



**House
Legislative
Analysis
Section**

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CO. RETIREES/MILITARY SERVICE CREDIT

**House Bill 5575 as passed by the House
Second Analysis (3-28-90)**

**Sponsor: Rep. Kay Hart
Committee: Senior Citizens and Retirement**

THE APPARENT PROBLEM:

The concept of granting service credit for purposes of increasing a member's retirement allowance has precedent in Michigan's public retirement systems. Members may purchase service credit for time spent on parental leave, for employment with the federal government, for sabbatical leave, or for time that an employee is absent from work due to work related injuries, for example. In order to purchase service credit, a member must fulfill a few, but not many, requirements. The service credit purchased usually may not be used to satisfy the minimum years of service required to receive a retirement allowance, and service, under most systems, may not be credited if it would be credited under another retirement system. In most cases, the member must be vested with the retirement system before credit may be purchased. In a few situations, the requirements are that a member must have ten years of credited service in force before credit may be purchased. This provision has remained in some statutes, because, presumably, ten years of service was once the standard requirement for vesting eligibility in most retirement systems, and is still a requirement under Public Act 156 of 1951 — the act that governs county employee retirement systems — for the purchase of service credit for military leave, although members may purchase service credit for employment in other types of government service after only eight years of county employment. In addition, the act has further restrictions: members may only purchase service credit for military duty performed before June 1, 1980 or, if after June, 1980, during a time of war or emergency conditions. It is felt that the act should be amended to permit county boards of commissioners the option of deleting the ten year service requirement for those who wish to purchase service credit for military duty, and to remove the restrictions.

THE CONTENT OF THE BILL:

At present, under Public Act 156 of 1951, a county employee may purchase service credit for up to five years of active military service served before June 1, 1980, or during a time of war or emergency after June 1, 1980. The purchase must be approved by the county board of commissioners, and the employee must have ten years of credited service. House Bill 5575 would amend the act to delete this ten year requirement. The bill would also permit a member who entered any armed service of the United States to purchase service credit for periods of continuous active duty lasting 30 days or more, provided that the following conditions were met:

- The purchase received the approval of the county board of commissioners by an affirmative vote of a majority of its members, and the board of commissioners established a written policy to provide uniform application of the provision.
- The member had at least the number of years of credited service needed to vest under the plan, not including any military service purchased.

- The member paid the retirement system five percent of his or her annual compensation, multiplied by the period of service credit being purchased.

Under the bill, fractional months of armed service and military service that had previously been used to purchase service credit could not be used to calculate the amount of service credit to be purchased. In addition, armed service credit purchased by a member could not exceed either five years, or the difference between five years and previous armed service credit received by the member. Service credit would not be granted for periods of armed service that were, or could be, used to obtain or increase a benefit from another retirement system.

MCL 46.12a

FISCAL IMPLICATIONS:

The bill would have no fiscal implications for the state. (3-15-90)

ARGUMENTS:

For:

Under most retirement systems, a member may purchase service credits to increase his or her retirement allowance as long as the member is vested. It is only fair that those who leave employment with a county in order to serve their country in the military should have the same rights as other employees, and that the act should be amended to delete the ten year service requirement.

POSITIONS:

The Retirement Bureau in the Department of Management and Budget has no position on the bill. (3-26-90)

The Michigan Association of Counties has no position at this time on the bill. (3-28-90)

H.B. 5575 (3-28-90)