Act No. 62
Public Acts of 1991
Approved by the Governor
June 27, 1991
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STATE OF MICHIGAN
86TH LEGISLATURE
REGULAR SESSION OF 1991

Introduced by Reps. Barns, Gubow, Scott, Jonker, Berman, Emerson, Hollister, Byrum, Baade, Jondahl, Ciaramitaro and DeBeaussaert

ENROLLED HOUSE BILL No. 4046

AN ACT to amend sections 20 and 38 of Act No. 240 of the Public Acts of 1943, entitled as amended "An act to provide for a state employees' retirement system; to create a state employees' retirement board and prescribe its powers and duties; to establish certain funds in connection therewith and to require contributions thereto by state employees and by the state; to create certain accounts and provide for expenditures from those accounts; to prescribe the powers and duties of certain state officers and agencies; and to provide penalties for the violation of certain provisions of this act," as amended by Act No. 241 of the Public Acts of 1987, being sections 38.20 and 38.38 of the Michigan Compiled Laws; and to add sections 19b, 19c, and 19d.

The People of the State of Michigan enact:

Section 1. Sections 20 and 38 of Act No. 240 of the Public Acts of 1943, as amended by Act No. 241 of the Public Acts of 1987, being sections 38.20 and 38.38 of the Michigan Compiled Laws, are amended and sections 19b, 19c, and 19d are added to read as follows:

Sec. 19b. (1) Notwithstanding section 19, a member may retire and receive a retirement allowance computed under section 20(1) if the member meets all of the following requirements:

(a) On the effective date of his or her retirement, the member has met the service requirements to receive a retirement allowance under this act, the member's combined age and amount of credited service is equal to or greater than 70 years, and the member is 50 years of age or older.

(b) The member was employed by this state for the 6-month period ending on the effective date of his or her retirement. A member who was restored to active service during that 6-month period under section 33 or a member who is on layoff status from state employment is considered to have met the employment requirement of this subdivision.

(c) The member files a written application with the retirement board, on or after September 1, 1991, but not later than March 1, 1992, stating a date, which date shall be 30 to 90 days after the execution and filing of the application but not later than April 1, 1992, on which he or she desires to retire.

(2) Any amount that a member retiring under this section would otherwise be entitled to receive in a lump sum at retirement on account of accumulated sick leave shall be paid in 60 consecutive equal monthly installments.

Sec. 19c. (1) Notwithstanding section 19, a member may retire and receive a retirement allowance computed under section 20(1) if the member meets all of the following requirements:

(a) On the effective date of his or her retirement, the member has met the service requirements to receive a retirement allowance under this act, the member's combined age and amount of credited service is equal to or greater than 70 years, and the member is 50 years of age or older.

(b) The member was employed by the legislature for the 6-month period ending on the effective date of his or her retirement. A member who was restored to active service with the legislature during that 6-month period under section 33 or a member who is on layoff status from the legislature during that 6-month period is considered to have met the employment requirement of this subdivision.

(c) The member files a written application with the retirement board, on or after November 15, 1992, but not later than December 15, 1992, stating a date, which date shall be 30 days or more after the execution and filing of the application but not later than February 1, 1993, on which he or she desires to retire.

(2) Any amount that a member retiring under this section would otherwise be entitled to receive in a lump sum at retirement on account of accumulated sick leave shall be paid in 60 consecutive equal monthly installments.

Sec. 19d. (1) Notwithstanding section 19, a member may retire and receive a retirement allowance computed under section 20(1) if the member meets all of the following requirements:

(a) On the effective date of his or her retirement, the member has met the service requirements to receive a retirement allowance under this act, the member's combined age and amount of credited service is equal to or greater than 70 years, and the member is 50 years of age or older.

(b) The member was employed by the legislature for the 6-month period ending on the effective date of his or her retirement. A member who was restored to active service with the legislature during that 6-month period under section 33 or a member who is on layoff status from the legislature during that 6-month period is considered to have met the employment requirement of this subdivision.

(c) The member files a written application with the retirement board, on or after November 15, 1994, but not later than December 15, 1994, stating a date, which date shall be 30 days or more after the execution and filing of the application but not later than February 1, 1995, on which he or she desires to retire.

