

# HOUSE BILL No. 5742

April 6, 1992, Introduced by Reps. Gubow, Harrison, Barns, Berman, Baade, Emerson, Pitoniak and Harder and referred to the Committee on Senior Citizens and Retirement.

A bill to amend sections 19 and 38 of Act No. 240 of the Public Acts of 1943, entitled as amended

"State employees' retirement act,"

section 19 as amended by Act No. 297 of the Public Acts of 1989 and section 38 as amended by Act No. 62 of the Public Acts of 1991, being sections 38.19 and 38.38 of the Michigan Compiled Laws; and to add section 19e.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 19 and 38 of Act No. 240 of the Public  
2 Acts of 1943, section 19 as amended by Act No. 297 of the Public  
3 Acts of 1989 and section 38 as amended by Act No. 62 of the  
4 Public Acts of 1991, being sections 38.19 and 38.38 of the  
5 Michigan Compiled Laws, are amended and section 19e is added to  
6 read as follows:

1       Sec. 19. (1) A member who is 60 years of age or older and  
2 has 10 or more years of credited service OR A MEMBER WHO IS 60  
3 YEARS OF AGE OR OLDER AND HAS 5 OR MORE YEARS OF CREDITED SERVICE  
4 AS PROVIDED IN SECTION 20(4) OR (5), may retire upon written  
5 application to the retirement board, stating a date, not less  
6 than 30 or more than 90 days after the execution and filing of  
7 the application, on which he or she desires to retire. Beginning  
8 on the retirement allowance effective date, he or she shall  
9 receive a retirement allowance computed according to  
10 section 20(1).

11       (2) A member who is 55 years of age or older, but less than  
12 60 years of age, and has 15 or more years of credited service,  
13 may retire upon written application to the retirement board stat-  
14 ing a date, not less than 30 or more than 90 days after the exe-  
15 cution and filing of the application, on which he or she desires  
16 to retire. Upon retirement he or she shall receive a retirement  
17 allowance computed according to section 20(1). The retirement  
18 allowance of a member who RETIRES UNDER THIS SUBSECTION AND WHO  
19 has less than 30 years OF credited service shall be reduced by an  
20 amount ~~which~~ THAT is 0.5% of the retirement allowance multi-  
21 plied by the number of months the person's age at retirement is  
22 under 60 years. The reduction of 1/2 of 1% for each month and  
23 fraction of a month from the member's retirement allowance effec-  
24 tive date to the date of the member's sixtieth birthday provided  
25 for in this subsection ~~shall~~ DOES not apply to a member who  
26 retired before July 1, 1974 and before attainment of 60 YEARS OF  
27 age, with 30 or more years of credited service. The retirement

1 allowance of a retirant or beneficiary of a retirant who retired  
2 before that date shall be recalculated disregarding the reduction  
3 and the person receiving the retirement allowance ~~shall be~~ IS  
4 eligible to receive an adjusted retirement allowance based on the  
5 recalculation beginning October 1, 1987, but ~~shall~~ IS not ~~be~~  
6 eligible to receive the adjusted amount attributable to any month  
7 beginning before October 1, 1987. The recalculated retirement  
8 allowance provided by this subsection shall be paid by January 1,  
9 1988. The retirement allowance of a retirant who dies before  
10 January 1, 1988, and who has not nominated a retirement allowance  
11 beneficiary pursuant to section 31 ~~—~~ shall not be recalculated  
12 pursuant to this subsection.

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

17 ~~(a) The member files a written application with the retire-~~  
18 ~~ment board stating a date, not less than 30 or more than 90 days~~  
19 ~~after the execution and filing of the application, on which the~~  
20 ~~member desires to retire, and which is within the early retire-~~  
21 ~~ment effective period.~~

22 ~~(b) The member was employed by the state for the 6 month~~  
23 ~~period immediately preceding the member's retirement allowance~~  
24 ~~effective date. This subdivision shall not apply to a member who~~  
25 ~~had been restored to active service during that 6 month period~~  
26 ~~pursuant to section 33.~~

~~1 (c) On the last day of the month immediately preceding the~~  
~~2 retirement allowance effective date stated in the application the~~  
~~3 member's combined age and length of credited service is equal to~~  
~~4 or greater than 80 years and the member is 50 years of age or~~  
~~5 older.~~

~~6 (d) For purposes of this subsection, "early retirement~~  
~~7 effective period" means 1 of the following:~~

~~8 (i) Except as provided in subparagraph (ii), the period~~  
~~9 beginning on April 1, 1988 and ending on April 1, 1989.~~

~~10 (ii) For a member employed by a department of mental health~~  
~~11 hospital or facility that is in the process of being closed by~~  
~~12 the department of mental health, the period beginning on April 1,~~  
~~13 1988 and ending on October 1, 1989.~~

