

Act No. 119
Public Acts of 1990
Approved by the Governor
June 22, 1990
Filed with the Secretary of State
June 22, 1990

**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1990**

Introduced by Reps. Scott, Middaugh, Bartnik, Pridnia, Jacobetti, Hickner, DeBeaussiaert, DeMars, Barns, Kosteva, Owen, Alley, Harrison, Ciaramitaro, Jonker, Spaniola, Martin, Keith, Stopczynski, Ostling, Weeks, Leland, Ouwinga, Power, Stacey, Fitzgerald, Bandstra, Perry Bullard, Sparks, Sikkema, Hoekman, Dunaskiss, Strand, Emmons, Munsell, Giese, London, Trim, Hart, Niederstadt, Maynard, Van Singel, Gagliardi, Pitoniak, Gnodtke, Law and Joe Young, Jr.

ENROLLED HOUSE BILL No. 4430

AN ACT to amend section 1 of Act No. 240 of the Public Acts of 1943, entitled as amended "An act to provide for a state employees' retirement system; to create a state employees' retirement board and prescribe its powers and duties; to establish certain funds in connection therewith and to require contributions thereto by state employees and by the state; to create certain accounts and provide for expenditures from those accounts; to prescribe the powers and duties of certain state officers and agencies; and to provide penalties for the violation of certain provisions of this act," as amended by Act No. 338 of the Public Acts of 1988, being section 38.1 of the Michigan Compiled Laws.

The People of the State of Michigan enact:

Section 1. Section 1 of Act No. 240 of the Public Acts of 1943, as amended by Act No. 338 of the Public Acts of 1988, being section 38.1 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 1. As used in this act:

- (a) "Retirement system" means the state employees' retirement system created by section 2.
- (b) "Retirement board" means the board provided for in section 2 to administer the retirement system.
- (c) "State treasurer" means the treasurer of this state.
- (d) "Employer" or "state" means this state.
- (e) "Member" means a state employee included in the membership of the retirement system, as provided for in section 13.
- (f) "Original member" means a person who became a member of this retirement system before January 1, 1945, or as provided in section 18.
- (g) "New member" means a person who becomes a member of this retirement system on or after January 1, 1945.
- (h) "Appointing authority" means the departmental officer who has the responsibility of making appointments and handling all other personnel transactions affecting the employees in the agency that the officer represents.
- (i) "Service" means service rendered to the state by an elected or appointed state official or employee of the state. Credit for service shall be determined by appropriate rules and regulations of the retirement board, but not more than 1 year of service shall be creditable for all service in 1 calendar year. The retirement board shall

not allow credit as service for any period of more than 1 month in any 1 calendar year during which the employee was absent without pay. However, full service credit shall be given for a period during which an employee is on leave of absence and is receiving worker's compensation benefits as the result of a duty incurred disability. Full service credit shall also be given to an employee for required 1-day layoffs, for voluntary or involuntary participation in pay reduction plan A, pay reduction plan B, or both, in effect during the fiscal years ending on and after September 30, 1981, and for required and designated temporary layoffs.

(j) "Prior service" means all service as a state employee or as an appointed state officer, and as an elected or appointed state official, rendered before July 1, 1943.

(k) "Membership service" means all service rendered after July 1, 1943.

(l) "Credited service" means the sum of the prior service and membership service credited to a member's service account.

(m) "Retirant" means a person who has ceased to be a member of the retirement system by reason of retirement with a pension or retirement allowance payable from the funds of the retirement system.

(n) "Beneficiary" or "disability beneficiary" means a person other than a retirant who receives a retirement allowance, pension, or other benefit provided by this act.

(o) "Regular interest" means a rate or rates per annum, compounded annually, as the retirement board determines. For the purposes of employee refunds, the interest rate payable shall not exceed 4% per annum, compounded annually.

(p) "Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to the member's individual account in the employees' savings fund, together with regular interest on that account.

(q) "Compensation" means the remuneration paid a member on account of the member's services rendered to the state. If a member's remuneration is not paid totally in money, the retirement board shall employ the maintenance-compensation schedules established from time to time by the civil service commission. Compensation does not include any of the following:

(i) Remuneration paid in lieu of accumulated sick leave.

(ii) Remuneration for services rendered after October 1, 1981, payable at retirement or termination under voluntary or involuntary pay reduction plan B, in excess of the amount the member would have received had the member been compensated for those services at the rate of pay in effect at the time those services were performed.

