

# HOUSE BILL No. 4810

May 23, 2001, Introduced by Reps. Bernero, Waters, Jacobs, Zelenko, Murphy, Whitmer, DeWeese, Rich Brown, Lipsey, Schauer, Mans, O'Neil, Spade, McConico, Phillips, Hardman, Minore and Dennis and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 19, 20, 20g, and 63 (MCL 38.19, 38.20, 38.20g, and 38.63), section 19 as amended by 1998 PA 205, section 20 as amended by 1996 PA 521, section 20g as amended by 1987 PA 241, and section 63 as added by 1996 PA 487.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

HOUSE BILL No. 4810 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), OR A MEMBER WHO IS 50 YEARS  
5 OF AGE OR OLDER AND WHOSE COMBINED AGE AND AMOUNT OF CREDITED  
6 SERVICE IS EQUAL TO OR GREATER THAN 80 YEARS may retire upon  
7 written application to the retirement board, stating a date, not  
8 less than 30 or more than 90 days after the execution and filing

1 of the application, on which he or she desires to retire.

2 Beginning on the retirement allowance effective date, he or she  
3 shall receive a retirement allowance computed according to sec-  
4 tion 20(1), WITHOUT REGARD TO THE REDUCTION IN SUBSECTION (2).

5 (2) A member who is 55 years of age or older, but less than  
6 60 years of age, and has 15 or more years of credited service,  
7 may retire upon written application to the retirement board stat-  
8 ing a date, not less than 30 or more than 90 days after the exe-  
9 cution and filing of the application, on which he or she desires  
10 to retire. Upon retirement he or she shall receive a retirement  
11 allowance computed according to section 20(1). Except as other-  
12 wise provided in this act, the retirement allowance of a member  
13 who has less than 30 years of credited service shall be reduced  
14 by an amount that is 0.5% of the retirement allowance multiplied  
15 by the number of months the person's age at retirement is under  
16 60 years. The reduction of 1/2 of 1% for each month and fraction  
17 of a month from the member's retirement allowance effective date  
18 to the date of the member's sixtieth birthday provided for in  
19 this subsection does not apply to a member who retired before  
20 July 1, 1974 and before attainment of age 60, with 30 or more  
21 years of credited service. The retirement allowance of a retir-  
22 ant or beneficiary of a retirant who retired before that date  
23 shall be recalculated disregarding the reduction, and the person  
24 receiving the retirement allowance is eligible to receive an  
25 adjusted retirement allowance based on the recalculation begin-  
26 ning October 1, 1987, but is not eligible to receive the adjusted  
27 amount attributable to any month beginning before October 1,

1 1987. The recalculated retirement allowance provided by this  
2 subsection shall be paid by January 1, 1988. The retirement  
3 allowance of a retirant who dies before January 1, 1988, and who  
4 has not nominated a retirement allowance beneficiary pursuant to  
5 section 31, shall not be recalculated pursuant to this  
6 subsection.

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

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

16 (b) The member was employed by the state for the 6-month  
17 period immediately preceding the member's retirement allowance  
18 effective date. This subdivision does not apply to a member who  
19 had been restored to active service during that 6-month period  
20 pursuant to section 33.

21 (c) On the last day of the month immediately preceding the  
22 retirement allowance effective date stated in the application,  
23 the member's combined age and length of credited service is equal  
24 to or greater than 80 years and the member is 50 years of age or  
25 older.

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

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

3           (ii) For a member employed by a hospital or facility owned  
4 or operated by the department formerly known as the department of  
5 mental health that is in the process of being closed by the  
6 department formerly known as the department of mental health, the  
7 period beginning on April 1, 1988 and ending on October 1, 1989.

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

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

10          (i) Southwest Michigan community living services.

11          (ii) Wayne community living services.

12          (b) "Department inpatient facility" means 1 of the  
13 following:

14          (i) A developmental disability center that is directly oper-  
15 ated by the department formerly known as the department of mental  
16 health for purposes of providing inpatient care and treatment  
17 services to persons with developmental disabilities.