~~14 (4) As used in subsections (5) to (9):~~

~~15 (a) "Agency of the department" means 1 of the following:~~

~~16 (i) Southwest Michigan community living services.~~

~~17 (ii) Wayne community living services.~~

~~18 (b) "Department inpatient facility" means 1 of the~~  
~~19 following:~~

~~20 (i) A developmental disability center that is directly oper-~~  
~~21 ated by the department of mental health for purposes of providing~~  
~~22 inpatient care and treatment services to persons with developmen-~~  
~~23 tal disabilities.~~

~~24 (ii) A psychiatric hospital that is directly operated by the~~  
~~25 department of mental health for purposes of providing inpatient~~  
~~26 diagnostic and therapeutic services to persons who are mentally~~  
~~27 ill.~~

1     ~~(5) Notwithstanding any other provision of this section, a~~  
2 ~~member who is an employee of an agency of the department or a~~  
3 ~~department inpatient facility and is on layoff status because the~~  
4 ~~agency or inpatient facility has been designated by the director~~  
5 ~~of mental health for closure on or after October 1, 1989, may~~  
6 ~~retire as provided in subsection (7) or (8), as applicable, with~~  
7 ~~a retirement allowance computed according to section 20(1), with~~  
8 ~~out regard to the reduction in subsection (2), upon satisfaction~~  
9 ~~of any 1 of the following conditions:~~

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

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

18     ~~(c) The member has 25 or more years of credited service,~~  
19 ~~regardless of age, as an employee of an agency of the department~~  
20 ~~designated for closure or a department inpatient facility desig-~~  
21 ~~nated for closure.~~

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

~~(7) Except as provided in subsection (8), a member who is eligible to receive a retirement allowance under subsection (5) may retire effective on the date that an agency of the department or a department inpatient facility designated for closure as provided in subsection (5) actually closes, upon written application to the retirement board not less than 30 or more than 180 days before the designated official date of closure. Beginning on the retirement allowance effective date, he or she shall receive a retirement allowance computed according to section 20(1).~~

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

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

SEC. 19E. (1) AS USED IN THIS SECTION:

(A) "DOWNSIZE" MEANS TO REDUCE THE NUMBER OF BEDS OR PERSONNEL BY 50% OR MORE.

1 (B) "MENTAL HEALTH FACILITY" MEANS 1 OF THE FOLLOWING:

2 (i) SOUTHWEST MICHIGAN COMMUNITY LIVING SERVICES.

3 (ii) WAYNE COMMUNITY LIVING SERVICES.

4 (iii) A DEVELOPMENTAL DISABILITY CENTER THAT IS DIRECTLY  
5 OPERATED BY THE DEPARTMENT OF MENTAL HEALTH FOR PURPOSES OF PRO-  
6 VIDING INPATIENT CARE AND TREATMENT SERVICES TO PERSONS WITH  
7 DEVELOPMENTAL DISABILITIES.

8 (iv) A PSYCHIATRIC HOSPITAL THAT IS DIRECTLY OPERATED BY THE  
9 DEPARTMENT OF MENTAL HEALTH FOR PURPOSES OF PROVIDING INPATIENT  
10 DIAGNOSTIC AND THERAPEUTIC SERVICES TO PERSONS WHO ARE MENTALLY  
11 ILL.

12 (2) NOTWITHSTANDING SECTION 19, A MEMBER WHO IS AN EMPLOYEE  
13 OF A MENTAL HEALTH FACILITY THAT HAS BEEN DESIGNATED BY THE  
14 DIRECTOR OF MENTAL HEALTH FOR CLOSURE ON OR AFTER OCTOBER 1, 1989  
15 OR THAT IS BEING DOWNSIZED BY THE DEPARTMENT OF MENTAL HEALTH ON  
16 OR AFTER OCTOBER 1, 1989 MAY RETIRE AS PROVIDED IN SUBSECTION (4)  
17 WITH A RETIREMENT ALLOWANCE COMPUTED ACCORDING TO SECTION 20(1),  
18 WITHOUT REGARD TO THE REDUCTION IN SECTION 19(2), UPON SATISFAC-  
19 TION OF ANY 1 OF THE FOLLOWING CONDITIONS:

20 (A) THE MEMBER IS 51 YEARS OF AGE OR OLDER AND HAS 25 OR  
21 MORE YEARS OF CREDITED SERVICE, THE LAST 5 OF WHICH ARE AS AN  
22 EMPLOYEE OF A MENTAL HEALTH FACILITY OR FACILITIES, DESIGNATED  
23 FOR CLOSURE OR SUBJECT TO DOWNSIZING.

