



**House  
Legislative  
Analysis  
Section**

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**REFUND OF MIL. SERVICE CREDIT**

**House Bill 4340 (Substitute H-1)  
First Analysis (3-25-93)**

**Sponsor: Rep. Pat Gagliardi  
Committee: Public Retirement**

***THE APPARENT PROBLEM:***

Currently, under the State Employees Retirement System (SERS), members who meet certain requirements may receive, without payment to the system, up to five years service credit for service in the military. Members who do not meet those requirements (generally, the military service must be directly preceded and followed by state employment, without intervening employment) may purchase service credit for time spent in military service. Prior to 1990, some Department of Natural Resources' conservation officers took advantage of this provision in the act to purchase service credit for military service in order to qualify for an earlier retirement. Public Act 110 of 1990, however, amended SERS to provide conservation officers with retirement benefits similar to those provided Department of State Police officers, that is, retirement after 25 years of service with no age requirement for those who were conservation officers as of April 1, 1991. As a result, many conservation officers who had 25 years of credited service no longer needed the extra service credits they had purchased. In fact, they have more service than is needed to qualify for retirement, since they met the minimum requirement for years of service without the purchase. In addition, there is, at present, no provision in the State Employees Retirement Act that would allow them to receive refunds of their payments. As a result of this circumstance, legislation has been introduced that would allow those conservation officers who took early retirement under Public Act 110 of 1990 and who purchased service credit to receive a refund of their payments.

***THE CONTENT OF THE BILL:***

Under the State Employees Retirement Act, members who meet certain requirements may purchase service credit for various types of public employment or for periods of time that interrupt or delay employment, such as time spent in the military or on parental leave. House Bill 4340 would

amend the act to provide that conservation officers who took early retirement under Public Act 110 of 1990 and who purchased service credit could get a refund of their payments, plus interest, under certain circumstances. To receive a refund, a retiree would have to have purchased the additional service credit before April 1, 1991; have been eligible for the early retirement program without the additional service credit purchased for military service; and the retirement allowance computed under the early retirement program would have to have been the same without the additional service credit (i.e., the retiree would not have received any additional benefits based on the purchase of service credit). Eligible retirees would have to apply for refunds by February 1, 1994, and refunds would have to be paid by May 1, 1994. The retirement allowance of a person receiving a refund would not be affected by the payment of a refund.

MCL 38.18a

***FISCAL IMPLICATIONS:***

According to the Retirement Bureau in the Department of Management and Budget, the bill would have no fiscal implications for the state. (3-24-93)

***ARGUMENTS:***

***For:***

The bill would restore equity to a situation where Department of Natural Resources' (DNR) conservation officers purchased service credit for military service before the State Employee Retirement System (SERS) rules were changed so that the officers were eligible for early retirement without the additional service credits. These individuals purchased the additional service credits in order to qualify for an earlier retirement. However, when conservation officers were allowed

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to retire after 25 years of service, many met the minimum requirement for retirement without the additional service credits. Many who had accrued more than the necessary 25 years of state employment believe that there was no way they could have anticipated that their investments would become useless, and believe that they should receive a refund of the amount they paid the retirement system for the additional service credits.

***Against:***

The bill would restore equity for some conservation officers (in this particular situation, less than half a dozen retirees would be affected), while others, who -- before SERS was amended to include an early retirement provision -- accrued more than the 25 years of service required for early retirement, would receive no compensation for the service they rendered above 25 years. Many who had accrued more than the necessary 25 years of state employment feel that they should receive something back for the additional service they rendered. In addition, the provisions of the bill would apply only to members who have retired. Other employees might discover at some future date that they, too, have no need of service credits they have purchased. The bill needs to be amended so that current employees would be granted the same option of a refund for any service credit purchases.

***Against:***

The bill could result in retirement benefits being granted that were needlessly generous. In addition to the early retirement provision under Public Act 110 of 1990 that permits a conservation officer to retire with 25 years of service, and to receive a retirement allowance equal to up to 60 percent of his or her final average salary, the act also provided a "window period" that permitted members to retire at age 50, provided that he or she had 10 years of credited service as a conservation officer. The window period extended from April 1, 1991 to April 1, 1992, so, presumably, those who took advantage of this provision of the act would also be entitled to a refund of any unneeded service credit purchases. In addition, although the bill might meet the interests of fairness, it would also contribute to the current trend toward "leapfrogging" in retirement benefits: one group of retirees is granted additional benefits, and is soon followed by other groups seeking similar gains. Indeed, as the trend in retirement options leans more toward earlier retirement for greater numbers of people, more public retirement systems will demand refunds of

service credit purchases such as are provided under the bill.

***POSITIONS:***

The Retirement Bureau in the Department of Management and Budget has no position on the bill. (3-23-93)

The State Employees Retirement Association has no position on the bill. (3-23-93)

The Department of Natural Resources has no position on the bill. (3-24-93)