House Legislative Analysis Section
Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

House Bill 5648 with committee amendment
First Analysis (4-9-90)

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

THE APPARENT PROBLEM:

In recent years, a movement has been underway across the nation in the private sector to make pensions portable. In Michigan, both the State and the Public School Employees Retirement Systems have recognized this by granting members various "buy-in" options for periods of time that cause interruptions in members' employment. Members may purchase service credit for time spent while absent from work due to work related injuries, for example, or for military leave, or employment with the federal government. Municipal and county retirement plans are more restrictive. Members of the Municipal Employees Retirement System (MERS) who leave employment with one governmental unit for employment with a MERS employer may receive credit for the previous employment if the break in service is no longer than fifteen years. Most county pension plans, however, do not have this provision. Under Public Act 156 of 1851, county boards of commissioners may vote to permit an employee to purchase service credit for prior employment with another governmental unit, but the break in service may be no longer than five years. (In addition, service rendered before the last break in service of more than five years may not be credited). Many feel that this break in service provision should be extended to fifteen years to give county employees the same benefits as municipal employees.

THE CONTENT OF THE BILL:

Currently, under Public Act 156 of 1851, a county employee with eight or more years of credited service may purchase service credit for prior employment with the federal government, with a state, or with any of their political subdivisions, provided that the break in service between the employment with the federal, state or local government and employment with the county is no longer than five years, that the employee is legally vested in the county retirement plan, and that the employee's request is approved by the county board of commissioners. In addition, service rendered before the last break in service of more than five years may not be credited. The bill would amend Public Act 156 of 1851 to extend the break in service period to fifteen years in both situations. In order to provide uniform application of this provision to all members of the retirement system, the county board of commissioners would be required to establish a written policy.

MCL 46.12a

FISCAL IMPLICATIONS:

According to the Retirement Bureau in the Department of Management and Budget, the bill would have no fiscal impact on the state. (4-5-90)

ARGUMENTS:

For:

While the bill would not guarantee that a county have a pension plan that is competitive with those in the private sector, it does provide a step in the right direction by giving county boards of commissioners the option of extending the break in service period to fifteen years across the board. The current five-year break in service provision discriminates mostly against women who have left the workforce to take care of young children. While their counterparts in the larger Municipal Employees Retirement System may — if approved by a municipality's governing board — purchase service credits after a fifteen-year absence, county employees are restricted to a five-year break in service and must also be vested in order to purchase service credits for prior employment.

POSITIONS:

The Genesee County Retirement Plan supports the bill. (4-5-90)

The Wayne County Employees Retirement System supports the bill. (4-6-90)

The United Auto Workers (UAW) supports the bill. (4-5-90)

The Retirement Bureau in the Department of Management and Budget has no position on the bill. (4-5-90)