24 (B) THE MEMBER IS AT LEAST 56 YEARS OF AGE AND HAS 10 OR  
25 MORE YEARS OF CREDITED SERVICE, THE LAST 5 OF WHICH ARE AS AN  
26 EMPLOYEE OF A MENTAL HEALTH FACILITY OR FACILITIES, DESIGNATED  
27 FOR CLOSURE OR SUBJECT TO DOWNSIZING.

1 (C) THE MEMBER HAS 20 OR MORE YEARS OF CREDITED SERVICE,  
2 REGARDLESS OF AGE, AS AN EMPLOYEE OF A MENTAL HEALTH FACILITY OR  
3 FACILITIES, DESIGNATED FOR CLOSURE OR SUBJECT TO DOWNSIZING.

4 (3) IF A MENTAL HEALTH FACILITY IS DESIGNATED FOR CLOSURE ON  
5 OR AFTER OCTOBER 1, 1989, THE DIRECTOR OF MENTAL HEALTH SHALL  
6 CERTIFY IN WRITING TO THE STATE LEGISLATURE AND THE RETIREMENT  
7 BOARD, NOT LESS THAN 240 DAYS BEFORE THE DESIGNATED OFFICIAL DATE  
8 OF CLOSURE, WHICH MENTAL HEALTH FACILITY IS TO BE CLOSED AND THE  
9 DESIGNATED OFFICIAL DATE OF CLOSURE. IF A MENTAL HEALTH FACILITY  
10 IS TO BE DOWNSIZED ON OR AFTER OCTOBER 1, 1989, THE DIRECTOR OF  
11 MENTAL HEALTH SHALL CERTIFY IN WRITING TO THE STATE LEGISLATURE  
12 AND THE RETIREMENT BOARD, NOT MORE THAN 30 DAYS AFTER THE EFFEC-  
13 TIVE DATE OF THIS SECTION OR 30 DAYS AFTER THE DECISION TO DOWN-  
14 SIZE THE MENTAL HEALTH FACILITY IS MADE, WHICHEVER IS LATER,  
15 WHICH MENTAL HEALTH FACILITY IS TO BE DOWNSIZED.

16 (4) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A  
17 MEMBER WHO IS ELIGIBLE TO RECEIVE A RETIREMENT ALLOWANCE UNDER  
18 SUBSECTION (2) MAY RETIRE EFFECTIVE ON THE DATE THAT A MENTAL  
19 HEALTH FACILITY DESIGNATED FOR CLOSURE AS PROVIDED IN  
20 SUBSECTION (2) ACTUALLY CLOSES, UPON WRITTEN APPLICATION TO THE  
21 RETIREMENT BOARD NOT LESS THAN 30 OR MORE THAN 180 DAYS BEFORE  
22 THE DESIGNATED OFFICIAL DATE OF CLOSURE. A MEMBER WHO BECOMES  
23 ELIGIBLE TO RECEIVE A RETIREMENT ALLOWANCE UNDER SUBSECTION (2)  
24 AND WHO WAS AN EMPLOYEE OF A MENTAL HEALTH FACILITY THAT HAS BEEN  
25 DESIGNATED FOR CLOSURE AS PROVIDED IN SUBSECTION (2) AND THAT  
26 ACTUALLY CLOSES ON OR AFTER OCTOBER 1, 1989 MAY RETIRE UPON  
27 WRITTEN APPLICATION TO THE RETIREMENT BOARD, STATING A DATE, NOT



1 LESS THAN 30 OR MORE THAN 180 DAYS AFTER THE FACILITY ACTUALLY  
2 CLOSES, UPON WHICH HE OR SHE WISHES TO RETIRE. A MEMBER WHO IS  
3 ELIGIBLE TO RECEIVE A RETIREMENT ALLOWANCE UNDER SUBSECTION (2)  
4 MAY RETIRE EFFECTIVE NOT LESS THAN 30 DAYS AFTER THE DIRECTOR OF  
5 MENTAL HEALTH CERTIFIES THE DOWNSIZING UNDER SUBSECTION (3), UPON  
6 WRITTEN APPLICATION TO THE RETIREMENT BOARD, STATING A DATE, NOT  
7 LESS THAN 30 OR MORE THAN 90 DAYS AFTER THE EXECUTION AND FILING  
8 OF THE APPLICATION, ON WHICH HE OR SHE WISHES TO RETIRE.

9 (5) ANY ADDITIONAL ACCRUED ACTUARIAL COST AND COSTS FOR  
10 HEALTH INSURANCE RESULTING FROM THE IMPLEMENTATION OF  
11 SUBSECTION (2) SHALL BE FUNDED FROM APPROPRIATIONS TO THE DEPART-  
12 MENT OF MENTAL HEALTH FOR THIS PURPOSE.