(iii) Payment for accrued annual leave at separation in excess of 240 hours.

(iv) Remuneration received by an employee of the department of mental health resulting from severance pay received because of the deinstitutionalization of the department of mental health resident population.

(v) Remuneration received as a bonus by investment managers of the department of treasury under the treasury incentive bonus plan first approved by the civil service commission on February 11, 1988, pursuant to section 5 of article XI of the state constitution of 1963.

(r) "Final average compensation" means the average of those years of highest annual compensation received by a member during a period of 5 consecutive years of credited service; or if the member has less than 5 years of credited service, then the average of the annual compensation received by the member during the member's total years of credited service. For a person whose retirement allowance effective date is on or after October 1, 1987, "final average compensation" means the average of those years of highest annual compensation received by a member during a period of 3 consecutive years of credited service; or if the member has less than 3 years of credited service, then the average of the annual compensation received by the member during the member's total years of credited service. A member's final average compensation shall not be diminished because of required 1-day layoffs. The compensation used in computing the final average compensation for a period during which a member is in a voluntary or involuntary pay reduction plan A or on a designated temporary layoff shall include the value of the hours not worked calculated at the member's hourly rate or rates of pay in effect immediately before the applicable final average compensation period. A member's final average compensation shall not be increased or decreased by the member's participation in voluntary or involuntary pay reduction plan B. Payment for accrued annual leave at separation in excess of 240 hours shall not be included in final average compensation.

(s) "Final compensation" means a member's annual rate of compensation at the time the member last terminates employment with the state.

(t) "Annuity" means annual payments for life derived from the accumulated contributions of a member. An annuity shall be paid in equal monthly installments.

(u) "Pension" means annual payments for life payable from funds of the retirement system as provided in this act. A pension shall be paid in equal monthly installments.

(v) "Retirement allowance" means the sum of the annuity and the pension.

(w) "Annuity reserve" means the present value, computed upon the basis of mortality and other tables adopted by the retirement board, of all payments to be made on account of an annuity, or benefits in lieu of an annuity, granted to a member under this act.

(x) "Pension reserve" means the present value, computed upon the basis of mortality and other tables adopted by the retirement board, of all payments to be made on account of a pension, or benefits in lieu of a pension, granted to a member under this act.

(y) "Employee" means a person who may become eligible for membership under this act, as provided in section 13, if the person's compensation is paid in whole or in part by the state.

(z) "Pay reduction plan A" means the plan available to or required of a member during the fiscal years ending on and after September 30, 1981 under which the member may elect to reduce by 1 hour or more in any 80-hour pay period the number of hours worked with a corresponding reduction in compensation.

(aa) "Pay reduction plan B" means the plan available to or required of a member during the fiscal years ending on and after September 30, 1981 under which the member may elect to work a full 80-hour pay period, defer compensation for 1 or more of those hours, and accumulate or use the hours for which compensation has been deferred in the same manner as annual leave hours.

(bb) "Designated temporary layoff" means the layoff of a member that does not exceed 1 month and has a fixed, predetermined, and announced recall date.

(cc) "Deferred member" means a member who is separated from state service for a reason other than retirement or death and who has satisfied the requirements of section 20(4) or (5) for a deferred retirement allowance.

(dd) "Actuarial cost" means a single percentage which, when multiplied by a member's fiscal year compensation, will result in the average actuarial present value of the additional benefits resulting from the crediting of 1 additional year of service. This single percentage shall be based on the members who utilize those sections of this act that permit the purchase of service. For purchases of service credit made before December 31, 1990, the single percentage shall be 9%. Beginning December 31, 1990 and every 3 years thereafter, the single percentage shall be computed based upon actual experience. If the computation results in an increase or decrease in the percentage, not less than 6 months' notice shall be given to the members.

(ee) "Conservation officer" means an employee of the department of natural resources, or its predecessor or successor agency, who has sworn to the prescribed oath of office and who is designated as a peace officer under section 6 of Act No. 192 of the Public Acts of 1929, being section 300.16 of the Michigan Compiled Laws, and section 1 of Act No. 109 of the Public Acts of 1986, being section 300.21 of the Michigan Compiled Laws.

Section 2. This amendatory act shall take effect April 1, 1991.

Section 3. This amendatory act shall not take effect unless Senate Bill No. 479 of the 85th Legislature is enacted into law.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved.....

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Governor.

