

HOUSE BILL No. 5555

February 25, 1992, Introduced by Reps. Barns, Scott, Gubow and DeMars and referred to the Committee on Senior Citizens and Retirement.

A bill to amend sections 1, 17j, 19, 20, 20d, 20g, and 31 of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act,"

sections 1 and 31 as amended by Act No. 177 of the Public Acts of 1990, section 17j as amended by Act No. 9 of the Public Acts of 1989, section 19 as amended by Act No. 297 of the Public Acts of 1989, and sections 20, 20d, and 20g as amended by Act No. 241 of the Public Acts of 1987, being sections 38.1, 38.17j, 38.19, 38.20, 38.20d, 38.20g, and 38.31 of the Michigan Compiled Laws; and to add sections 17l and 31a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 1, 17j, 19, 20, 20d, 20g, and 31 of Act
2 No. 240 of the Public Acts of 1943, sections 1 and 31 as amended
3 by Act No. 177 of the Public Acts of 1990, section 17j as amended
4 by Act No. 9 of the Public Acts of 1989, section 19 as amended by

1 Act No. 297 of the Public Acts of 1989, and sections 20, 20d, and
2 20g as amended by Act No. 241 of the Public Acts of 1987, being
3 sections 38.1, 38.17j, 38.19, 38.20, 38.20d, 38.20g, and 38.31 of
4 the Michigan Compiled Laws, are amended and sections 174 and 31a
5 are added to read as follows:

6 Sec. 1. As used in this act:

7 (a) "Retirement system" means the state employees' retire-
8 ment system created by section 2.

9 (b) "Retirement board" means the board provided for in
10 section 2 to administer the retirement system.

11 (c) "State treasurer" means the treasurer of this state.

12 (d) "Employer" or "state" means this state.

13 (e) "Member" means a state employee included in the member-
14 ship of the retirement system, as provided for in section 13.

15 (f) "Original member" means a person who became a member of
16 this retirement system before January 1, 1945, or as provided in
17 section 18.

18 (g) "New member" means a person who becomes a member of this
19 retirement system on or after January 1, 1945.

20 (h) "Appointing authority" means the departmental officer
21 who has the responsibility of making appointments and handling
22 all other personnel transactions affecting the employees in the
23 agency that the officer represents.

24 (i) "Service" means service rendered to the state by an
25 elected or appointed state official or employee of the state.
26 Credit for service shall be determined by appropriate rules and
27 regulations of the retirement board, but not more than 1 year of

1 service shall be creditable for all service in 1 calendar year.
2 The retirement board shall not allow credit as service for any
3 period of more than 1 month in any 1 calendar year during which
4 the employee was absent without pay. However, full service
5 credit shall be given for a period during which an employee is on
6 leave of absence and is receiving worker's compensation benefits
7 as the result of a ~~duty-incurred~~ DUTY-INCURRED disability.
8 Full service credit shall also be given to an employee for
9 required 1-day layoffs, for voluntary or involuntary participa-
10 tion in pay reduction plan A, pay reduction plan B, or both, in
11 effect during the fiscal years ending on and after September 30,
12 1981, and for required and designated temporary layoffs.

13 (j) "Prior service" means all service as a state employee or
14 as an appointed state officer, and as an elected or appointed
15 state official, rendered before July 1, 1943.

16 (k) "Membership service" means all service rendered after
17 July 1, 1943.

18 (l) "Credited service" means the sum of the prior service
19 and membership service credited to a member's service account.

20 (m) "Retirant" means a person who has ceased to be a member
21 of the retirement system by reason of retirement with a pension
22 or retirement allowance payable from the funds of the retirement
23 system.

24 (n) "Beneficiary" or "disability beneficiary" means a person
25 other than a retirant who receives a retirement allowance, pen-
26 sion, or other benefit provided by this act.

1 (o) "Regular interest" means a rate or rates per annum,
2 compounded annually, as the retirement board determines. For the
3 purposes of employee refunds, the interest rate payable shall not
4 exceed 4% per annum, compounded annually.

5 (p) "Accumulated contributions" means the sum of all amounts
6 deducted from the compensation of a member and credited to the
7 member's individual account in the employees' savings fund,
8 together with regular interest on that account.

9 (q) "Compensation" means the remuneration paid a member on
10 account of the member's services rendered to the state. If a
11 member's remuneration is not paid totally in money, the retire-
12 ment board shall employ the maintenance-compensation schedules
13 established from time to time by the civil service commission.
14 Compensation does not include any of the following:

15 (i) Remuneration paid in lieu of accumulated sick leave.

16 (ii) Remuneration for services rendered after October 1,
17 1981, payable at retirement or termination under voluntary or
18 involuntary pay reduction plan B, in excess of the amount the
19 member would have received had the member been compensated for
20 those services at the rate of pay in effect at the time those
21 services were performed.

22 (iii) Payment for accrued annual leave at separation in
23 excess of ~~240~~ 300 hours.

24 ~~(iv) Remuneration received by an employee of the department~~
25 ~~of mental health resulting from severance pay received because of~~
26 ~~the deinstitutionalization of the department of mental health~~
27 ~~resident population.~~

1 (iv) ~~(v)~~ Remuneration received as a bonus by investment
2 managers of the department of treasury under the treasury incen-
3 tive bonus plan first approved by the civil service commission on
4 February 11, 1988, pursuant to section 5 of article XI of the
5 state constitution of 1963.

