

SENATE BILL No. 229

March 21, 1991, Introduced by Senators BARCIA, KELLY and CHERRY and referred to the Committee on Mental Health, Human Resources, and Senior Citizens.

A bill to amend sections 1 and 31 of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act," as amended by Act No. 177 of the Public Acts of 1990, being sections 38.1 and 38.31 of the Michigan Compiled Laws; and to add section 49.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 1 and 31 of Act No. 240 of the Public
2 Acts of 1943, as amended by Act No. 177 of the Public Acts of
3 1990, being sections 38.1 and 38.31 of the Michigan Compiled
4 Laws, are amended and section 49 is added to read as follows:

5 Sec. 1. As used in this act:

6 (a) "Retirement system" means the state employees'
7 retirement system created by section 2.

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

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

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

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

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

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

12 (h) "Appointing authority" means the departmental officer
13 who has the responsibility of making appointments and handling
14 all other personnel transactions affecting the employees in the
15 agency that the officer represents.

16 (i) "Service" means service rendered to the state by an
17 elected or appointed state official or employee of the state.
18 Credit for service shall be determined by appropriate rules and
19 regulations of the retirement board, but not more than 1 year of
20 service shall be creditable for all service in 1 calendar year.
21 The retirement board shall not allow credit as service for any
22 period of more than 1 month in any 1 calendar year during which
23 the employee was absent without pay. However, full service
24 credit shall be given for a period during which an employee is on
25 leave of absence and is receiving worker's compensation benefits
26 as the result of a ~~duty-incurred~~ DUTY-INCURRED disability.
27 Full service credit shall also be given to an employee for

1 required 1-day layoffs, for voluntary or involuntary
2 participation in pay reduction plan A, pay reduction plan B, or
3 both, in effect during the fiscal years ending on and after
4 September 30, 1981, and for required and designated temporary
5 layoffs.

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

9 (k) "Membership service" means all service rendered ON OR
10 after July 1, 1943.

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

13 (m) "Retirant" means a person who has ceased to be a member
14 of the retirement system by reason of retirement with a pension
15 or retirement allowance payable from the funds of the retirement
16 system.

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

20 (o) "Regular interest" means a rate or rates per annum, com-
21 pounded annually, as the retirement board determines. For the
22 purposes of employee refunds, the interest rate payable shall not
23 exceed 4% per annum, compounded annually.

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

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

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

8 (ii) Remuneration for services rendered after October 1,
9 1981, payable at retirement or termination under voluntary or
10 involuntary pay reduction plan B, in excess of the amount the
11 member would have received had the member been compensated for
12 those services at the rate of pay in effect at the time those
13 services were performed.

14 (iii) Payment for accrued annual leave at separation in
15 excess of 240 hours.

16 (iv) Remuneration received by an employee of the department
17 of mental health resulting from severance pay received because of
18 the deinstitutionalization of the department of mental health
19 resident population.

20 (v) Remuneration received as a bonus by investment managers
21 of the department of treasury under the treasury incentive bonus
22 plan first approved by the civil service commission on
23 February 11, 1988, pursuant to section 5 of article XI of the
24 state constitution of 1963.

25 (vi) Remuneration received as a bonus or merit payment by
26 assistant attorneys general in the department of attorney general
27 under the merit pay plan approved by the civil service commission

1 on January 19, 1990, pursuant to section 5 of article XI of the
2 state constitution of 1963.

3 (r) ~~"Final average compensation" means the average of those~~
4 ~~years of highest annual compensation received by a member during~~
5 ~~a period of 5 consecutive years of credited service; or if the~~
6 ~~member has less than 5 years of credited service, then the aver-~~
7 ~~age of the annual compensation received by the member during the~~
8 ~~member's total years of credited service. For a person whose~~
9 ~~retirement allowance effective date is on or after October 1,~~
10 ~~1987, "final average compensation" means the average of those~~
11 years of highest annual compensation received by a member during
12 a period of 3 consecutive years of credited service; or if the
13 member has less than 3 years of credited service, then the aver-
14 age of the annual compensation received by the member during the
15 member's total years of credited service. A member's final aver-
16 age compensation shall not be diminished because of required
17 1-day layoffs. The compensation used in computing the final
18 average compensation for a period during which a member is in a
19 voluntary or involuntary pay reduction plan A or on a designated
20 temporary layoff shall include the value of the hours not worked
21 calculated at the member's hourly rate or rates of pay in effect
22 immediately before the applicable final average compensation
23 period. A member's final average compensation shall not be
24 increased or decreased by the member's participation in voluntary
25 or involuntary pay reduction plan B. Payment for accrued annual
26 leave at separation in excess of 240 hours shall not be included
27 in final average compensation.