18          (ii) A psychiatric hospital that is directly operated by the  
19 department formerly known as the department of mental health for  
20 purposes of providing inpatient diagnostic and therapeutic serv-  
21 ices to persons who are mentally ill.

22          (5) Notwithstanding any other provision of this section, a  
23 member who is an employee of an agency of the department or a  
24 department inpatient facility and is on layoff status because the  
25 agency or inpatient facility has been designated by the state  
26 officer formerly known as the director of mental health for  
27 closure on or after October 1, 1989, may retire as provided in

1 subsection (7) or (8), as applicable, with a retirement allowance  
2 computed according to section 20(1), without regard to the reduc-  
3 tion in subsection (2), upon satisfaction of any 1 of the follow-  
4 ing conditions:

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

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

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

17       (6) When a department inpatient facility or agency is desig-  
18 nated for closure on or after October 1, 1989, the state officer  
19 formerly known as the director of mental health shall certify in  
20 writing to the state legislature and the retirement board, not  
21 less than 240 days before the designated official date of clo-  
22 sure, which facility or agency is to be closed and the designated  
23 official date of closure.

24       (7) Except as provided in subsection (8), a member who is  
25 eligible to receive a retirement allowance under subsection (5)  
26 may retire effective on the date that an agency of the department  
27 or a department inpatient facility designated for closure as

1 provided in subsection (5) actually closes, upon written  
2 application to the retirement board not less than 30 or more than  
3 180 days before the designated official date of closure.

4 Beginning on the retirement allowance effective date, he or she  
5 shall receive a retirement allowance computed according to sec-  
6 tion 20(1).

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

18 (9) Any additional accrued actuarial cost and costs for  
19 health insurance resulting from the implementation of subsection  
20 (5) shall be funded from appropriations to the department  
21 formerly known as the department of mental health for this  
22 purpose.

23 (10) A member who is an employee of the state accident fund  
24 on the date of transfer to a permitted transferee as that term is  
25 defined by section 701a of the worker's disability compensation  
26 act of 1969, 1969 PA 317, MCL 418.701a, may retire if the  
27 member's age and his or her length of service is equal to or

1 greater than 70 years on the date of transfer. The member may  
2 retire upon written application to the retirement board, stating  
3 a date, not less than 30 or more than 90 days after the execution  
4 and filing of the application, on which he or she desires to  
5 retire. Beginning on the retirement allowance effective date, he  
6 or she shall receive a retirement allowance computed according to  
7 section 20(1) without regard to the reduction required by subsec-  
8 tion (2).

9 (11) A member who is an employee of the Michigan biologic  
10 products institute on the date the institute is conveyed pursuant  
11 to the Michigan biologic products institute transfer act, 1996 PA  
12 522, MCL 333.26331 to 333.26340, may retire if the member's age  
13 and his or her length of service is equal to or greater than 70  
14 years on the date of the conveyance. The member may retire upon  
15 written application to the retirement board, stating a date, not  
16 less than 30 or more than 90 days after the execution and filing  
17 of the application, on which he or she desires to retire.  
18 Beginning on the retirement allowance effective date, he or she  
19 shall receive a retirement allowance computed according to  
20 section 20(1) without regard to the reduction required by  
21 subsection (2).

22 (12) A member who ~~is~~ WAS an employee of the liquor control  
23 commission created by FORMER section 5 of the Michigan liquor  
24 control act, 1933 (Ex Sess) PA 8, ~~MCL 436.5,~~ whose employment  
25 is terminated due to the privatization of the distribution of  
26 spirits within this state is effectuated pursuant to the  
27 resolution and order adopted by the liquor control commission on