(2) Any amount that a member retiring under this section would otherwise be entitled to receive in a lump sum at retirement on account of accumulated sick leave shall be paid in 60 consecutive equal monthly installments.

Sec. 20. (1) Upon his or her retirement, as provided for in section 19, 19a, 19b, 19c, or 19d, a member shall receive a retirement allowance equal to the member's number of years and fraction of a year of credited service multiplied by 1-1/2% of his or her final average compensation. The member's retirement allowance is subject to subsection (3). Upon his or her retirement, the member may elect an option provided for in section 31(1).

(2) Pursuant to rules promulgated by the retirement board, a member who retires before becoming 65 years of age may elect to have his or her regular retirement allowance equated on an actuarial basis to provide an increased retirement allowance payable to his or her attainment of 65 years of age and a reduced retirement allowance payable after 65 years of age. His or her increased retirement allowance payable to age 65 shall approximately equal the sum of his or her reduced retirement allowance payable after age 65 and his or her estimated social security primary insurance amount. In addition, upon retirement the member may elect an option provided for in section 31(1).

(3) If a retirant dies before receiving payment of his or her retirement allowance in an aggregate amount equal to the retirant's accumulated contributions credited to the retirant in the employees' savings fund at the time of his or her retirement, the difference between his or her accumulated contributions and the amount of retirement allowance received by him or her shall be paid to the person or persons that he or she nominated by written designation duly executed and filed with the retirement board. If the person or persons do not survive the retirant, then the difference, if any, shall be paid to the retirant's legal representative or estate. Benefits shall not be paid under this subsection on account of the death of the retirant if he or she elected an option provided for in section 31(1).

(4) If a member has 10 or more years of credited service, or has 5 or more years of credited service as an elected officer or in a position in the executive branch or the legislative branch excepted or exempt from the classified state civil service as provided in section 5 of article XI of the state constitution of 1963, and is separated from the service of the state for a reason other than retirement or death, he or she shall remain a member during the period of absence from the state service for the exclusive purpose of receiving a retirement allowance provided for in this section. If the member withdraws all or part of his or her accumulated contributions, he or she shall cease to be a member. Upon becoming 60 years of age or older, the member may retire upon his or her written application to the retirement board as provided in section 19(1). If a member elects an option as provided under section 31(4), but dies before the effective date of his or her retirement, the option elected by the member shall be carried out and the beneficiary of the member is entitled to all advantages due under that option.

(5) A person who is a member after January 1, 1981, who has at least 5 years of credited service, and whose employment with the department of mental health is terminated by reason of reduction in force related to deinstitutionalization that may or may not result in facility closure, shall remain a member during the period of absence from the state service for the exclusive purpose of receiving a service retirement allowance as provided in this subsection. As used in this subsection, "deinstitutionalization" means planned reduction of state center or hospital beds through placement of individuals from the hospital or facility, or through limiting admissions to centers and hospitals, or both. If a member withdraws all or part of the member's accumulated contributions, the member shall cease to be a member. Upon becoming 60 years of age or older, the member may retire upon written application to the retirement board. The application shall specify a date, not less than 30 days or more than 90 days after the execution and filing of the application, on which the member desires to retire. Upon retirement, the member shall receive a retirement allowance equal to the number of years and fraction of a year of credited state service multiplied by 1-1/2% of the member's final average compensation. Upon retirement, the member may elect an option provided in section 31(1). If the member elects an option provided for in section 31(4), but dies before the effective date of retirement, the option elected by the member shall be carried out and a beneficiary of the member is entitled to all advantages due under the option.

(6) A retirant or the beneficiary of a retirant who retired before July 1, 1974 shall have his or her retirement allowance recalculated based on the retirant's number of years and fraction of a year of credited service multiplied by 1.5% of his or her final average compensation. The retirant or beneficiary is eligible to receive the recalculated retirement allowance beginning October 1, 1987, but is not eligible to receive the adjusted amount attributable to any month beginning before October 1, 1987. The recalculated retirement allowance provided by this subsection shall be paid by January 1, 1988 and shall be the basis on which future adjustments to the allowance, including the supplement provided by section 20h, are calculated. The retirement allowance of a retirant who dies before January 1, 1988, and who did not nominate a retirement allowance beneficiary pursuant to section 31, shall not be recalculated pursuant to this subsection.