1 (s) "Final compensation" means a member's annual rate of
2 compensation at the time the member last terminates employment
3 with the state.

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

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

10 (v) "Retirement allowance" means the sum of the annuity and
11 the pension.

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

17 (x) "Pension reserve" means the present value, computed upon
18 the basis of mortality and other tables adopted by the retirement
19 board, of all payments to be made on account of a pension, or
20 benefits in lieu of a pension, granted to a member under this
21 act.

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

25 (z) "Pay reduction plan A" means the plan available to or
26 required of a member during the fiscal years ending on and after
27 September 30, 1981 under which the member may elect to reduce by

1 1 hour or more in any ~~80-hour~~ FULL-TIME pay period the number
2 of hours worked with a corresponding reduction in compensation.

3 (aa) "Pay reduction plan B" means the plan available to or
4 required of a member during the fiscal years ending on and after
5 September 30, 1981 under which the member may elect to work ~~a~~
6 ~~full-80-hour~~ AN ENTIRE FULL-TIME pay period, defer compensation
7 for 1 or more of those hours, and accumulate or use the hours for
8 which compensation has been deferred in the same manner as annual
9 leave hours.

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

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

17 (dd) "Actuarial cost" means a single percentage which, when
18 multiplied by a member's fiscal year compensation, will result in
19 the average actuarial present value of the additional benefits
20 resulting from the crediting of 1 additional year of service.
21 This single percentage shall be based on the members who utilize
22 those sections of this act that permit the purchase of service.
23 For purchases of service credit made before December 31, 1990,
24 the single percentage shall be 9%. Beginning December 31, 1990
25 and every 3 years thereafter, the single percentage shall be com-
26 puted based upon actual experience. If the computation results

1 in an increase or decrease in the percentage, not less than 6
2 months' notice shall be given to the members.

3 (ee) "Conservation officer" means an employee of the depart-
4 ment of natural resources, or its predecessor or successor
5 agency, who has sworn to the prescribed oath of office and who is
6 designated as a peace officer under section 6 of Act No. 192 of
7 the Public Acts of 1929, being section 300.16 of the Michigan
8 Compiled Laws, and section 1 of Act No. 109 of the Public Acts of
9 1986, being section 300.21 of the Michigan Compiled Laws.

10 (FF) "LIQUOR CONTROL COMMISSION" MEANS THE LIQUOR CONTROL
11 COMMISSION CREATED BY SECTION 5 OF THE MICHIGAN LIQUOR CONTROL
12 ACT, ACT NO. 8 OF THE PUBLIC ACTS OF THE EXTRA SESSION OF 1933,
13 BEING SECTION 436.5 OF THE MICHIGAN COMPILED LAWS.

14 (GG) "LIQUOR CONTROL ENFORCEMENT OFFICER" MEANS AN INSPECTOR
15 OF THE LIQUOR CONTROL COMMISSION WHO IS EMPOWERED TO ENFORCE THE
16 MICHIGAN LIQUOR CONTROL ACT PURSUANT TO SECTION 1 OF THE MICHIGAN
17 LIQUOR CONTROL ACT, ACT NO. 8 OF THE PUBLIC ACTS OF THE EXTRA
18 SESSION OF 1933, BEING SECTION 436.1 OF THE MICHIGAN COMPILED
19 LAWS.

20 Sec. 31. (1) Except as provided in subsection (6), before
21 the effective date of retirement, but not after the effective
22 date of retirement, a member or deferred member who is eligible
23 for retirement, as provided in section 19, 19a, 21, 24, 46, ~~or~~
24 48, OR 49 shall elect to receive his or her benefit in a retire-
25 ment allowance payable throughout life, which shall be called a
26 regular retirement allowance, or to receive the actuarial
27 equivalent at that time of his or her regular retirement

1 allowance in a reduced retirement allowance payable throughout
2 the lives of the retirant and a retirement allowance beneficiary,
3 ~~in accordance with~~ PURSUANT TO the provisions of option A or B,
4 as follows:

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

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

17 (2) Except as provided in subsection (3), the election of an
18 option shall not be changed on or after the effective date of the
19 retirement allowance. A retirement allowance beneficiary desig-
20 nated under this section shall not be changed on or after the
21 effective date of the retirement allowance, and shall be either a
22 spouse, brother, sister, parent, child, including an adopted
23 child, or grandchild of the person making the designation.
24 Payment to a retirement allowance beneficiary shall begin on the
25 first day of the month following the death of the retirant or
26 member.