13 Sec. 38. (1) The annual level percent of payroll contribu-  
14 tion rate to finance the benefits provided under this act shall  
15 be determined by actuarial valuation pursuant to subsections (2)  
16 to (4), and upon the basis of the risk assumptions adopted by the  
17 retirement board with approval of the department of management  
18 and budget, and in consultation with the investment counsel and  
19 the actuary. An annual actuarial valuation shall be made of the  
20 retirement system in order to determine the actuarial condition  
21 of the retirement system and the required contribution to the  
22 retirement system. The actuarial value of assets used in the  
23 actuary's computation of the required contribution to the retire-  
24 ment system shall be based upon the market value of the assets as  
25 of September 30, 1986, with subsequent changes in asset values  
26 spread over a period of 5 years. The actuary shall report to the  
27 legislature by April 15 of each year on the actuarial condition

1 of the retirement system as of the end of the previous fiscal  
2 year ~~7~~ and projections of state contributions for the next  
3 fiscal year. ~~7 and~~ THE ACTUARY shall certify IN THE REPORT  
4 that the techniques and methodologies used are generally accepted  
5 within the actuarial profession and that the assumptions and cost  
6 estimates used fall within the range of reasonable and prudent  
7 assumptions and cost estimates. An annual actuarial gain-loss  
8 experience study of the retirement system shall be made in order  
9 to determine the financial effect of variations of actual retire-  
10 ment system experience from projected experience.

11 (2) The contribution rate for monthly benefits payable in  
12 the event of the death of a member before retirement or the dis-  
13 ability of a member shall be computed using a terminal funding  
14 method of actuarial valuation.

15 (3) The contribution rate for benefits other than those pro-  
16 vided for in subsection (2), including dental and vision benefits  
17 under section 20d, shall be computed using an individual  
18 projected benefit entry age normal cost method of valuation. The  
19 contribution rate for service that may be rendered in the current  
20 year, the normal cost contribution rate, shall be equal to the  
21 aggregate amount of individual entry age normal costs divided by  
22 1% of the aggregate amount of active members' valuation  
23 compensation. The unfunded actuarial accrued liability shall be  
24 equal to the actuarial present value of benefits reduced by the  
25 actuarial present value of future normal cost contributions and  
26 the actuarial value of assets on the valuation date. THE  
27 UNFUNDED ACTUARIAL ACCRUED LIABILITY OF THE ACTUARIAL PRESENT

1 VALUE OF BENEFITS ATTRIBUTABLE TO SECTION 19(3) AS IT EXISTED ON  
 2 THE DAY BEFORE THE EFFECTIVE DATE OF SECTION 19E SHALL BE AMOR-  
 3 TIZED OVER A 10-YEAR AMORTIZATION PERIOD. The REMAINING unfunded  
 4 actuarial accrued liability shall be amortized over the following  
 5 respective amortization periods:

| 6<br>7 <u>Portion of unfunded actuarial accrued liability</u>   | Amortization<br><u>Period</u> |
|---|-------------------------------|
| 8 Portion existing on September 30, 1985  | 50 years                      |
| 9 Net actuarial gains or losses after September 30,<br>10 1985  | 15 years                      |
| 11 Actuarial present value of benefits attributable<br>12 to sections <del>19(3),</del> 19b, 19c, and 19d                               | 10 years                      |
| 13 Portion attributable to benefit changes after<br>14 September 30, 1985 other than sections <del>19(3),</del><br>15 19b, 19c, and 19d | 50 years                      |

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

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

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

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

12 (6) The legislature annually shall appropriate to the  
13 retirement system the amount determined pursuant to subsections  
14 (2) to (4). The state treasurer shall transfer monthly to the  
15 retirement system an amount equal to the product of the contribu-  
16 tion rates determined in subsections (2) to (4) times the aggre-  
17 gate amount of active member compensation paid during that  
18 month. Not later than 60 days after the termination of each  
19 state fiscal year, the bureau of retirement systems shall certify  
20 to the director of the department of management and budget the  
21 actual aggregate compensations paid to active members during the  
22 preceding state fiscal year. Upon receipt of that certification,  
23 the director of the department of management and budget shall  
24 compute the difference, if any, between actual state contribu-  
25 tions received during the preceding state fiscal year and the  
26 product of the contribution rates determined in subsections (2)  
27 to (4) times the aggregate compensations paid to active members

1 during the preceding state fiscal year. The difference, if any,  
2 shall be submitted in the executive budget to the legislature for  
3 appropriation in the next succeeding state fiscal year.