6 (v) ~~(vi)~~ Remuneration received as a bonus or merit payment
7 by assistant attorneys general in the department of attorney gen-
8 eral under the merit pay plan approved by the civil service com-
9 mission on January 19, 1990, pursuant to section 5 of article XI
10 of the state constitution of 1963.

11 (r) "Final average compensation" means the average of those
12 years of highest annual compensation received by a member during
13 a period of 5 consecutive years of credited service; or if the
14 member has less than 5 years of credited service, then the aver-
15 age of the annual compensation received by the member during the
16 member's total years of credited service. For a person whose
17 retirement allowance effective date is on or after October 1,
18 1987, "final average compensation" means the average of those
19 years of highest annual compensation received by a member during
20 a period of 3 consecutive years of credited service; or if the
21 member has less than 3 years of credited service, then the aver-
22 age of the annual compensation received by the member during the
23 member's total years of credited service. A member's final aver-
24 age compensation shall not be diminished because of required
25 1-day layoffs. The compensation used in computing the final
26 average compensation for a period during which a member is in a
27 voluntary or involuntary pay reduction plan A or on a designated

1 temporary layoff shall include the value of the hours not worked
2 calculated at the member's hourly rate or rates of pay in effect
3 immediately before the applicable final average compensation
4 period. A member's final average compensation shall not be
5 increased or decreased by the member's participation in voluntary
6 or involuntary pay reduction plan B. Payment for accrued annual
7 leave at separation in excess of ~~240~~ 300 hours shall not be
8 included in final average compensation.

9 (s) "Final compensation" means a member's annual rate of
10 compensation at the time the member last terminates employment
11 with the state.

12 (t) "Annuity" means annual payments for life derived from
13 the accumulated contributions of a member. An annuity shall be
14 paid in equal monthly installments.

15 (u) "Pension" means annual payments for life payable from
16 funds of the retirement system as provided in this act. A pen-
17 sion shall be paid in equal monthly installments.

18 (v) "Retirement allowance" means the sum of the annuity and
19 the pension.

20 (w) "Annuity reserve" means the present value, computed upon
21 the basis of mortality and other tables adopted by the retirement
22 board, of all payments to be made on account of an annuity, or
23 benefits in lieu of an annuity, granted to a member under this
24 act.

25 (x) "Pension reserve" means the present value, computed upon
26 the basis of mortality and other tables adopted by the retirement
27 board, of all payments to be made on account of a pension, or

1 benefits in lieu of a pension, granted to a member under this
2 act.

3 (y) "Employee" means a person who may become eligible for
4 membership under this act, as provided in section 13, if the
5 person's compensation is paid in whole or in part by the state.

6 (z) "Pay reduction plan A" means the plan available to or
7 required of a member during the fiscal years ending on and after
8 September 30, 1981 under which the member may elect to reduce by
9 1 hour or more in any 80-hour pay period the number of hours
10 worked with a corresponding reduction in compensation.

11 (aa) "Pay reduction plan B" means the plan available to or
12 required of a member during the fiscal years ending on and after
13 September 30, 1981 under which the member may elect to work a
14 full 80-hour pay period, defer compensation for 1 or more of
15 those hours, and accumulate or use the hours for which compensa-
16 tion has been deferred in the same manner as annual leave hours.

17 (bb) "Designated temporary layoff" means the layoff of a
18 member that does not exceed 1 month and has a fixed, predeter-
19 mined, and announced recall date.

20 (cc) "Deferred member" means a member who is separated from
21 state service for a reason other than retirement or death and who
22 has satisfied the requirements of section 20(4) or (5) for a
23 deferred retirement allowance.

24 (dd) "Actuarial cost" means AN AMOUNT THAT SHALL BE PAID,
25 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED BY THIS ACT, BY A
26 MEMBER TO PURCHASE ADDITIONAL SERVICE CREDIT AS ALLOWED UNDER
27 THIS ACT. ACTUARIAL COST SHALL BE COMPUTED AS PROVIDED IN

1 SECTION 17J. ~~a single percentage which, when multiplied by a~~
2 ~~member's fiscal year compensation, will result in the average~~
3 ~~actuarial present value of the additional benefits resulting from~~
4 ~~the crediting of 1 additional year of service. This single per-~~
5 ~~centage shall be based on the members who utilize those sections~~
6 ~~of this act that permit the purchase of service. For purchases~~
7 ~~of service credit made before December 31, 1990, the single per-~~
8 ~~centage shall be 9%. Beginning December 31, 1990 and every 3~~
9 ~~years thereafter, the single percentage shall be computed based~~
10 ~~upon actual experience. If the computation results in an~~
11 ~~increase or decrease in the percentage, not less than 6 months~~
12 ~~notice shall be given to the members.~~

13 (ee) "Conservation officer" means an employee of the depart-
14 ment of natural resources, or its predecessor or successor
15 agency, who has sworn to the prescribed oath of office and who is
16 designated as a peace officer under section 6 of Act No. 192 of
17 the Public Acts of 1929, being section 300.16 of the Michigan
18 Compiled Laws, and section 1 of Act No. 109 of the Public Acts of
19 1986, being section 300.21 of the Michigan Compiled Laws.

20 Sec. 17j. (1) On and after June 23, 1987, a member who is
21 otherwise entitled to purchase service credit under section 17g,
22 17h, 17i, ~~or~~ 17k, OR 17l shall not purchase a combined total of
23 more than 10 years of service credit under those sections.

