

SENATE BILL No. 155

March 12, 1991, Introduced by Senators EMMONS, MC MANUS
and DE GROW and referred to the Committee on Mental
Health, Human Resources, and Senior Citizens.

A bill to amend sections 19, 20, 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 sections 20 and 38 as amended by Act No. 241 of the Public
Acts of 1987, being sections 38.19, 38.20, and 38.38 of the
Michigan Compiled Laws; and to add section 19b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 19, 20, and 38 of Act No. 240 of the
2 Public Acts of 1943, section 19 as amended by Act No. 297 of the
3 Public Acts of 1989 and sections 20 and 38 as amended by Act
4 No. 241 of the Public Acts of 1987, being sections 38.19, 38.20,
5 and 38.38 of the Michigan Compiled Laws, are amended and
6 section 19b is added to 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 section
10 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~~ YEARS OF credited service shall be
20 reduced by an amount ~~which~~ THAT is 0.5% of the retirement
21 allowance multiplied by the number of months the person's age at
22 retirement is under 60 years. The reduction of 1/2 of 1% for
23 each month and fraction of a month from the member's retirement
24 allowance effective date to the date of the member's sixtieth
25 birthday provided for in this subsection ~~shall~~ DOES not apply
26 to a member who retired before July 1, 1974 and before attainment
27 of ~~age~~ 60 YEARS OF AGE, with 30 or more years of credited

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

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

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

23 (b) The member was employed by the state for the 6-month
24 period immediately preceding the member's retirement allowance
25 effective date. This subdivision ~~shall~~ DOES not apply to a
26 member who ~~had been~~ WAS restored to active service during that
27 6-month period 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~~ 50 years of age or older and has ~~25~~
11 20 or more years of credited service, the last 5 of which are as
12 an employee of an agency OR AGENCIES of the department designated
13 for closure or a department inpatient facility OR FACILITIES des-
14 ignated for closure.

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

20 (c) The member has ~~25~~ 20 or more years of credited serv-
21 ice, regardless of age, as an employee of an agency OR AGENCIES
22 of the department designated for closure or a department inpa-
23 tient facility OR FACILITIES designated for closure.

24 (6) When AN AGENCY OF THE DEPARTMENT OR a department inpa-
25 tient facility ~~or agency~~ is designated for closure on or after
26 October 1, 1989, the director of mental health shall certify in
27 writing to the state legislature and the retirement board, not

1 less than 240 days before the designated official date of
2 closure, which ~~facility or~~ agency OF THE DEPARTMENT OR DEPART-
3 MENT INPATIENT FACILITY is to be closed and the designated offi-
4 cial date of closure.

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

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

25 (9) Any additional accrued actuarial cost and costs for
26 health insurance resulting from the implementation of subsection

1 (5) shall be funded from appropriations to the department of
2 mental health for this purpose.

3 SEC. 19B. (1) NOTWITHSTANDING SECTION 19, A MEMBER MAY
4 RETIRE AND RECEIVE A RETIREMENT ALLOWANCE COMPUTED UNDER SECTION
5 20(1) IF THE MEMBER MEETS ALL OF THE FOLLOWING REQUIREMENTS:

6 (A) ON THE EFFECTIVE DATE OF HIS OR HER RETIREMENT, THE
7 MEMBER HAS MET THE SERVICE REQUIREMENTS TO RECEIVE A RETIREMENT
8 ALLOWANCE UNDER THIS ACT AND THE MEMBER'S COMBINED AGE AND AMOUNT
9 OF CREDITED SERVICE IS EQUAL TO OR GREATER THAN 75 YEARS AND THE
10 MEMBER IS 50 YEARS OF AGE OR OLDER.

11 (B) THE MEMBER WAS EMPLOYED BY THIS STATE FOR THE 6-MONTH
12 PERIOD BEGINNING ON NOVEMBER 1, 1990 AND ENDING ON MAY 1, 1991.
13 A MEMBER WHO WAS RESTORED TO ACTIVE SERVICE DURING THAT 6-MONTH
14 PERIOD UNDER SECTION 33 OR A MEMBER WHO IS ON LAYOFF STATUS FROM
15 STATE EMPLOYMENT IS CONSIDERED TO HAVE MET THE EMPLOYMENT
16 REQUIREMENT OF THIS SUBDIVISION.

17 (C) THE MEMBER FILES A WRITTEN APPLICATION WITH THE RETIRE-
18 MENT BOARD, ON OR AFTER MAY 1, 1991, BUT NOT LATER THAN
19 SEPTEMBER 1, 1991, STATING A DATE, WHICH DATE SHALL BE 30 TO 90
20 DAYS AFTER THE EXECUTION AND FILING OF THE APPLICATION BUT NOT
21 LATER THAN OCTOBER 1, 1991, ON WHICH HE OR SHE DESIRES TO
22 RETIRE.