1 February 7, 1996, a plan adopted pursuant to statute or court  
2 order, or a plan adopted pursuant to both statute and order of  
3 the liquor control commission may retire if the member's age and  
4 his or her length of service is equal to or greater than 70 years  
5 on the date the privatization is effectuated. The member may  
6 retire under this subsection upon written application to the  
7 retirement board, stating a date, not less than 30 or more than  
8 90 days after the execution and filing of the application, on  
9 which he or she desires to retire. Beginning on the retirement  
10 allowance effective date, he or she shall receive a retirement  
11 allowance computed according to section 20(1), without regard to  
12 the reduction required by subsection (2). The cost of benefits  
13 paid under this section shall be paid out of the revolving fund  
14 created under section ~~10~~ 221 of the Michigan liquor control  
15 ~~act, 1933 (Ex Sess) PA 8, MCL 436.10~~ CODE OF 1998, 1998 PA 58,  
16 MCL 436.1221.

17       Sec. 20. (1) Upon his or her retirement, as provided for in  
18 section 19, 19a, 19b, 19c, or 19d, a member shall receive a  
19 retirement allowance equal to the member's number of years and  
20 fraction of a year of credited service multiplied by 1-1/2% of  
21 his or her final average compensation. BEGINNING JULY 1, 2001,  
22 UPON HIS OR HER RETIREMENT AS PROVIDED FOR UNDER THIS ACT, A  
23 MEMBER SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S  
24 NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE MULTI-  
25 PLIED BY 1.75% OF HIS OR HER FINAL AVERAGE COMPENSATION. The  
26 member's retirement allowance is subject to subsection (3). Upon

1 his or her retirement, the member may elect an option provided  
2 for in section 31(1).

3       (2) Pursuant to rules promulgated by the retirement board, a  
4 member who retires before becoming 65 years of age may elect to  
5 have his or her regular retirement allowance equated on an actu-  
6 arial basis to provide an increased retirement allowance payable  
7 up to his or her attainment of 65 years of age and a reduced  
8 retirement allowance payable after his or her attainment of 65  
9 years of age. His or her increased retirement allowance payable  
10 up to age 65 shall approximately equal the sum of his or her  
11 reduced retirement allowance payable after age 65 and his or her  
12 estimated social security primary insurance amount. In addition,  
13 upon retirement the member may elect an option provided for in  
14 section 31(1).

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

1 (4) If a member has 10 or more years of credited service, or  
2 has 5 or more years of credited service as an elected officer or  
3 in a position in the executive branch or the legislative branch  
4 excepted or exempt from the classified state civil service as  
5 provided in section 5 of article XI of the state constitution of  
6 1963, and is separated from the service of the state for a reason  
7 other than retirement or death, he or she shall remain a member  
8 during the period of absence from the state service for the  
9 exclusive purpose of receiving a retirement allowance provided  
10 for in this section. If a former employee of the state accident  
11 fund who had 5 or more years of service as an employee of the  
12 state accident fund returns to employment with the state before  
13 receiving a retirement allowance under this act, the employee  
14 shall be required to accumulate 10 or more years of credited  
15 service before receiving a retirement allowance under this act.  
16 If a former employee of the Michigan biologic products institute  
17 who is eligible to and has elected to purchase additional cred-  
18 ited service pursuant to section 171(2) returns to employment  
19 with the state before receiving a retirement allowance under this  
20 act, the employee shall be required to accumulate 10 or more  
21 years of credited service, without regard to the additional cred-  
22 ited service purchased pursuant to section 171(2) but including  
23 any credited service authorized under section 16, before receiv-  
24 ing a retirement allowance under this act. If the member with-  
25 draws all or part of his or her accumulated contributions, he or  
26 she ceases to be a member. Upon becoming 60 years of age or  
27 older, the member may retire upon his or her written application

1 to the retirement board as provided in section 19(1). If a  
2 member elects an option as provided under section 31(4), but dies  
3 before the effective date of his or her retirement, the option  
4 elected by the member shall be carried out, and the beneficiary  
5 of the member is entitled to all advantages due under that  
6 option.