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

Sec. 38. (1) The annual level percent of payroll contribution rate to finance the benefits provided under this act shall be determined by actuarial valuation pursuant to subsections (2) to (4), and upon the basis of the risk assumptions adopted by the retirement board with approval of the department of management and budget, and in consultation with the investment counsel and the actuary. An annual actuarial valuation shall be made of the retirement system in order to determine the actuarial condition of the retirement system and the required contribution to the retirement system. The actuarial value of assets used in the actuary's computation of the required contribution to the retirement system shall be based upon the market value of the assets as of September 30, 1986, with subsequent changes in asset values spread over a period of 5 years. The actuary shall report to the legislature by April 15 of each year on the actuarial condition of the retirement system as of the end of the previous fiscal year, and projections of state contributions for the next fiscal year, and shall certify that the techniques and methodologies used are generally accepted within the actuarial profession and that the assumptions and cost estimates used fall within the range of reasonable and prudent assumptions and cost estimates. An annual actuarial gain-loss experience study of the retirement system shall be made in order to determine the financial effect of variations of actual retirement system experience from projected experience.

(2) The contribution rate for monthly benefits payable in the event of the death of a member before retirement or the disability of a member shall be computed using a terminal funding method of actuarial valuation.

(3) The contribution rate for benefits other than those provided for in subsection (2), including dental and vision benefits under section 20d, shall be computed using an individual projected benefit entry age normal cost method of valuation. The contribution rate for service that may be rendered in the current year, the normal cost contribution rate, shall be equal to the aggregate amount of individual entry age normal costs divided by 1% of the aggregate amount of active members' valuation compensation. The unfunded actuarial accrued liability shall be equal to the actuarial present value of benefits reduced by the actuarial present value of future normal cost contributions and the actuarial value of assets on the valuation date. The unfunded actuarial accrued liability shall be amortized over the following respective amortization periods:

Portion of unfunded actuarial accrued liability	Amortization Period
Portion existing on September 30, 1985	50 years
Net actuarial gains or losses after September 30, 1985	15 years
Actuarial present value of benefits attributable to sections 19(3), 19b, 19c, and 19d	10 years
Portion attributable to benefit changes after September 30, 1985 other than sections 19(3), 19b, 19c, and 19d	50 years

(4) The director of the department of management and budget and the state treasurer may amortize net actuarial gains over a period of less than 15 years when the actuarial value of the assets of the retirement system exceeds the present value of credited projected benefits according to 1 of the following:

(a) If the actuarial value of the assets exceeds not less than 105% but not more than 110% of the present value of credited projected benefits, net actuarial gains may be amortized over a period from 10 to 15 years.

(b) If the actuarial value of the assets exceeds 110% or more of the present value of credited projected benefits, net actuarial gains may be amortized over a period from 6 to 15 years.

(5) The director of the department of management and budget or the state treasurer shall give the retirement board 30 days' notice of any action to amortize net actuarial gains over a period of 15 years or less under subsection (4). The actuary shall make a written report to the retirement board and the legislature by January 1, 1990 discussing the appropriateness to date of the revised amortization periods.

(6) The legislature annually shall appropriate to the retirement system the amount determined pursuant to subsections (2) to (4). The state treasurer shall transfer monthly to the retirement system an amount equal to the product of the contribution rates determined in subsections (2) to (4) times the aggregate amount of active member compensation paid during that month. Not later than 60 days after the termination of each state fiscal year, the bureau of retirement systems shall certify to the director of the department of management and budget the actual aggregate compensations paid to active members during the preceding state fiscal year. Upon receipt of that certification, the director of the department of management and budget shall compute the difference, if any, between actual state contributions received during the preceding state fiscal year and the product of the contribution rates determined in subsections (2) to (4) times the aggregate compensations paid to active members during the preceding state fiscal year. The difference, if any, shall be submitted in the executive budget to the legislature for appropriation in the next succeeding state fiscal year.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved..

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Governor.