than 90 days
27 after the execution and filing of the application, on which the

1 member desires to retire, and which is within the early
2 retirement effective period.

3 (b) The member was employed by the state for the 6-month
4 period immediately preceding the member's retirement allowance
5 effective date. This subdivision shall not apply to a member who
6 had been restored to active service during that 6-month period
7 pursuant to section 33.

8 (c) On the last day of the month immediately preceding the
9 retirement allowance effective date stated in the application the
10 member's combined age and length of credited service is equal to
11 or greater than 80 years and the member is 50 years of age or
12 older.

13 (d) For purposes of this subsection, "early retirement
14 effective period" means 1 of the following:

15 (i) Except as provided in subparagraph (ii), the period
16 beginning on April 1, 1988 and ending on April 1, 1989.

17 (ii) For a member employed by a department of mental health
18 hospital or facility that is in the process of being closed by
19 the department of mental health, the period beginning on April 1,
20 1988 and ending on October 1, 1989.

21 Sec. 20. (1) Upon his or her retirement, as provided for in
22 section 19, a member shall receive a retirement allowance equal
23 to the member's number of years and fraction of a year of cred-
24 ited service multiplied by 1-1/2% of his or her final average
25 compensation. The member's retirement allowance shall be subject
26 to subsection (3). Upon his or her retirement he or she shall
27 have the right to elect an option provided for in section 31(1).

1 (2) Pursuant to rules promulgated by the board, a member who
2 retires prior to becoming 65 years of age may elect to have his
3 or her regular retirement allowance equated on an actuarial basis
4 to provide an increased retirement allowance payable to his or
5 her attainment of age 65 and a reduced retirement allowance pay-
6 able thereafter. His or her increased retirement allowance pay-
7 able to age 65 shall approximately equal the sum of his or her
8 reduced retirement allowance payable after age 65 and his or her
9 estimated social security primary insurance amount. In addition,
10 upon retirement he or she may elect an option provided for in
11 section 31(1).

12 (3) If a retirant dies before receiving payment of his or
13 her retirement allowance in an aggregate amount equal to the
14 retirant's accumulated contributions credited to the retirant in
15 the employees' savings fund at the time of his or her retirement,
16 the difference between his or her accumulated contributions and
17 the amount of retirement allowance received by him or her shall
18 be paid to the person or persons as he or she nominated by writ-
19 ten designation duly executed and filed with the board. If the
20 person or persons do not survive the retirant, then the differ-
21 ence, if any, shall be paid to his or her legal representative.
22 Benefits shall not be paid under this subsection on account of
23 the death of the retirant if he or she elected option A or B pro-
24 vided for in section 31(1).

25 (4) If a member has 10 or more years of credited service, or
26 has 5 or more years' credited service as an elected officer or in
27 a position in the executive branch or the legislative branch

1 excepted or exempt from the classified state civil service as
2 provided in section 5 of article XI of the state constitution of
3 1963 OR HAS 5 OR MORE YEARS OF COVERED SERVICE AS DEFINED IN
4 SECTION 45, and is separated from the service of the state for a
5 reason other than retirement or death, he or she shall remain a
6 member during the period of absence from the state service for
7 the exclusive purpose of receiving a retirement allowance pro-
8 vided for in this section. If the member withdraws all or part
9 of his or her accumulated contributions, he or she shall cease to
10 be a member. Upon becoming 60 years of age or older, the member
11 may retire upon his or her written application to the retirement
12 board as provided in section 19(1). If a member has selected an
13 option as provided under section 31(4), but died prior to the
14 effective date of his or her retirement, the option selected by
15 the member shall be carried out and the beneficiary of the member
16 shall be entitled to all advantages due under that option.