24 (2) On and after June 23, 1987, a member who under section
25 17c, 17e, 17f, 17g, 17h, 17i, 17k, 17l, or 18(2) is otherwise
26 entitled to purchase service credit may purchase such service
27 credit in separate increments equal to 1 or more full years, or a

1 remaining fraction of a year, if any, or both. Partial purchase
2 of service credit under this section ~~shall~~ DOES not bar future
3 purchases otherwise in compliance with this section and the pro-
4 visions of this act authorizing the purchase, but computation of
5 the amount of payment due shall be made separately for each
6 purchase.

7 (3) If a member who made payment under this section dies and
8 a retirement allowance is not payable or if the member leaves
9 service with ~~the~~ THIS state before his or her retirement allow-
10 ance becomes effective, the payment made by the member shall be
11 refunded upon request to the member, to the person designated by
12 the member in writing to the board, or if a person is not desig-
13 nated, then to the member's legal representative or estate.

14 (4) ACTUARIAL COST SHALL BE EQUAL TO THE PRODUCT OF SUBDIVI-
15 SIONS (A), (B), AND (C):

16 (A) A PERCENTAGE, DETERMINED BY THE RETIREMENT BOARD AND THE
17 DEPARTMENT, WHICH WHEN MULTIPLIED BY A MEMBER'S COMPENSATION, AS
18 DETERMINED UNDER SUBDIVISION (B), RESULTS IN THE AVERAGE ACTUAR-
19 IAL PRESENT VALUE OF THE ADDITIONAL BENEFITS RESULTING FROM THE
20 CREDITING OF 1 ADDITIONAL YEAR OF SERVICE. THE PERCENTAGE MAY
21 VARY BECAUSE OF AGE, CREDITED SERVICE, OR BENEFIT COVERAGE. AN
22 INCREASE OR DECREASE IN THE PERCENTAGE UNDER THIS SUBDIVISION
23 SHALL NOT BECOME EFFECTIVE BEFORE THE EXPIRATION OF 6 MONTHS OR
24 MORE AFTER THE RETIREMENT BOARD NOTIFIES THE MEMBERS OF THE
25 INCREASE OR DECREASE.

26 (B) A MEMBER'S COMPENSATION. THE MEMBER'S COMPENSATION
27 SHALL BE THE MEMBER'S COMPENSATION EARNED IN THE FISCAL YEAR

1 IMMEDIATELY BEFORE THE FISCAL YEAR IN WHICH THE APPLICATION TO
2 PURCHASE AND PAYMENT FOR THE SERVICE ARE MADE. THE COMPENSATION
3 AMOUNT USED SHALL NOT BE LESS THAN THE HIGHEST COMPENSATION PRE-
4 VIOUSLY EARNED BY THE MEMBER.

5 (C) THE NUMBER OF YEARS, INCLUDING ANY FRACTION OF A YEAR,
6 OF CREDITED SERVICE A MEMBER ELECTS TO PURCHASE UP TO THE MAXIMUM
7 ALLOWED.

8 SEC. 17ℓ. (1) A MEMBER MAY ELECT TO PURCHASE NOT MORE THAN
9 5 YEARS OF SERVICE CREDIT UPON REQUEST AND PAYMENT TO THE RETIRE-
10 MENT SYSTEM OF THE ACTUARIAL COST.

11 (2) SERVICE CREDIT PURCHASED UNDER THIS SECTION MAY NOT BE
12 USED TO SATISFY THE MINIMUM NUMBER OF YEARS OF SERVICE CREDIT
13 REQUIRED TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS ACT.

14 (3) IF A MEMBER WHO MADE PAYMENT UNDER THIS SECTION DIES AND
15 A RETIREMENT ALLOWANCE IS NOT PAYABLE, OR IF THE MEMBER LEAVES
16 SERVICE AND A RETIREMENT ALLOWANCE IS NOT PAYABLE, THE PAYMENT
17 MADE BY THE MEMBER SHALL BE REFUNDED UPON REQUEST TO THE MEMBER,
18 THE MEMBER'S REFUND BENEFICIARY, IF ANY, OR TO THE MEMBER'S LEGAL
19 REPRESENTATIVE OR ESTATE.

20 Sec. 19. (1) A member who is 60 years of age or older and
21 has 10 or more years of credited service; A MEMBER WHO IS 60
22 YEARS OF AGE OR OLDER AND HAS 5 OR MORE YEARS OF CREDITED SERVICE
23 AS PROVIDED IN SECTION 20(4) OR (5); OR A MEMBER WHO IS 50 YEARS
24 OF AGE OR OLDER AND WHOSE COMBINED AGE AND AMOUNT OF CREDITED
25 SERVICE IS EQUAL TO OR GREATER THAN 80 YEARS, may retire upon
26 written application to the retirement board, stating a date, not
27 less than 30 or more than 90 days after the execution and filing

1 of the application, on which he or she desires to retire.

2 Beginning on the retirement allowance effective date, he or she
3 shall receive a retirement allowance computed according to sec-
4 tion 20(1), WITHOUT REGARD TO THE REDUCTION IN SUBSECTION (2).