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

17 (4) A member who continues in the employ of the state on and
18 after the date he or she either acquires 10 years of service
19 credit, or becomes eligible for deferred retirement as provided
20 by section 20(4) or (5), whichever occurs first, may by written
21 declaration duly executed and filed with the retirement board
22 elect option A, provided for in subsection (1), and nominate a
23 retirement allowance beneficiary in the same manner as if the
24 member were then retiring from service, notwithstanding that the
25 member may not have attained 60 years of age. ~~In the case of~~
26 IF the beneficiary's death or divorce from the member ~~prior to~~
27 IS BEFORE the effective date of the member's retirement, the

1 member's election of option A and nomination of retirement
2 allowance beneficiary shall be automatically revoked and the
3 member may again elect option A and nominate a retirement allow-
4 ance beneficiary at any time ~~prior to~~ BEFORE the effective date
5 of retirement. If a member who has made an election and nomi-
6 nated a retirement allowance beneficiary as provided in this sub-
7 section dies ~~prior to~~ BEFORE the effective date of his or her
8 retirement, then the retirement allowance beneficiary shall imme-
9 diately receive the retirement allowance that he or she would
10 have been entitled to receive under option A if the member had
11 been regularly retired on the date of the member's death. Except
12 as otherwise provided by subsection (5), if a member who has made
13 an election under this subsection subsequently retires under this
14 act, his or her election of option A shall take effect at the
15 time of retirement. Subject to the requirements of subsection
16 (5), the member may, before the effective date of retirement, but
17 not after the effective date of retirement, revoke his or her
18 previous election of option A and elect to receive his or her
19 retirement allowance as a regular retirement allowance or under
20 option B as provided for in subsection (1). A retirement allow-
21 ance shall not be paid under this subsection ~~on account~~ BECAUSE
22 of the death of a member if any benefits are paid under section
23 27 on account of his or her death. If a deferred member who has
24 an option A election in effect dies ~~prior to~~ BEFORE the effec-
25 tive date of his or her retirement, the retirement allowance pay-
26 able under option A shall be paid to the retirement allowance

1 beneficiary at the time the deceased deferred member otherwise
2 would have been eligible to begin receiving benefits.

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

15 (6) Until July 1, 1991, upon request in a form as determined
16 by the retirement board, a nonduty disability retirant who
17 retired under section 24 may change his or her election to
18 receive a disability retirement allowance computed as a regular
19 retirement allowance and elect to receive the actuarial equiva-
20 lent at the time of the election pursuant to this subsection of
21 his or her disability retirement allowance in a reduced retire-
22 ment allowance payable to the retirant and the retirant's spouse
23 ~~in accordance with~~ PURSUANT TO the provisions of option A or B
24 as provided in subsection (1), if the disability retirement
25 allowance effective date was before November 12, 1985 and the
26 retirant had 25 or more years of credited service on the
27 disability retirement allowance effective date. The nonduty

1 disability retirant shall begin to receive the reduced retirement
2 allowance under this subsection effective the first day of the
3 month following the month in which the retirant makes the elec-
4 tion pursuant to this subsection. As used in this subsection,
5 "spouse" means the person to whom the nonduty disability retirant
6 was married on the effective date of his or her disability
7 retirement allowance and on the date the retirant makes the elec-
8 tion pursuant to this subsection.

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

1 reserve fund to the employees' savings fund and paid ~~in~~
2 ~~accordance with~~ PURSUANT TO section 29. A retirement allowance
3 shall not be paid under this subsection on account of the death
4 of a member if benefits are paid under section 27 on account of
5 his or her death.

6 SEC. 49. (1) A MEMBER WHO IS A LIQUOR CONTROL ENFORCEMENT
7 OFFICER MAY RETIRE UNDER THIS SECTION IF THE MEMBER HAS 25 OR
8 MORE YEARS OF CREDITED SERVICE AS A LIQUOR CONTROL ENFORCEMENT
9 OFFICER.