7 (5) A person who is a member after January 1, 1981, who has  
8 at least 5 years of credited service, and whose employment with  
9 the department formerly known as the department of mental health  
10 is terminated by reason of reduction in force related to deinsti-  
11 tutionalization that may or may not result in facility closure,  
12 shall remain a member during the period of absence from the state  
13 service for the exclusive purpose of receiving a service retire-  
14 ment allowance as provided in this subsection. As used in this  
15 subsection, "deinstitutionalization" means planned reduction of  
16 state center or hospital beds through placement of individuals  
17 from the hospital or facility, or through limiting admissions to  
18 centers and hospitals, or both. If a member withdraws all or  
19 part of the member's accumulated contributions, the member ceases  
20 to be a member. Upon becoming 60 years of age or older, the  
21 member may retire upon written application to the retirement  
22 board. The application shall specify a date, not less than 30  
23 days or more than 90 days after the execution and filing of the  
24 application, on which the member desires to retire. Upon retire-  
25 ment, the member shall receive a retirement allowance equal to  
26 the number of years and fraction of a year of credited state  
27 service multiplied by 1-1/2% of the member's final average

1 compensation. Upon retirement, the member may elect an option  
2 provided in section 31(1). If the member elects an option pro-  
3 vided for in section 31(4), but dies before the effective date of  
4 retirement, the option elected by the member shall be carried  
5 out, and a beneficiary of the member is entitled to all advan-  
6 tages due under the option.

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

23 (7) Each retirement allowance payable under this act shall  
24 date from the first of the month following the month in which the  
25 applicant satisfies the age and service or other requirements for  
26 receiving the retirement allowance and terminates state service.

1 A full month's retirement allowance is payable for the month in  
2 which a retirement allowance ceases.

3 (8) An employee of the state accident fund who has 5 or more  
4 but less than 10 years of credited service as of the effective  
5 date of the transfer authorized by section 701a of the worker's  
6 disability compensation act of 1969, ~~Act No. 317 of the Public~~  
7 ~~Acts of 1969, being section 418.701a of the Michigan Compiled~~  
8 ~~Laws~~ 1969 PA 317, MCL 418.701A, and who is permitted to receive  
9 a retirement allowance under subsection (4) is eligible for  
10 health care benefits under section 20d on the date of his or her  
11 retirement to the same extent as a member with 10 years of cred-  
12 ited service who vested on the same date.

13 (9) An employee of the Michigan biologic products institute  
14 who has 5 or more but less than 10 years of credited service as  
15 of the effective date of the conveyance authorized by the  
16 Michigan biologic products institute transfer act and who is per-  
17 mitted to receive a retirement allowance under subsection (4) is  
18 eligible for health care benefits under section 20d on the date  
19 of his or her retirement to the same extent as a member with 10  
20 years of credited service who vested on the same date.

21 Sec. 20g. (1) After the end of each state fiscal year, the  
22 department of management and budget shall determine the rate of  
23 investment return earned on retirement system assets during the  
24 fiscal year, based upon methods established by the retirement  
25 board.

26 (2) At the end of each state fiscal year, the retirement  
27 system's actuary shall determine the present value of retirement

1 allowances to be paid after the end of the fiscal year to  
2 retirants and retirement allowance beneficiaries in receipt of  
3 retirement allowances at the end of the fiscal period. The  
4 assumed interest rate used in the determination shall be 8% per  
5 year, compounded annually.

6 (3) The distribution income at the end of each state fiscal  
7 year shall be equal to the product of the present value of  
8 retirement allowances determined in subsection (2) at the end of  
9 the previous fiscal year times the positive excess, if any, of  
10 the rate of investment return determined in subsection (1)  
11 exceeding 8%. The distribution income calculated pursuant to  
12 this subsection at the end of the fiscal years 1984-85 and  
13 1985-86 shall be reduced by the costs of postretirement adjust-  
14 ments paid during the fiscal year pursuant to sections 20b, 20c,  
15 20e, and 20f.