5 (2) A member who is 55 years of age or older, but less than
6 60 years of age, and has 15 or more years of credited service,
7 may retire upon written application to the retirement board stat-
8 ing a date, not less than 30 or more than 90 days after the exe-
9 cution and filing of the application, on which he or she desires
10 to retire. Upon retirement he or she shall receive a retirement
11 allowance computed according to section 20(1). ~~The~~ EXCEPT AS
12 OTHERWISE PROVIDED IN THIS ACT, THE retirement allowance of a
13 member who has less than ~~30 years~~ 25 YEARS OF credited service
14 shall be reduced by an amount ~~which~~ THAT is 0.5% of the retire-
15 ment allowance multiplied by the number of months the person's
16 age at retirement is under 60 years. The reduction of 1/2 of 1%
17 for each month and fraction of a month from the member's retire-
18 ment allowance effective date to the date of the member's six-
19 tieth birthday provided for in this subsection ~~shall~~ DOES not
20 apply to a member who retired before July 1, 1974 and before
21 attainment of ~~age~~ 60 YEARS OF AGE, with 30 or more years of
22 credited service. The retirement allowance of a retirant or ben-
23 eficiary of a retirant who retired before that date shall be
24 recalculated disregarding the reduction and the person receiving
25 the retirement allowance ~~shall be~~ IS eligible to receive an
26 adjusted retirement allowance based on the recalculation
27 beginning October 1, 1987, but ~~shall~~ IS not ~~be~~ eligible to

1 receive the adjusted amount attributable to any month beginning
2 before October 1, 1987. The recalculated retirement allowance
3 provided by this subsection shall be paid by January 1, 1988.
4 The retirement allowance of a retirant who dies before January 1,
5 1988, and who has not nominated a retirement allowance benefi-
6 ciary pursuant to section 31, shall not be recalculated pursuant
7 to this subsection.

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

12 (a) The member files a written application with the retire-
13 ment board stating a date, not less than 30 or more than 90 days
14 after the execution and filing of the application, on which the
15 member desires to retire, and which is within the early retire-
16 ment effective period.

17 (b) The member was employed by the state for the 6-month
18 period immediately preceding the member's retirement allowance
19 effective date. This subdivision ~~shall~~ DOES not apply to a
20 member who ~~had been~~ WAS restored to active service during that
21 6-month period pursuant to section 33.

22 (c) On the last day of the month immediately preceding the
23 retirement allowance effective date stated in the application the
24 member's combined age and length of credited service is equal to
25 or greater than 80 years and the member is 50 years of age or
26 older.

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

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

5 (ii) For a member employed by a department of mental health
6 hospital or facility that is in the process of being closed by
7 the department of mental health, the period beginning on April 1,
8 1988 and ending on October 1, 1989.

9 (4) As used in subsections (5) to (9):

10 (a) "Agency of the department" means 1 of the following:

11 (i) Southwest Michigan community living services.

12 (ii) Wayne community living services.

13 (b) "Department inpatient facility" means 1 of the
14 following:

15 (i) A developmental disability center that is directly oper-
16 ated by the department of mental health for purposes of providing
17 inpatient care and treatment services to persons with developmen-
18 tal disabilities.

19 (ii) A psychiatric hospital that is directly operated by the
20 department of mental health for purposes of providing inpatient
21 diagnostic and therapeutic services to persons who are mentally
22 ill.

23 (5) Notwithstanding any other provision of this section, a
24 member who is an employee of an agency of the department or a
25 department inpatient facility and is on layoff status because the
26 agency or inpatient facility has been designated by the director
27 of mental health for closure on or after October 1, 1989, may

1 retire as provided in subsection (7) or (8), as applicable, with
2 a retirement allowance computed according to section 20(1), with-
3 out regard to the reduction in subsection (2), upon satisfaction
4 of any 1 of the following conditions:

5 (a) The member is 51 years of age or older and has 25 or
6 more years of credited service, the last 5 of which are as an
7 employee of an agency of the department designated for closure or
8 a department inpatient facility designated for closure.

9 (b) The member is at least 56 years of age and has 10 or
10 more years of credited service, the last 5 of which are as an
11 employee of an agency of the department designated for closure or
12 a department inpatient facility designated for closure.

13 (c) The member has 25 or more years of credited service,
14 regardless of age, as an employee of an agency of the department
15 designated for closure or a department inpatient facility desig-
16 nated for closure.

17 (6) When a department inpatient facility or agency is desig-
18 nated for closure on or after October 1, 1989, the director of
19 mental health shall certify in writing to the state legislature
20 and the retirement board, not less than 240 days before the des-
21 ignated official date of closure, which facility or agency is to
22 be closed and the designated official date of closure.

23 (7) Except as provided in subsection (8), a member who is
24 eligible to receive a retirement allowance under subsection (5)
25 may retire effective on the date that an agency of the department
26 or a department inpatient facility designated for closure as
27 provided in subsection (5) actually closes, upon written

1 application to the retirement board not less than 30 or more than
2 180 days before the designated official date of closure.
3 Beginning on the retirement allowance effective date, he or she
4 shall receive a retirement allowance computed according to sec-
5 tion 20(1).

6 (8) A member who is on layoff status, is not working for the
7 state, and becomes eligible to receive a retirement allowance
8 under subsection (5) and who was an employee of an agency of the
9 department or a department inpatient facility that has been des-
10 ignated for closure as provided in subsection (5) and that actu-
11 ally closes on or after October 1, 1989, may retire upon written
12 application to the retirement board, stating a date, not less
13 than 30 or more than 180 days after the facility actually closes,
14 upon which he or she wishes to retire. Beginning on the retire-
15 ment allowance effective date, he or she shall receive a retire-
16 ment allowance computed according to section 20(1).

17 (9) Any additional accrued actuarial cost and costs for
18 health insurance resulting from the implementation of subsection
19 (5) shall be funded from appropriations to the department of
20 mental health for this purpose.

