



HOUSE BILL No. 6191

November 14, 1996, Introduced by Reps. Gilmer, Johnson and Emerson and referred to the Committee on Appropriations.

A bill to amend sections 171, 19, 20, and 44 of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act," section 171 as amended by Act No. 176 of the Public Acts of 1995 and sections 19 and 20 as amended and section 44 as added by Act No. 195 of the Public Acts of 1993, being sections 38.171, 38.19, 38.20, and 38.44 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 171, 19, 20, and 44 of Act No. 240 of
2 the Public Acts of 1943, section 171 as amended by Act No. 176 of
3 the Public Acts of 1995 and sections 19 and 20 as amended and
4 section 44 as added by Act No. 195 of the Public Acts of 1993,
5 being sections 38.171, 38.19, 38.20, and 38.44 of the Michigan
6 Compiled Laws, are amended to read as follows:

1 Sec. 174. (1) An employee of the state accident fund who
2 has 5 or more but less than 10 years of credited service as of
3 the effective date of the transfer in order to qualify for a
4 retirement allowance under this act may purchase additional serv-
5 ice credit under this subsection. A member who purchases addi-
6 tional service credit shall contribute within 10 years after the
7 effective date of the transfer an amount equal to the product of
8 the following:

9 (a) Ten less the number of years and fraction of a year of
10 that employee's credited service.

11 (b) The employee's full-time or equated full-time fiscal
12 year compensation for the last fiscal year before the effective
13 date of the transfer.

14 (c) The actuarial cost percentage determined under section
15 1a for the year in which the effective date of the transfer
16 occurred.

17 (2) IN ORDER TO QUALIFY FOR A RETIREMENT ALLOWANCE UNDER
18 THIS ACT, AN EMPLOYEE OF THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE
19 WHO HAS 5 OR MORE BUT LESS THAN 10 YEARS OF CREDITED SERVICE AS
20 OF THE EFFECTIVE DATE OF THE CONVEYANCE OF THE MICHIGAN BIOLOGIC
21 PRODUCTS INSTITUTE UNDER THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE
22 TRANSFER ACT MAY PURCHASE ADDITIONAL SERVICE CREDIT UNDER THIS
23 SUBSECTION. A MEMBER WHO ELECTS WITHIN 1 YEAR AFTER THE EFPEC-
24 TIVE DATE OF THE CONVEYANCE TO PURCHASE ADDITIONAL SERVICE CREDIT
25 UNDER THIS SUBSECTION SHALL CONTRIBUTE WITHIN 11 YEARS AFTER THE
26 EFFECTIVE DATE OF THE CONVEYANCE AN AMOUNT EQUAL TO THE PRODUCT
27 OF THE FOLLOWING:

1 (A) TEN LESS THE NUMBER OF YEARS AND FRACTION OF A YEAR OF
2 THAT EMPLOYEE'S CREDIT SERVICE.

3 (B) THE EMPLOYEE'S FULL-TIME OR EQUATED FULL-TIME FISCAL
4 YEAR COMPENSATION FOR THE LAST FISCAL YEAR BEFORE THE EFFECTIVE
5 DATE OF THE CONVEYANCE.

6 (C) THE ACTUARIAL COST PERCENTAGE DETERMINED UNDER
7 SECTION 1A(2) FOR THE YEAR WHICH IS 1 YEAR AFTER THE YEAR IN
8 WHICH THE EFFECTIVE DATE OF THE CONVEYANCE OCCURRED.

9 (3) SUBSECTION (2) APPLIES ONLY TO MEMBERS WHO WERE EMPLOY-
10 EES OF THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE AS OF THE EFFEC-
11 TIVE DATE OF THE CONVEYANCE AND WHO MAINTAIN EMPLOYMENT WITH THE
12 TRANSFEREE FOR NOT LESS THAN 1 YEAR UNLESS THE EMPLOYEE IS LAID
13 OFF BY THE NEW EMPLOYER FOR REASONS OTHER THAN GOOD CAUSE.

14 (4) ~~-(2)-~~ Not more than 5 years of additional service credit
15 may be purchased under this section.

16 Sec. 19. (1) A member who is 60 years of age or older and
17 has 10 or more years of credited service may retire upon written
18 application to the retirement board, stating a date, not less
19 than 30 or more than 90 days after the execution and filing of
20 the application, on which he or she desires to retire. Beginning
21 on the retirement allowance effective date, he or she shall
22 receive a retirement allowance computed according to section
23 20(1).