23 (2) ANY AMOUNT THAT A MEMBER RETIRING UNDER THIS SECTION
24 WOULD OTHERWISE BE ENTITLED TO RECEIVE IN A LUMP SUM AT RETIRE-
25 MENT ON ACCOUNT OF ACCUMULATED SICK LEAVE SHALL BE PAID IN 60
26 CONSECUTIVE EQUAL MONTHLY INSTALLMENTS.

1 Sec. 20... (1) Upon his or her retirement, as provided for in
2 section 19, 19A, OR 19B, a member shall receive a retirement
3 allowance equal to the member's number of years and fraction of a
4 year of credited service multiplied by 1-1/2% of his or her final
5 average compensation. The member's retirement allowance ~~shall~~
6 ~~be~~ IS subject to subsection (3). Upon his or her retirement,
7 ~~he or she shall have the right to~~ THE MEMBER MAY elect an
8 option provided for in section 31(1).

9 (2) Pursuant to rules promulgated by the RETIREMENT board, a
10 member who retires ~~prior to~~ BEFORE becoming 65 years of age may
11 elect to have his or her regular retirement allowance equated on
12 an actuarial basis to provide an increased retirement allowance
13 payable to his or her attainment of ~~age~~ 65 YEARS OF AGE and a
14 reduced retirement allowance payable ~~thereafter~~ AFTER 65 YEARS
15 OF AGE. His or her increased retirement allowance payable to age
16 65 shall approximately equal the sum of his or her reduced
17 retirement allowance payable after age 65 and his or her esti-
18 mated social security primary insurance amount. In addition,
19 upon retirement ~~he or she~~ THE MEMBER may elect an option pro-
20 vided for in section 31(1).

21 (3) If a retirant dies before receiving payment of his or
22 her retirement allowance in an aggregate amount equal to the
23 retirant's accumulated contributions credited to the retirant in
24 the employees' savings fund at the time of his or her retirement,
25 the difference between his or her accumulated contributions and
26 the amount of retirement allowance received by him or her shall
27 be paid to the person or persons ~~as~~ THAT he or she nominated by

1 written designation duly executed and filed with the RETIREMENT
2 board. If the person or persons do not survive the retirant,
3 then the difference, if any, shall be paid to ~~his or her~~ THE
4 RETIRANT'S legal representative OR ESTATE. Benefits shall not be
5 paid under this subsection on account of the death of the retir-
6 ant if he or she elected AN option ~~A or B~~ provided for in sec-
7 tion 31(1).

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

1 (5) A person who is a member after January 1, 1981, who has
2 at least 5 years of credited service, and whose employment with
3 the department of mental health is terminated by reason of reduc-
4 tion in force related to deinstitutionalization ~~which~~ THAT may
5 or may not result in facility closure, shall remain a member
6 during the period of absence from the state service for the
7 exclusive purpose of receiving a service retirement allowance as
8 provided in this subsection. ~~For purposes of~~ AS USED IN this
9 subsection, "deinstitutionalization" means planned reduction of
10 state center or hospital beds through placement of individuals
11 from the hospital or facility, or through limiting admissions to
12 centers and hospitals, or both. If a member withdraws all or
13 part of the member's accumulated contributions, the member shall
14 cease to be a member. Upon becoming 60 years of age or older,
15 the member may retire upon written application to the retirement
16 board. The application shall specify a date, not less than 30
17 days ~~nor~~ OR more than 90 days after the execution and filing of
18 the application, on which the member desires to retire. Upon
19 retirement, the member shall receive a retirement allowance equal
20 to the number of years and fraction of a year of credited state
21 service multiplied by 1-1/2% of the member's final average
22 compensation. Upon retirement, the member may elect an option
23 provided in section 31(1). If the member ~~selected~~ ELECTS an
24 option provided for in section 31(4), but ~~died~~ DIES before the
25 effective date of retirement, the option ~~selected~~ ELECTED by
26 the member shall be carried out and a beneficiary of the member
27 ~~shall be~~ IS entitled to all advantages due under the option.

1 (6) A retirant or the beneficiary of a retirant who retired
2 before July 1, 1974 shall have his or her retirement allowance
3 recalculated based on the retirant's number of years and fraction
4 of a year of credited service multiplied by 1.5% of his or her
5 final average compensation. The retirant or beneficiary ~~shall~~
6 ~~be~~ IS eligible to receive the recalculated retirement allowance
7 beginning October 1, 1987, but ~~shall~~ IS not ~~be~~ eligible to
8 receive the adjusted amount attributable to any month beginning
9 before October 1, 1987. The recalculated retirement allowance
10 provided by this subsection shall be paid by January 1, 1988 and
11 shall be the basis on which future adjustments to the allowance,
12 including the supplement provided by section 20h, are
13 calculated. The retirement allowance of a retirant who dies
14 before January 1, 1988, and who ~~has~~ DID not ~~nominated~~
15 NOMINATE a retirement allowance beneficiary pursuant to
16 section 31, shall not be recalculated pursuant to this
17 subsection.

