



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

PSERS: PURCHASE MEDICAL LEAVE CREDIT

House Bill 4134 as introduced **RECEIVED**
First Analysis (2-28-89) **APR 17 1989**

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

Mich. State Law Library

THE APPARENT PROBLEM:

The Public School 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 school 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, for service in the Peace Corps or VISTA, or for sabbatical leave. 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 Public School Employees' Retirement Act to allow members who are absent from service for purposes of approved medical leave, and who then return to service, 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 member's reporting unit. Payment would be of an amount equal to the actuarial cost, as determined by the retirement board. Under the bill, the service credit purchased could not exceed five years, and the number of hours of service credit a member could purchase would be based upon the member's number of hours of service during the 12-month period immediately before the event resulting in the member's absence.

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, or if the member left reporting unit service before his or her retirement became effective, the payment made would be refunded upon request to the member, to the member's refund beneficiary, if any, or to the member's legal representative or estate.

MCL 38.1375b

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. The Public School Employees Retirement System (PSERS) allows members to purchase service credit for maternity or

paternity leave. It is only fair that the same provision should be extended to all members, regardless of the reason for the disability.

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. PSERS, in particular, has almost 30 different buy-in options for members, each of which causes an additional administrative burden.

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.

Against:

As written, the bill would require the employer of a member who was absent from service to certify and authorize the leave as "approved medical leave." Since PSERS includes some 650 school districts, the definition of what constitutes "approved medical leave" is likely to vary from one district to another. As a result, one member might be allowed to purchase service credit while another was denied the opportunity, even though both were absent for similar reasons. A more exact definition of "medical leave" should be provided to eliminate the possibility of subjective interpretations being made.

POSITIONS:

The Michigan Federation of Teachers supports the bill. (2-23-89)

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

The Michigan Education Association supports the bill in concept, but would prefer legislation that would repeal the present proliferation of buy-ins and would, instead, allow members to purchase up to five years of non-specific retirement credit. (2-27-89).

The Bureau of Retirement Systems in the Department of Management and Budget opposes the bill. (2-24-89)

H.B. 4134 (2-28-89)