21 Sec. 20. (1) Upon his or her retirement, as provided for in
22 section 19 OR 19A, a member shall receive a retirement allowance
23 equal to the member's number of years and fraction of a year of
24 credited service multiplied by ~~1 1/2%~~ 1.5% of his or her final
25 average compensation. The member's retirement allowance shall be
26 subject to subsection (3). Upon his or her retirement, ~~he or~~

1 ~~she shall have the right to~~ THE MEMBER MAY elect an option
2 provided for in section 31(1).

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

15 (3) If a retirant dies before receiving payment of his or
16 her retirement allowance in an aggregate amount equal to the
17 retirant's accumulated contributions credited to the retirant in
18 the employees' savings fund at the time of his or her retirement,
19 the difference between his or her accumulated contributions and
20 the amount of retirement allowance received by him or her shall
21 be paid to the person or persons ~~as~~ THAT he or she nominated by
22 written designation duly executed and filed with the RETIREMENT
23 board. If the person or persons do not survive the retirant,
24 then the difference, if any, shall be paid to ~~his or her~~ THE
25 RETIRANT'S legal representative. Benefits shall not be paid
26 under this subsection on account of the death of the retirant if

1 he or she elected AN option ~~A or B~~ provided for in section.
2 31(1).

3 (4) If a member has 10 or more years of credited service, or
4 has 5 or more ~~years~~ YEARS OF credited service as an elected
5 officer or in a position in the executive branch or the legisla-
6 tive branch excepted or exempt from the classified state civil
7 service as provided in section 5 of article XI of the state con-
8 stitution of 1963, and is separated from the service of the state
9 for a reason other than retirement or death, he or she shall
10 remain a member during the period of absence from the state serv-
11 ice for the exclusive purpose of receiving a retirement allowance
12 provided for in this section. If the member withdraws all or
13 part of his or her accumulated contributions, he or she shall
14 cease to be a member. Upon becoming 60 years of age or older,
15 the member may retire upon his or her written application to the
16 retirement board as provided in section 19(1). If a member ~~has~~
17 ~~selected~~ ELECTS an option as provided under section 31(4), but
18 ~~died prior to~~ DIES BEFORE the effective date of his or her
19 retirement, the option ~~selected~~ ELECTED by the member shall be
20 carried out and the beneficiary of the member ~~shall be~~ IS enti-
21 tled to all advantages due under that option.

22 (5) A person who is a member after January 1, 1981, who has
23 at least 5 years of credited service, and whose employment with
24 the department of mental health is terminated by reason of reduc-
25 tion in force related to deinstitutionalization ~~which~~ THAT may
26 or may not result in facility closure, shall remain a member
27 during the period of absence from the state service for the

1 exclusive purpose of receiving a service retirement allowance as
2 provided in this subsection. ~~For purposes of~~ AS USED IN this
3 subsection, "deinstitutionalization" means planned reduction of
4 state center or hospital beds through placement of individuals
5 from the hospital or facility, or through limiting admissions to
6 centers and hospitals, or both. If a member withdraws all or
7 part of the member's accumulated contributions, the member shall
8 cease to be a member. Upon becoming 60 years of age or older,
9 the member may retire upon written application to the retirement
10 board. The application shall specify a date, not less than 30
11 days ~~nor~~ OR more than 90 days after the execution and filing of
12 the application, on which the member desires to retire. Upon
13 retirement, the member shall receive a retirement allowance equal
14 to the number of years and fraction of a year of credited state
15 service multiplied by ~~+1 1/2%~~ 1.5% of the member's final average
16 compensation. Upon retirement, the member may elect an option
17 provided in section 31(1). If the member ~~selected~~ ELECTS an
18 option provided for in section 31(4), but ~~died~~ DIES before the
19 effective date of retirement, the option ~~selected~~ ELECTED by
20 the member shall be carried out and a beneficiary of the member
21 ~~shall be~~ IS entitled to all advantages due under the option.

22 (6) A retirant or the beneficiary of a retirant who retired
23 before July 1, 1974 shall have his or her retirement allowance
24 recalculated based on the retirant's number of years and fraction
25 of a year of credited service multiplied by 1.5% of his or her
26 final average compensation. The retirant or beneficiary ~~shall~~
27 ~~be~~ IS eligible to receive the recalculated retirement allowance

1 beginning October 1, 1987, but ~~shall~~ IS not ~~be~~ eligible to
2 receive the adjusted amount attributable to any month beginning
3 before October 1, 1987. The recalculated retirement allowance
4 provided by this subsection shall be paid by January 1, 1988 and
5 shall be the basis on which future adjustments to the allowance,
6 including the supplement provided by section 20h, are
7 calculated. The retirement allowance of a retirant who dies
8 before January 1, 1988, and who ~~has~~ DID not ~~nominated~~
9 NOMINATE a retirement allowance beneficiary pursuant to
10 section 31, shall not be recalculated pursuant to this
11 subsection.

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

18 Sec. 20d. (1) On and after July 1, 1974, hospitalization
19 and medical coverage insurance premium payable by any retirant or
20 his or her beneficiary and his or her dependents under any group
21 health plan authorized by the Michigan civil service commission
22 and the department of management and budget shall be paid by the
23 retirement board from the pension reserve fund created under sec-
24 tion ~~++(d)-~~ 11. The amount payable shall be in the same propor-
25 tion of premium payable by the state of Michigan for the classi-
26 fied employees occupying positions in the state civil service.
27 The hospitalization and medical insurance premium payable shall

1 be paid from appropriations made for this purpose to the pension
2 reserve fund sufficient to cover the premium payment needed to be
3 made.

