



**House
Legislative
Analysis
Section**

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SERS: PURCHASE MEDICAL LEAVE CREDIT

House Bill 4133 as introduced
First Analysis (2-28-89)

RECEIVED
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Sponsor: Rep. Nick Ciaramitaro
Committee: Senior Citizens and Retirement

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THE APPARENT PROBLEM:

The State Employees Retirement Act allows members to purchase service credit for various types of public service employment or other periods of time which cause interruptions or delays in state employment, such as maternity or paternity leave. Members of the system may purchase service credit for time spent in the military, employment with the federal government, other states, or local governments, or service in the Peace Corps or VISTA. It has been suggested that members of the retirement system should be able to purchase service credit for time spent on approved medical leave.

THE CONTENT OF THE BILL:

The bill would amend the State Employees' Retirement Act to allow members who are absent from service with the state for purposes of approved medical leave and who return to service with the state to purchase service credit for that time under certain conditions. An "approved medical leave" would mean a period of time that a member was absent from service because of a temporary personal injury or mental or physical illness as authorized and certified by the employer. Payment would be of an amount equal to the actuarial cost, multiplied by a member's full-time or equated full-time fiscal year compensation for the fiscal year in which payment was made, multiplied by each year and fraction of a year of service to be purchased, up to the maximum. Under the bill, the compensation amount used could not be less than the highest full-time or equated full-time fiscal year compensation previously received by the member, and the total service credited could not exceed five years.

Service credit purchased under the bill could not be used to satisfy the minimum number of years of service credit required to receive a retirement allowance under the act. If a member who had made payment died, and a retirement allowance was not payable, or if the member left service with the state before his or her allowance became effective, the payment made would be refunded upon request to the member, to the person designated by the member, or to the member's legal representative or estate.

The provisions of the bill would be effective July 1, 1989.
MCL 38.17

FISCAL IMPLICATIONS:

According to the Bureau of Retirement Systems in the Department of Management and Budget, the bill would not result in costs to the retirement system, other than administrative costs. (2-23-89)

ARGUMENTS:

For:

The concept of purchasing service credit for purposes of increasing a member's retirement allowance has many precedents in Michigan's public retirement systems;

indeed, the State Employees Retirement Act already includes numerous situations for which the purchase of service is allowed. The bill would provide the same opportunity for those who were forced to take lengthy leaves of absence for medical purposes.

Against:

Although the bill's provision for purchase of service credit for approved medical leaves may be a logical extension of the existing provisions for purchase of service, the additional buy-in would add even more complexity to an already difficult administrative process.

Against:

Retirement allowances were originally provided as a "reward" for service rendered. Service credit should therefore only be given for time that is actually worked.

POSITIONS:

The Retirement Coordinating Council supports the bill. (2-23-89)

The State Employees Retirees Association supports the bill. (2-24-89)

The SEIU/Michigan Council 35 supports the bill. (2-28-89)

The Bureau of Retirement Systems in the Department of Management and Budget opposes bill. (2-23-89)

The Department of Social Services has no position on the bill. (2-23-89)

H.B. 4133 (2-28-89)