24 (2) A member who is 55 years of age or older, but less than
25 60 years of age, and has 15 or more years of credited service,
26 may retire upon written application to the retirement board
27 stating a date, not less than 30 or more than 90 days after the

1 execution and filing of the application, on which he or she
2 desires to retire. Upon retirement he or she shall receive a
3 retirement allowance computed according to section 20(1). The
4 retirement allowance of a member who has less than 30 years'
5 credited service shall be reduced by an amount which is 0.5% of
6 the retirement allowance multiplied by the number of months the
7 person's age at retirement is under 60 years. The reduction of
8 1/2 of 1% for each month and fraction of a month from the
9 member's retirement allowance effective date to the date of the
10 member's sixtieth birthday provided for in this subsection
11 ~~shall~~ DOES not apply to a member who retired before July 1,
12 1974 and before attainment of age 60, with 30 or more years of
13 credited service. The retirement allowance of a retirant or ben-
14 eficiary of a retirant who retired before that date shall be
15 recalculated disregarding the reduction, and the person receiving
16 the retirement allowance ~~shall be~~ IS eligible to receive an
17 adjusted retirement allowance based on the recalculation begin-
18 ning October 1, 1987, but ~~shall~~ IS not ~~be~~ eligible to receive
19 the adjusted amount attributable to any month beginning before
20 October 1, 1987. The recalculated retirement allowance provided
21 by this subsection shall be paid by January 1, 1988. The retire-
22 ment allowance of a retirant who dies before January 1, 1988, and
23 who has not nominated a retirement allowance beneficiary pursuant
24 to section 31, shall not be recalculated pursuant to this
25 subsection.

26 (3) Notwithstanding any other provision of this section,
27 effective April 1, 1988, a member may retire with a retirement

1 allowance computed according to section 20(1), without regard to
2 the reduction in subsection (2), if all of the following apply:

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

8 (b) The member was employed by the state for the 6-month
9 period immediately preceding the member's retirement allowance
10 effective date. This subdivision ~~shall~~ DOES not apply to a
11 member who had been restored to active service during that
12 6-month period pursuant to section 33.

13 (c) On the last day of the month immediately preceding the
14 retirement allowance effective date stated in the application,
15 the member's combined age and length of credited service is equal
16 to or greater than 80 years and the member is 50 years of age or
17 older.

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

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

22 (ii) For a member employed by a ~~department of mental~~
23 ~~health~~ hospital or facility OWNED OR OPERATED BY THE DEPARTMENT
24 FORMERLY KNOWN AS THE DEPARTMENT OF MENTAL HEALTH that is in the
25 process of being closed by the DEPARTMENT FORMERLY KNOWN AS THE
26 department of mental health, the period beginning on April 1,
27 1988 and ending on October 1, 1989.

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

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

3 (i) Southwest Michigan community living services.

4 (ii) Wayne community living services.

5 (b) "Department inpatient facility" means 1 of the
6 following:

7 (i) A developmental disability center that is directly oper-
8 ated by THE DEPARTMENT FORMERLY KNOWN AS the department of mental
9 health for purposes of providing inpatient care and treatment
10 services to persons with developmental disabilities.

11 (ii) A psychiatric hospital that is directly operated by THE
12 DEPARTMENT FORMERLY KNOWN AS the department of mental health for
13 purposes of providing inpatient diagnostic and therapeutic serv-
14 ices to persons who are mentally ill.

15 (5) Notwithstanding any other provision of this section, a
16 member who is an employee of an agency of the department or a
17 department inpatient facility and is on layoff status because the
18 agency or inpatient facility has been designated by THE STATE
19 OFFICER FORMERLY KNOWN AS the director of mental health for clo-
20 sure on or after October 1, 1989, may retire as provided in sub-
21 section (7) or (8), as applicable, with a retirement allowance
22 computed according to section 20(1), without regard to the reduc-
23 tion in subsection (2), upon satisfaction of any 1 of the follow-
24 ing conditions:

25 (a) The member is 51 years of age or older and has 25 or
26 more years of credited service, the last 5 of which are as an

1 employee of an agency of the department designated for closure or
2 a department inpatient facility designated for closure.

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

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

11 (6) When a department inpatient facility or agency is desig-
12 nated for closure on or after October 1, 1989, THE STATE OFFICER
13 FORMERLY KNOWN AS the director of mental health shall certify in
14 writing to the state legislature and the retirement board, not
15 less than 240 days before the designated official date of clo-
16 sure, which facility or agency is to be closed and the designated
17 official date of closure.

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

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

12 (9) Any additional accrued actuarial cost and costs for
13 health insurance resulting from the implementation of subsection
14 (5) shall be funded from appropriations to THE DEPARTMENT
15 FORMERLY KNOWN AS the department of mental health for this
16 purpose.