10 (2) A MEMBER MAY RETIRE UNDER SUBSECTION (1) UPON WRITTEN
11 APPLICATION TO THE RETIREMENT BOARD STATING A DATE UPON WHICH HE
12 OR SHE DESIRES TO RETIRE THAT IS NOT LESS THAN 30 OR MORE THAN 90
13 DAYS AFTER THE EXECUTION AND FILING OF THE APPLICATION.
14 BEGINNING ON THE RETIREMENT ALLOWANCE EFFECTIVE DATE, HE OR SHE
15 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO 60% OF THE MEMBER'S
16 ANNUAL COMPENSATION FOR THE MEMBER'S MOST HIGHLY COMPENSATED 24
17 CONSECUTIVE MONTHS OF SERVICE AS A LIQUOR CONTROL ENFORCEMENT
18 OFFICER. THE FORMULA FOR CALCULATING A MEMBER'S RETIREMENT
19 ALLOWANCE UNDER THIS SUBSECTION SHALL NEVER EXCEED THE FORMULA
20 FOR CALCULATING A RETIREMENT ALLOWANCE UNDER SECTION 24 OF THE
21 STATE POLICE RETIREMENT ACT OF 1986, ACT NO. 182 OF THE PUBLIC
22 ACTS OF 1986, BEING SECTION 38.1624 OF THE MICHIGAN COMPILED
23 LAWS.

24 (3) PURSUANT TO RULES PROMULGATED BY THE RETIREMENT BOARD, A
25 MEMBER WHO RETIRES UNDER THIS SECTION BEFORE BECOMING 65 YEARS OF
26 AGE MAY ELECT TO HAVE HIS OR HER REGULAR RETIREMENT ALLOWANCE
27 EQUATED ON AN ACTUARIAL BASIS TO PROVIDE AN INCREASED RETIREMENT

1 ALLOWANCE PAYABLE TO AGE 65 AND A REDUCED RETIREMENT ALLOWANCE
2 PAYABLE AFTER BECOMING 65 YEARS OLD. THE RETIRANT'S INCREASED
3 RETIREMENT ALLOWANCE PAYABLE TO AGE 65 SHALL APPROXIMATELY EQUAL
4 THE SUM OF HIS OR HER REDUCED RETIREMENT ALLOWANCE PAYABLE AFTER
5 AGE 65 AND HIS OR HER ESTIMATED SOCIAL SECURITY PRIMARY INSURANCE
6 AMOUNT.

7 (4) IF A MEMBER WHO RETIRES UNDER THIS SECTION DIES BEFORE
8 RECEIVING PAYMENT OF HIS OR HER RETIREMENT ALLOWANCE IN AN AGGRE-
9 GATE AMOUNT EQUAL TO THE ACCUMULATED CONTRIBUTIONS STANDING TO
10 THE RETIRANT'S ACCOUNT IN THE EMPLOYEES' SAVINGS FUND AT THE TIME
11 OF HIS OR HER RETIREMENT, THE DIFFERENCE BETWEEN HIS OR HER ACCU-
12 MULATED CONTRIBUTIONS AND THE AMOUNT OF THE RETIREMENT ALLOWANCE
13 RECEIVED BY HIM OR HER SHALL BE PAID TO THE PERSON OR PERSONS
14 THAT THE RETIRANT HAS NOMINATED BY WRITTEN DESIGNATION DULY EXE-
15 CUTED AND FILED WITH THE RETIREMENT BOARD, OR, IF THERE IS NO
16 SUCH DESIGNATED PERSON OR PERSONS SURVIVING, THEN TO THE
17 RETIRANT'S LEGAL REPRESENTATIVE OR ESTATE.

18 (5) THE CHAIRPERSON OF THE LIQUOR CONTROL COMMISSION, OR HIS
19 OR HER DESIGNEE, SHALL CERTIFY TO THE RETIREMENT BOARD THAT A
20 MEMBER WHO APPLIES TO RETIRE UNDER THIS SECTION IS A LIQUOR CON-
21 TROL ENFORCEMENT OFFICER.

22 (6) THIS SECTION DOES NOT PROHIBIT A MEMBER WHO IS A LIQUOR
23 CONTROL ENFORCEMENT OFFICER AND WHO DOES NOT MEET THE REQUIRE-
24 MENTS OF THIS SECTION FROM QUALIFYING FOR A RETIREMENT ALLOWANCE
25 UNDER ANY OTHER PROVISION OF THIS ACT.

26 Section 2. This amendatory act shall take effect April 1,
27 1992.