4 (2) Effective January 1, 1988, 90% of the premium payable by
5 a retirant or the retirant's beneficiary and his or her depen-
6 dents for dental coverage or vision coverage, or both, under any
7 group plan authorized by the Michigan civil service commission
8 and the department of management and budget shall be paid by the
9 retirement board from the dental-vision reserve fund created
10 under section 11.

11 (3) THE RETIREMENT BOARD SHALL PAY THE HOSPITALIZATION AND
12 MEDICAL COVERAGE INSURANCE PREMIUMS AND DENTAL COVERAGE OR VISION
13 COVERAGE PREMIUMS, OR BOTH, AS PROVIDED IN THIS SECTION FOR A
14 CHILD OF A DECEASED RETIRANT DURING THE PERIOD THAT CHILD
15 RECEIVES A RETIREMENT ALLOWANCE PURSUANT TO SECTION 31A.
16 COVERAGE UNDER THIS SUBSECTION DOES NOT APPLY TO A SPOUSE OR
17 DEPENDENT OF THE CHILD OF A DECEASED RETIRANT.

18 Sec. 20g. (1) After the end of each state fiscal year, the
19 department of management and budget shall determine the rate of
20 investment return earned on retirement system assets during the
21 fiscal year, based upon methods established by the retirement
22 board.

23 (2) At the end of each state fiscal year, the retirement
24 system's actuary shall determine the present value of retirement
25 allowances to be paid after the end of the fiscal year to retir-
26 ants and retirement allowance beneficiaries in receipt of
27 retirement allowances at the end of the fiscal period. The

1 assumed interest rate used in the determination shall be 8% per
2 year, compounded annually.

3 (3) The distribution income at the end of each state fiscal
4 year shall be equal to the product of the present value of
5 retirement allowances determined in subsection (2) at the end of
6 the previous fiscal year times the positive excess, if any, of
7 the rate of investment return determined in subsection (1)
8 exceeding 8%. The distribution income calculated pursuant to
9 this subsection at the end of the fiscal years 1984-85 and
10 1985-86 shall be reduced by the costs of postretirement adjust-
11 ments paid during the fiscal year pursuant to sections 20b, 20c,
12 20e, and 20f.

13 (4) After the end of each state fiscal year, each retirant
14 and retirement allowance beneficiary in receipt of a retirement
15 allowance at the end of the fiscal year, and whose effective date
16 of retirement allowance preceded the beginning of that fiscal
17 year, shall be credited with 1 distribution unit for each full
18 year between the effective date of retirement and the end of the
19 fiscal year and 1 distribution unit for each full year of service
20 credit in force on the effective date of retirement.

21 Distribution units shall not accumulate from 1 year to the next
22 year.

23 (5) The distribution amount for an individual retirant or
24 retirement allowance beneficiary shall be equal to the product of
25 the distribution income determined in subsection (3) times the
26 individual's number of distribution units determined in
27 subsection (4) divided by the total number of distribution units

1 for all eligible retirants and retirement allowance beneficiaries
2 in receipt of retirement allowances at the end of the fiscal
3 year. The distribution amount for an individual retirant or
4 retirement allowance beneficiary of a retirant whose retirement
5 allowance effective date is on or after October 1, 1987 is zero.

6 (6) The distribution amount for each retirant or retirement
7 allowance beneficiary shall be payable in the form of a supple-
8 mental payment ~~prior to~~ BEFORE the seventh month after the end
9 of the state fiscal year. Except as provided in subsection (9),
10 a distribution amount shall not be payable after March 31, 1988.
11 If a retirant dies before receipt of the distribution amount, the
12 payment shall be made to the retirant's retirement allowance ben-
13 eficiary, if any. If both the retirant and the retirement allow-
14 ance beneficiary die before receipt of the distribution amount,
15 no payment shall be made.

16 (7) Each retirement allowance shall be increased each
17 October 1 beginning with the later of October 1, 1988 or the
18 first October 1 ~~which~~ THAT is at least 12 months after the
19 retirement allowance effective date. The amount of the annual
20 increase shall be equal to 3% of the retirement allowance that
21 would be payable as of the date of the increase without applica-
22 tion of this subsection, except that if the member made the elec-
23 tion permitted under section 20(2), the increase shall be based
24 on the amount of retirement allowance that would have been paid
25 without application of section 20(2). ~~The~~ BEGINNING OCTOBER 1,
26 1991, THE annual increase shall not exceed ~~\$300.00~~ \$900.00.

1 (8) After the end of each state fiscal year, the cumulative
2 increase amount shall be computed for each retirant or retirement
3 allowance beneficiary. The cumulative increase amount shall be
4 equal to the difference between the total retirement allowance
5 paid during the state fiscal year and the retirement allowance
6 that would have been payable without application of subsection
7 (7) and section 20h. The cumulative increase amount for any
8 retirant or retirement allowance beneficiary whose retirement
9 allowance effective date is on or after October 1, 1987 is zero.

10 (9) In March of each year, beginning in March, 1989, each
11 retirant or retirement allowance beneficiary shall be paid, in a
12 single supplemental payment, the excess, if any, of the distribu-
13 tion amount over the cumulative increase amount for the previous
14 state fiscal year. If a retirant dies before receipt of a sup-
15 plemental payment, the supplemental payment shall be made to the
16 retirant's retirement allowance beneficiary, if any. If both the
17 retirant and the retirement allowance beneficiary die before
18 receipt of a supplemental payment, no payment shall be made.