17 (10) A member who is an employee of the state accident fund
18 on the date of transfer to a permitted transferee as that term is
19 defined by section 701a of the worker's disability compensation
20 act of 1969, Act No. 317 of the Public Acts of 1969, being sec-
21 tion 418.701a of the Michigan Compiled Laws, may retire if the
22 member's age and his or her length of service is equal to or
23 greater than 70 years on the date of transfer. The member may
24 retire upon written application to the retirement board, stating
25 a date, not less than 30 or more than 90 days after the execution
26 and filing of the application, on which he or she desires to
27 retire. Beginning on the retirement allowance effective date, he

1 or she shall receive a retirement allowance computed according to
2 section 20(1) without regard to the reduction required by subsec-
3 tion (2).

4 (11) A MEMBER WHO IS AN EMPLOYEE OF THE MICHIGAN BIOLOGIC
5 PRODUCTS INSTITUTE ON THE DATE THE INSTITUTE IS CONVEYED PURSUANT
6 TO THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE TRANSFER ACT MAY
7 RETIRE IF THE MEMBER'S AGE AND HIS OR HER LENGTH OF SERVICE IS
8 EQUAL TO OR GREATER THAN 70 YEARS ON THE DATE OF THE CONVEYANCE.
9 THE MEMBER MAY RETIRE UPON WRITTEN APPLICATION TO THE RETIREMENT
10 BOARD, STATING A DATE, NOT LESS THAN 30 OR MORE THAN 90 DAYS
11 AFTER THE EXECUTION AND FILING OF THE APPLICATION, ON WHICH HE OR
12 SHE DESIRES TO RETIRE. BEGINNING ON THE RETIREMENT ALLOWANCE
13 EFFECTIVE DATE, HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE
14 COMPUTED ACCORDING TO SECTION 20(1) WITHOUT REGARD TO THE REDUC-
15 TION REQUIRED BY SUBSECTION (2).

16 Sec. 20. (1) Upon his or her retirement, as provided for in
17 section 19, 19a, 19b, 19c, or 19d, a member shall receive a
18 retirement allowance equal to the member's number of years and
19 fraction of a year of credited service multiplied by 1-1/2% of
20 his or her final average compensation. The member's retirement
21 allowance is subject to subsection (3). Upon his or her retire-
22 ment, the member may elect an option provided for in
23 section 31(1).

24 (2) Pursuant to rules promulgated by the retirement board, a
25 member who retires before becoming 65 years of age may elect to
26 have his or her regular retirement allowance equated on an
27 actuarial basis to provide an increased retirement allowance

1 payable UP to his or her attainment of 65 years of age and a
2 reduced retirement allowance payable after HIS OR HER ATTAINMENT
3 OF 65 years of age. His or her increased retirement allowance
4 payable UP to age 65 shall approximately equal the sum of his or
5 her reduced retirement allowance payable after age 65 and his or
6 her estimated social security primary insurance amount. In addi-
7 tion, upon retirement the member may elect an option provided for
8 in section 31(1).

9 (3) If a retirant dies before receiving payment of his or
10 her retirement allowance in an aggregate amount equal to the
11 retirant's accumulated contributions credited to the retirant in
12 the employees' savings fund at the time of his or her retirement,
13 the difference between his or her accumulated contributions and
14 the amount of retirement allowance received by him or her shall
15 be paid to the person or persons that he or she nominated by
16 written designation duly executed and filed with the retirement
17 board. If the person or persons do not survive the retirant,
18 then the difference, if any, shall be paid to the retirant's
19 legal representative or estate. Benefits shall not be paid under
20 this subsection on account of the death of the retirant if he or
21 she elected an option provided for in section 31(1).

22 (4) If a member has 10 or more years of credited service, or
23 has 5 or more years of credited service as an elected officer or
24 in a position in the executive branch or the legislative branch
25 excepted or exempt from the classified state civil service as
26 provided in section 5 of article XI of the state constitution of
27 1963, and is separated from the service of the state for a reason

1 other than retirement or death, he or she shall remain a member
2 during the period of absence from the state service for the
3 exclusive purpose of receiving a retirement allowance provided
4 for in this section. If a former employee of the state accident
5 fund who had 5 or more years of service as an employee of the
6 state accident fund returns to employment with the state before
7 receiving a retirement allowance under this act, the employee
8 shall be required to accumulate 10 or more years of credited
9 service before receiving a retirement allowance under this act.