16 (4) After the end of each state fiscal year, each retirant  
17 and retirement allowance beneficiary in receipt of a retirement  
18 allowance at the end of the fiscal year, and whose effective date  
19 of retirement allowance preceded the beginning of that fiscal  
20 year, shall be credited with 1 distribution unit for each full  
21 year between the effective date of retirement and the end of the  
22 fiscal year and 1 distribution unit for each full year of service  
23 credit in force on the effective date of retirement.  
24 Distribution units shall not accumulate from 1 year to the next  
25 year.

26 (5) The distribution amount for an individual retirant or  
27 retirement allowance beneficiary shall be equal to the product of

1 the distribution income determined in subsection (3) times the  
2 individual's number of distribution units determined in subsec-  
3 tion (4) divided by the total number of distribution units for  
4 all eligible retirants and retirement allowance beneficiaries in  
5 receipt of retirement allowances at the end of the fiscal year.  
6 The distribution amount for an individual retirant or retirement  
7 allowance beneficiary of a retirant whose retirement allowance  
8 effective date is on or after October 1, 1987 is zero.

9       (6) The distribution amount for each retirant or retirement  
10 allowance beneficiary shall be payable in the form of a supple-  
11 mental payment prior to the seventh month after the end of the  
12 state fiscal year. Except as provided in subsection (9), a dis-  
13 tribution amount shall not be payable after March 31, 1988. If a  
14 retirant dies before receipt of the distribution amount, the pay-  
15 ment shall be made to the retirant's retirement allowance benefi-  
16 ciary, if any. If both the retirant and the retirement allowance  
17 beneficiary die before receipt of the distribution amount, no  
18 payment shall be made.

19       (7) Each retirement allowance shall be increased each  
20 October 1 beginning with the later of October 1, 1988 or the  
21 first October 1 which is at least 12 months after the retirement  
22 allowance effective date. The amount of the annual increase  
23 shall be equal to 3% of the retirement allowance that would be  
24 payable as of the date of the increase without application of  
25 this subsection, except that if the member made the election per-  
26 mitted under section 20(2), the increase shall be based on the  
27 amount of retirement allowance that would have been paid without

1 application of section 20(2). The annual increase shall not  
2 exceed ~~-\$300.00-~~ \$500.00.

3 (8) After the end of each state fiscal year, the cumulative  
4 increase amount shall be computed for each retirant or retirement  
5 allowance beneficiary. The cumulative increase amount shall be  
6 equal to the difference between the total retirement allowance  
7 paid during the state fiscal year and the retirement allowance  
8 that would have been payable without application of subsection  
9 (7) and section 20h. The cumulative increase amount for any  
10 retirant or retirement allowance beneficiary whose retirement  
11 allowance effective date is on or after October 1, 1987 is zero.

12 (9) In March of each year, beginning in March, 1989, each  
13 retirant or retirement allowance beneficiary shall be paid, in a  
14 single supplemental payment, the excess, if any, of the distribu-  
15 tion amount over the cumulative increase amount for the previous  
16 state fiscal year. If a retirant dies before receipt of a sup-  
17 plemental payment, the supplemental payment shall be made to the  
18 retirant's retirement allowance beneficiary, if any. If both the  
19 retirant and the retirement allowance beneficiary die before  
20 receipt of a supplemental payment, no payment shall be made.

21 Sec. 63. (1) This section is subject to the vesting  
22 requirements of section 64.

23 (2) A qualified participant's employer shall contribute to  
24 the qualified participant's account in Tier 2 an amount equal to  
25 ~~4%~~ 6% of the qualified participant's compensation.

26 (3) A qualified participant may periodically elect to  
27 contribute up to 3% of his or her compensation to his or her Tier

1 2 account. The qualified participant's employer shall make an  
2 additional contribution to the qualified participant's Tier 2  
3 account in an amount equal to the contribution made by the quali-  
4 fied participant under this subsection.

5 (4) A qualified participant may make contributions in addi-  
6 tion to contributions made under subsection (3) to his or her  
7 Tier 2 account as permitted by the state treasurer and the inter-  
8 nal revenue code. The qualified participant's employer shall not  
9 match contributions made by the qualified participant under this  
10 subsection.