19 Sec. 31. (1) Except as provided in subsection (6), before
20 the effective date of retirement, but not after the effective
21 date of retirement, a member or deferred member who is eligible
22 for retirement, as provided in section 19, 19a, 21, 24, 46, or
23 48, shall elect to receive his or her benefit in a retirement
24 allowance payable throughout life, which shall be called a regu-
25 lar retirement allowance, or to receive the actuarial equivalent
26 at that time of his or her regular retirement allowance in a
27 reduced retirement allowance payable throughout the lives of the

1 retirant and a retirement allowance beneficiary, ~~in accordance~~
2 ~~with~~ PURSUANT TO the provisions of option A, ~~or~~ B, OR C, as
3 follows:

4 (a) Option A. Upon the retirant's death his or her reduced
5 retirement allowance shall be continued throughout the life of
6 and paid to the retirement allowance beneficiary whom the member
7 nominated by written designation duly executed and filed with the
8 retirement board before the effective date of his or her
9 retirement.

10 (b) Option B. Upon the retirant's death, 1/2 of his or her
11 reduced retirement allowance shall be continued throughout the
12 life of and paid to the retirement allowance beneficiary whom the
13 member nominated by written designation duly executed and filed
14 with the retirement board before the effective date of his or her
15 retirement.

16 (C) OPTION C. UPON THE RETIRANT'S DEATH, 3/4 OF HIS OR HER
17 REDUCED RETIREMENT ALLOWANCE SHALL BE CONTINUED THROUGHOUT THE
18 LIFE OF AND PAID TO THE RETIREMENT ALLOWANCE BENEFICIARY WHOM THE
19 MEMBER NOMINATED BY WRITTEN DESIGNATION DULY EXECUTED AND FILED
20 WITH THE RETIREMENT BOARD BEFORE THE EFFECTIVE DATE OF HIS OR HER
21 RETIREMENT.

22 (2) Except as provided in subsection (3), the election of an
23 option shall not be changed on or after the effective date of the
24 retirement allowance. A retirement allowance beneficiary desig-
25 nated under this section shall not be changed on or after the
26 effective date of the retirement allowance, and shall be either a
27 spouse, brother, sister, parent, child, including an adopted

1 child, or grandchild of the person making the designation.
2 Payment to a retirement allowance beneficiary shall begin on the
3 first day of the month following the death of the retirant or
4 member.

5 (3) If the retirement allowance beneficiary named under AN
6 option ~~A or B~~ under subsection (1) predeceases the retirant,
7 the retirant's benefit shall revert to the regular retirement
8 allowance, effective with the first day of the month following
9 the retirement allowance beneficiary's death. For a retirant
10 whose effective date of retirement was on or before June 28,
11 1976, this subsection shall apply, but the regular retirement
12 allowance is not payable for any month beginning before the later
13 of the retirement allowance beneficiary's death or January 1,
14 1986. A retirant who on January 1, 1986 is receiving a reduced
15 retirement allowance because the retirant designated a retirement
16 allowance beneficiary and the retirement allowance beneficiary
17 predeceased the retirant is eligible to receive the regular
18 retirement allowance beginning January 1, 1986, but the regular
19 retirement allowance is not payable for any month beginning
20 before January 1, 1986.

21 (4) A member who continues in the employ of ~~the~~ THIS state
22 on and after the date he or she either acquires 10 years of serv-
23 ice credit, or becomes eligible for deferred retirement as pro-
24 vided by section 20(4) or (5), whichever occurs first, may by
25 written declaration duly executed and filed with the retirement
26 board elect option A, provided for in subsection ~~(1)~~ (1)(A),
27 and nominate a retirement allowance beneficiary in the same

1 manner as if the member were then retiring from service,
2 notwithstanding that the member may not have attained 60 years of
3 age. In the case of the beneficiary's death or divorce from the
4 member ~~prior to~~ BEFORE the effective date of the member's
5 retirement, the member's election of option A and nomination of
6 retirement allowance beneficiary shall be automatically revoked
7 and the member may again elect option A and nominate a retirement
8 allowance beneficiary at any time ~~prior to~~ BEFORE the effective
9 date of retirement. If a member who has made an election and
10 nominated a retirement allowance beneficiary as provided in this
11 subsection dies ~~prior to~~ BEFORE the effective date of his or
12 her retirement, then the retirement allowance beneficiary shall
13 immediately receive the retirement allowance that he or she would
14 have been entitled to receive under option A if the member had
15 been regularly retired on the date of the member's death. Except
16 as otherwise provided by subsection (5), if a member who has made
17 an election under this subsection subsequently retires under this
18 act, his or her election of option A shall take effect at the
19 time of retirement. Subject to the requirements of subsection
20 (5), the member may, before the effective date of retirement, but
21 not after the effective date of retirement, revoke his or her
22 previous election of option A and elect to receive his or her
23 retirement allowance as a regular retirement allowance or under
24 option B OR C as provided for in subsection (1). A retirement
25 allowance shall not be paid under this subsection on account of
26 the death of a member if any benefits are paid under section 27
27 on account of his or her death. If a deferred member who has an

1 option A election in effect dies ~~prior to~~ BEFORE the effective
2 date of his or her retirement, the retirement allowance payable
3 under option A shall be paid to the retirement allowance benefi-
4 ciary at the time the deceased deferred member otherwise would
5 have been eligible to begin receiving benefits.

6 (5) If a member, deferred member, retiring member, or retir-
7 ing deferred member is married at the effective date of the
8 retirement allowance, an election under this section, other than
9 an election of AN option ~~A or option B~~ UNDER SUBSECTION (1)
10 naming the spouse as retirement allowance beneficiary, shall not
11 be effective unless the election is signed by the spouse. ~~7~~
12 ~~except that~~ HOWEVER, this requirement may be waived by the
13 retirement board if the signature of a spouse cannot be obtained
14 because of extenuating circumstances. As used in this subsec-
15 tion, "spouse" means the person to whom the member, deferred
16 member, retiring member, or retiring deferred member is married
17 at the effective date of the retirement allowance.