10 IF A FORMER EMPLOYEE OF THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE
11 WHO IS ELIGIBLE TO AND HAS ELECTED TO PURCHASE ADDITIONAL CRED-
12 ITED SERVICE PURSUANT TO SECTION 17(2) RETURNS TO EMPLOYMENT
13 WITH THE STATE BEFORE RECEIVING A RETIREMENT ALLOWANCE UNDER THIS
14 ACT, THE EMPLOYEE SHALL BE REQUIRED TO ACCUMULATE 10 OR MORE
15 YEARS OF CREDITED SERVICE, WITHOUT REGARD TO THE ADDITIONAL CRED-
16 ITED SERVICE PURCHASED PURSUANT TO SECTION 17(2) BUT INCLUDING
17 ANY CREDITED SERVICE AUTHORIZED UNDER SECTION 16, BEFORE RECEIV-
18 ING A RETIREMENT ALLOWANCE UNDER THIS ACT. If the member with-
19 draws all or part of his or her accumulated contributions, he or
20 she ~~shall cease~~ CEASES to be a member. Upon becoming 60 years
21 of age or older, the member may retire upon his or her written
22 application to the retirement board as provided in
23 section 19(1). If a member elects an option as provided under
24 section 31(4), but dies before the effective date of his or her
25 retirement, the option elected by the member shall be carried
26 out, and the beneficiary of the member is entitled to all
27 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 FORMERLY KNOWN AS the department of mental health
4 is terminated by reason of reduction in force related to deinsti-
5 tutionalization that may or may not result in facility closure,
6 shall remain a member during the period of absence from the state
7 service for the exclusive purpose of receiving a service retire-
8 ment allowance as provided in this subsection. 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~~ CEASES to be a member. Upon becoming 60 years of age or
15 older, the member may retire upon written application to the
16 retirement board. The application shall specify a date, not less
17 than 30 days or more than 90 days after the execution and filing
18 of 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 elects an option pro-
24 vided for in section 31(4), but dies before the effective date of
25 retirement, the option elected by the member shall be carried
26 out, and a beneficiary of the member is entitled to all
27 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 is eli-
6 gible to receive the recalculated retirement allowance beginning
7 October 1, 1987, but is not eligible to receive the adjusted
8 amount attributable to any month beginning before October 1,
9 1987. The recalculated retirement allowance provided by this
10 subsection shall be paid by January 1, 1988 and shall be the
11 basis on which future adjustments to the allowance, including the
12 supplement provided by section 20h, are calculated. The retire-
13 ment allowance of a retirant who dies before January 1, 1988, and
14 who did not nominate a retirement allowance beneficiary pursuant
15 to section 31, shall not be recalculated pursuant to this
16 subsection.

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

23 (8) An employee of the state accident fund who has 5 or more
24 but less than 10 years of credited service as of the effective
25 date of the transfer authorized by section 701a of ~~chapter 7 of~~
26 the worker's disability compensation act of 1969, Act No. 317 of
27 the Public Acts of 1969, being ~~sections 418.701 to 418.755~~

1 SECTION 418.701A of the Michigan Compiled Laws, and who is
2 permitted to receive a retirement allowance under subsection (4)
3 ~~shall be~~ IS eligible for health care benefits under section 20d
4 on the date of his or her retirement to the same extent as a
5 member with 10 years of credited service who vested on the same
6 date.

7 (9) AN EMPLOYEE OF THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE
8 WHO HAS 5 OR MORE BUT LESS THAN 10 YEARS OF CREDITED SERVICE AS
9 OF THE EFFECTIVE DATE OF THE CONVEYANCE AUTHORIZED BY THE
10 MICHIGAN BIOLOGIC PRODUCTS INSTITUTE TRANSFER ACT AND WHO IS PER-
11 MITTED TO RECEIVE A RETIREMENT ALLOWANCE UNDER SUBSECTION (4) IS
12 ELIGIBLE FOR HEALTH CARE BENEFITS UNDER SECTION 20D ON THE DATE
13 OF HIS OR HER RETIREMENT TO THE SAME EXTENT AS A MEMBER WITH 10
14 YEARS OF CREDITED SERVICE WHO VESTED ON THE SAME DATE.

15 Sec. 44. (1) An employee of the state accident fund who was
16 vested in the state retirement system on or before the effective
17 date of the transfer authorized by section 701a of ~~Chapter 7 of~~
18 the worker's disability compensation act of 1969, Act No. 317 of
19 the Public Acts of 1969, being section 418.701a of the Michigan
20 Compiled Laws, ~~shall be~~ IS entitled to all of the rights, priv-
21 ileges, and benefits provided by this act accrued as of the
22 effective date of the transfer.

23 (2) AN EMPLOYEE OF THE MICHIGAN BIOLOGIC PRODUCTS INSTITUTE
24 WHO WAS VESTED IN THE STATE RETIREMENT SYSTEM ON OR BEFORE THE
25 EFFECTIVE DATE OF THE CONVEYANCE AUTHORIZED BY THE MICHIGAN BIO-
26 LOGIC PRODUCTS INSTITUTE TRANSFER ACT IS ENTITLED TO ALL OF THE

1 RIGHTS, PRIVILEGES, AND BENEFITS PROVIDED BY THIS ACT ACCRUED AS
2 OF THE EFFECTIVE DATE OF THE CONVEYANCE.

3 Section 2. This amendatory act shall not take effect unless
4 Senate Bill No. _____ or House Bill No. 6192 (request
5 no. 08256'96) of the 88th Legislature is enacted into law.