17 (5) A person who is a member after January 1, 1981, who has
18 at least 5 years of credited service, and whose employment with
19 the department of mental health is terminated by reason of reduc-
20 tion in force related to deinstitutionalization which may or may
21 not result in facility closure, shall remain a member during the
22 period of absence from the state service for the exclusive pur-
23 pose of receiving a service retirement allowance as provided in
24 this subsection. For purposes of this subsection,
25 "deinstitutionalization" means planned reduction of state center
26 or hospital beds through placement of individuals from the
27 hospital or facility, or through limiting admissions to centers

1 and hospitals, or both. If a member withdraws all or part of the
2 member's accumulated contributions, the member shall cease to be
3 a member. Upon becoming 60 years of age or older, the member may
4 retire upon written application to the retirement board. The
5 application shall specify a date, not less than 30 days nor more
6 than 90 days after the execution and filing of the application,
7 on which the member desires to retire. Upon retirement, the
8 member shall receive a retirement allowance equal to the number
9 of years and fraction of a year of credited state service multi-
10 plied by $1\frac{1}{2}\%$ of the member's final average compensation. Upon
11 retirement, the member may elect an option provided in section
12 31(1). If the member selected an option provided for in section
13 31(4), but died before the effective date of retirement, the
14 option selected by the member shall be carried out and a benefi-
15 ciary of the member shall be entitled to all advantages due under
16 the option.

17 (6) A retirant or the beneficiary of a retirant who retired
18 before July 1, 1974 shall have his or her retirement allowance
19 recalculated based on the retirant's number of years and fraction
20 of a year of credited service multiplied by 1.5% of his or her
21 final average compensation. The retirant or beneficiary shall be
22 eligible to receive the recalculated retirement allowance begin-
23 ning October 1, 1987, but shall not be eligible to receive the
24 adjusted amount attributable to any month beginning before
25 October 1, 1987. The recalculated retirement allowance provided
26 by this subsection shall be paid by January 1, 1988 and shall be
27 the basis on which future adjustments to the allowance, including

1 the supplement provided by section 20h, are calculated. The
2 retirement allowance of a retirant who dies before January 1,
3 1988, and who has not nominated a retirement allowance benefi-
4 ciary pursuant to section 31, shall not be recalculated pursuant
5 to this subsection.

6 (7) Each retirement allowance payable under this act shall
7 date from the first of the month following the month in which the
8 applicant satisfies the age and service or other requirements for
9 receiving the retirement allowance and terminates state service.
10 A full month's retirement allowance shall be payable for the
11 month in which a retirement allowance ceases.

12 Sec. 31. (1) Prior to the effective date of retirement, but
13 not thereafter, a member or deferred member who is eligible for
14 retirement, as provided in sections 19 and 20, shall elect to
15 receive his or her benefit in a retirement allowance payable
16 throughout life, which shall be called a regular retirement
17 allowance, or to receive the actuarial equivalent at that time of
18 his or her regular retirement allowance in a reduced retirement
19 allowance payable throughout the lives of the retirant and a
20 retirement allowance beneficiary, in accordance with the provi-
21 sions of option A or B, as follows:

22 Option A. Upon the retirant's death his or her reduced
23 retirement allowance shall be continued throughout the life of
24 and paid to the retirement allowance beneficiary whom the member
25 nominated by written designation duly executed and filed with the
26 retirement board prior to the effective date of his or her
27 retirement.

1 Option B. Upon the retirant's death, 1/2 of his or her
2 reduced retirement allowance shall be continued throughout the
3 life of and paid to the retirement allowance beneficiary whom the
4 member nominated by written designation duly executed and filed
5 with the retirement board prior to the effective date of his or
6 her retirement.

7 (2) The election of an option shall not be changed on or
8 after the effective date of the retirement allowance. A retire-
9 ment allowance beneficiary designated under this section shall
10 not be changed on or after the effective date of the retirement
11 allowance, and shall be either a spouse, brother, sister, parent,
12 child, including an adopted child, or grandchild of the person
13 making the designation. Payment to a retirement allowance bene-
14 ficiary shall begin on the first day of the month following the
15 death of the retirant or member.

16 (3) If the retirement allowance beneficiary named under
17 option A or B predeceases the retirant, the retirant's benefit
18 shall revert to the regular retirement allowance, effective with
19 the first day of the month following the retirement allowance
20 beneficiary's death. For a retirant whose effective date of
21 retirement was on or before June 28, 1976, this subsection shall
22 apply, but the regular retirement allowance shall not be payable
23 for any month beginning before the later of the retirement allow-
24 ance beneficiary's death or January 1, 1986. A retirant who on
25 January 1, 1986 is receiving a reduced retirement allowance
26 because the retirant designated a retirement allowance
27 beneficiary and the retirement allowance beneficiary predeceased

1 the retirant shall be eligible to receive the regular retirement
2 allowance beginning January 1, 1986, but the regular retirement
3 allowance shall not be payable for any month beginning before
4 January 1, 1986.