18 (6) Until July 1, 1991, upon request in a form as determined
19 by the retirement board, a nonduty disability retirant who
20 retired under section 24 may change his or her election to
21 receive a disability retirement allowance computed as a regular
22 retirement allowance and elect to receive the actuarial equiva-
23 lent at the time of the election pursuant to this subsection of
24 his or her disability retirement allowance in a reduced retire-
25 ment allowance payable to the retirant and the retirant's spouse
26 ~~in accordance with~~ PURSUANT TO the provisions of AN option ~~A~~
27 ~~or B~~ as provided in subsection (1), if the disability retirement

1 allowance effective date was before November 12, 1985 and the
2 retirant had 25 or more years of credited service on the disabili-
3 ty retirement allowance effective date. The nonduty disability
4 retirant shall begin to receive the reduced retirement allowance
5 under this subsection effective the first day of the month fol-
6 lowing the month in which the retirant makes the election pursu-
7 ant to this subsection. As used in this subsection, "spouse"
8 means the person to whom the nonduty disability retirant was mar-
9 ried on the effective date of his or her disability retirement
10 allowance and on the date the retirant makes the election pursu-
11 ant to this subsection.

12 (7) If a member who continues in the employ of the state on
13 and after the date he or she acquires 10 years of service credit,
14 OR ON OR AFTER THE DATE HE OR SHE BECOMES ELIGIBLE FOR DEFERRED
15 RETIREMENT AS PROVIDED BY SECTION 20(4) OR (5), WHICHEVER OCCURS
16 FIRST, and who does not have an election of option A in force as
17 provided in subsection (4), dies ~~prior to~~ BEFORE the effective
18 date of retirement and leaves a surviving spouse, the spouse
19 shall receive a retirement allowance computed in the same manner
20 as if the member had retired effective the day before the date of
21 his or her death, elected option A, and nominated the spouse as
22 retirement allowance beneficiary. When the retirement allowance
23 beneficiary dies, his or her retirement allowance shall
24 terminate. If the aggregate amount of retirement allowance pay-
25 ments received by the beneficiary is less than the accumulated
26 contributions credited to the member's account in the employees'
27 savings fund at the time of the member's death, the difference

1 between the accumulated contributions and the aggregate amount of
2 retirement allowance payments received by the beneficiary shall
3 be transferred from the employer's accumulation fund or pension
4 reserve fund to the employees' savings fund and paid ~~in accord-~~
5 ~~ance with~~ PURSUANT TO section 29. A retirement allowance shall
6 not be paid under this subsection on account of the death of a
7 member if benefits are paid under section 27 on account of his or
8 her death.

9 SEC. 31A. (1) IF A RETIRANT RECEIVING A RETIREMENT ALLOW-
10 ANCE UNDER THIS ACT DIES AND THERE IS NOT A SURVIVING SPOUSE OR
11 OTHER BENEFICIARY TO WHOM A RETIREMENT ALLOWANCE IS PAYABLE UNDER
12 THIS ACT, A RETIREMENT ALLOWANCE SHALL BE PAID TO THE CHILDREN OF
13 THE DECEASED RETIRANT AS PROVIDED IN THIS SECTION.

14 (2) THE RETIREMENT SYSTEM SHALL PAY TO THE CHILDREN OF THE
15 DECEASED RETIRANT, SHARE AND SHARE ALIKE, 50% OF THE RETIREMENT
16 ALLOWANCE THAT WOULD HAVE BEEN PAYABLE TO THE RETIRANT IF HE OR
17 SHE HAD ELECTED A REGULAR RETIREMENT ALLOWANCE UNDER SECTION 31,
18 UNDER THE FOLLOWING CIRCUMSTANCES:

19 (A) TO A CHILD UNTIL THE CHILD ATTAINS 19 YEARS OF AGE,
20 UNLESS A RETIREMENT ALLOWANCE IS PAYABLE UNDER SUBDIVISION (B)
21 OR (C).

22 (B) TO A CHILD UNTIL THE CHILD ATTAINS 25 YEARS OF AGE, IF
23 THE CHILD IS ENROLLED AS A FULL-TIME STUDENT IN SECONDARY OR
24 POSTSECONDARY EDUCATION.

25 (C) TO A CHILD, REGARDLESS OF AGE, IF THE CHILD IS INCAPABLE
26 OF SELF-SUSTAINING EMPLOYMENT BECAUSE OF A HANDICAP AS DEFINED IN
27 SECTION 103 OF THE MICHIGAN HANDICAPPERS' CIVIL RIGHTS ACT, ACT

1 NO. 220 OF THE PUBLIC ACTS OF 1976, BEING SECTION 37.1103 OF THE
2 MICHIGAN COMPILED LAWS.

3 (3) WHEN A CHILD RECEIVING A RETIREMENT ALLOWANCE UNDER
4 SUBSECTION (2) IS NO LONGER ELIGIBLE TO RECEIVE A RETIREMENT
5 ALLOWANCE UNDER THIS SECTION, PAYMENT TO THE CHILD SHALL CEASE
6 AND HIS OR HER SHARE SHALL BE PRORATED AMONG THE REMAINING CHIL-
7 DREN ELIGIBLE TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS SEC-
8 TION, IF ANY.