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

24 Sec. 38. (1) The annual level percent of payroll contribu-
25 tion rate to finance the benefits provided under this act shall
26 be determined by actuarial valuation pursuant to subsections (2)
27 ~~and (3)~~ TO (4), and upon the basis of the risk assumptions

1 adopted by the retirement board with approval of the department
2 of management and budget, and in consultation with the investment
3 counsel and the actuary. An annual actuarial valuation shall be
4 made of the retirement system in order to determine the actuarial
5 condition of the retirement system and the required contribution
6 to the retirement system. The actuarial value of assets used in
7 the actuary's computation of the required contribution to the
8 retirement system shall be based upon the market value of the
9 assets as of September 30, 1986, with subsequent changes in asset
10 values spread over a period of 5 years. The actuary shall report
11 to the legislature by April 15 of each year on the actuarial con-
12 dition of the retirement system as of the end of the previous
13 fiscal year, and projections of state contributions for the next
14 fiscal year, and shall certify that the techniques and methodolo-
15 gies used are generally accepted within the actuarial profession
16 and that the assumptions and cost estimates used fall within the
17 range of reasonable and prudent assumptions and cost estimates.
18 An annual actuarial gain-loss experience study of the retirement
19 system shall be made in order to determine the financial effect
20 of variations of actual retirement system experience from
21 projected experience.

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

26 (3) The contribution rate for benefits other than those
27 provided for in subsection (2), including dental and vision

1 benefits under section 20d, shall be computed using an individual
 2 projected benefit entry age normal cost method of valuation. The
 3 contribution rate for service ~~which~~ THAT may be rendered in the
 4 current year, the normal cost contribution rate, shall be equal
 5 to the aggregate amount of individual entry age normal costs
 6 divided by 1% of the aggregate amount of active members' valua-
 7 tion compensation. The unfunded actuarial accrued liability
 8 shall be equal to the actuarial present value of benefits reduced
 9 by the actuarial present value of future normal cost contribu-
 10 tions and the actuarial value of assets on the valuation date.
 11 The unfunded actuarial accrued liability shall be amortized over
 12 the following respective amortization periods:

13	Amortization
14 <u>Portion of unfunded actuarial accrued liability</u>	<u>Period</u>
15 Portion existing on September 30, 1985	50 years
16 Net actuarial gains or losses after September 30, 17 1985	15 years
18 Actuarial present value of benefits attributable 19 to section SECTIONS 19(3) AND 19B	10 years
20 Portion attributable to benefit changes after 21 September 30, 1985 other than section 19(3)	50 years
22 (4) The director of the department of management and budget 23 and the state treasurer may amortize net actuarial gains over a 24 period of less than 15 years when the actuarial value of the	

1 assets of the retirement system exceeds the present value of
2 credited projected benefits according to 1 OF the following:

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

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

11 (5) The director of the department of management and budget
12 or the state treasurer shall give the RETIREMENT board 30 days'
13 notice of any action to amortize net actuarial gains over a
14 period of 15 years or less UNDER SUBSECTION (4). The actuary
15 shall make a written report to the retirement board and the leg-
16 islature by January 1, 1990 discussing the appropriateness to
17 date of the revised amortization periods.

18 (6) ~~-(4)-~~ The legislature annually shall appropriate to the
19 retirement system the amount determined pursuant to subsections
20 (2) ~~-and-(3)-~~ TO (4). The state treasurer shall transfer monthly
21 to the retirement system an amount equal to the product of the
22 contribution rates determined in subsections (2) ~~-and-(3)-~~ TO (4)
23 times the aggregate amount of active member compensation paid
24 during that month. Not later than 60 days after the termination
25 of each state fiscal year, the bureau of retirement systems shall
26 certify to the director of the department of management and
27 budget the actual aggregate compensations paid to active members

1 during the preceding state fiscal year. Upon receipt of that
2 certification, the director of the department of management and
3 budget shall compute the difference, if any, between actual state
4 contributions received during the preceding state fiscal year and
5 the product of the contribution rates determined in subsections
6 (2) ~~and (3)~~ TO (4) times the aggregate compensations paid to
7 active members during the preceding state fiscal year. The dif-
8 ference, if any, shall be submitted in the executive budget to
9 the legislature for appropriation in the next succeeding state
10 fiscal year.