5 (4) A member who continues in the employ of the state on and
6 after the date he or she either acquires 10 years of service
7 credit, or becomes eligible for deferred retirement as provided
8 by section 20(4) or (5), whichever occurs first, may by written
9 declaration duly executed and filed with the retirement board
10 elect option A, provided for in subsection (1), and nominate a
11 retirement allowance beneficiary in the same manner as if the
12 member were then retiring from service, notwithstanding that the
13 member may not have attained 60 years of age. In the case of the
14 beneficiary's death or divorce from the member prior to the
15 effective date of the member's retirement, the member's election
16 of option A and nomination of retirement allowance beneficiary
17 shall be automatically revoked and the member may again elect
18 option A and nominate a retirement allowance beneficiary at any
19 time prior to the effective date of retirement. If a member who
20 has made an election and nominated a retirement allowance benefi-
21 ciary as provided in this subsection dies prior to the effective
22 date of his or her retirement, then the retirement allowance ben-
23 eficiary shall immediately receive the same retirement allowance
24 as he or she would have been entitled to receive under option A
25 if the member had been regularly retired at that time. Except as
26 otherwise provided by subsection (5), if a member who has made an
27 election under this subsection subsequently retires pursuant to

1 section 19, his or her election of option A shall take effect at
2 the time of retirement. Subject to the requirements of subsec-
3 tion (5), the member may, before the effective date of retire-
4 ment, but not thereafter, revoke his or her previous election of
5 option A and elect to receive his or her retirement allowance as
6 a regular retirement allowance or under option B as provided for
7 in subsection (1). A retirement allowance shall not be paid
8 under this subsection on account of the death of a member if any
9 benefits are paid under section 27 on account of his or her
10 death. If a deferred member who has an option A election in
11 effect dies prior to the effective date of his or her retirement,
12 the retirement allowance payable under option A shall be paid to
13 the retirement allowance beneficiary at the time the deceased
14 deferred member otherwise would have been eligible to begin
15 receiving benefits.

16 (5) If a member, deferred member, retiring member, or retir-
17 ing deferred member is married at the effective date of the
18 retirement allowance, an election under this section, other than
19 an election of option A or option B naming the spouse as retire-
20 ment allowance beneficiary, shall not be effective unless the
21 election is signed by the spouse, except that this requirement
22 may be waived by the retirement board if the signature of a
23 spouse cannot be obtained because of extenuating circumstances.
24 As used in this subsection, "spouse" means the person to whom the
25 member, deferred member, retiring member, or retiring deferred
26 member is married at the effective date of the retirement
27 allowance.

1 (6) If a member who continues in the employ of the state on
2 and after the date he or she acquires 10 years of service credit
3 OR 5 YEARS OF COVERED SERVICE AS DEFINED IN SECTION 45, and who
4 does not have an election of option A in force as provided in
5 subsection (4), dies prior to the effective date of retirement
6 and leaves a surviving spouse, the spouse shall receive a retire-
7 ment allowance computed in the same manner as if the member had
8 retired effective the day preceding the date of his or her death,
9 elected option A, and nominated the spouse as retirement allow-
10 ance beneficiary. If the retirement allowance beneficiary dies,
11 his or her retirement allowance shall terminate. If the aggre-
12 gate amount of retirement allowance payments received by the ben-
13 eficiary is less than the accumulated contributions credited to
14 the member's account in the employees' savings fund at the time
15 of the member's death, the difference between the accumulated
16 contributions and the aggregate amount of retirement allowance
17 payments received by the beneficiary shall be transferred from
18 the employer's accumulation fund or pension reserve fund to the
19 employees' savings fund and paid in accordance with section 29.
20 A retirement allowance shall not be paid under this subsection on
21 account of the death of a member if benefits are paid under sec-
22 tion 27 on account of his or her death.