

SFA

BILL ANALYSIS

Senate Fiscal Agency

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House Bill 4133 (as reported without amendment)
Sponsor: Representative Nick Ciaramitaro
House Committee: Senior Citizens and Retirement
Senate Committee: Judiciary

Date Completed: 4-12-89

RATIONALE

The State Employees' Retirement Act allows members to purchase service credit for various types of public service employment or other periods of time that may cause interruptions or delays in State employment, such as parental leave. Members of the system are permitted to 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. Some people feel that members of the retirement system also should be allowed to purchase service credit for time spent on approved medical leave.

CONTENT

The bill would amend the State Employees' Retirement Act to allow members of the State Employees' Retirement System (SERS) to purchase service credit for time spent on "approved medical leave" if the member later returned to service. ("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 employer.)

Credit purchased under the bill could neither exceed five years' service nor be used to satisfy the minimum number of years of service credit required to receive a retirement allowance. If a member who purchased service credit for medical leave died or left service before his or

her retirement allowance became effective, the payment made for the medical leave service credit would have to be refunded, upon request, to the member, his or her beneficiary, or the member's legal representative or estate.

An SERS member could purchase medical leave service credit for an amount "equal to the actuarial cost multiplied by the member's full-time or equated full-time fiscal year compensation for the fiscal year in which payment is made multiplied by each year and fraction of a year of service to be purchased, up to the maximum".

MCL 38.17j

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

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

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Opposing Argument

Although the bill's provision for purchase of service credit for approved medical leave 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. Further, retirement allowances were originally provided as a "reward" for service rendered. Service credit should therefore only be given for time in which some type of work is actually performed.

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