



**House
Legislative
Analysis
Section**

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PSERS; PURCHASE OF SERVICE

House Bill 4443 (Substitute H-2)
First Analysis (6-15-87)

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Sponsor: Rep. Maxine Berman
Committee: Senior Citizens & 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 for other periods of time which cause interruptions or delays in public 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 or state government, out of system public education employment, and sabbatical leave, among others. Some members of the retirement system have requested legislation which would allow them to purchase service credit for various additional reasons.

THE CONTENT OF THE BILL:

The bill would amend the Public School Employees Retirement Act to allow members of the retirement system to purchase service credit under certain circumstances. A person could purchase, at actuarial cost, up to five years of service credit for service as a teacher in a state-approved nonpublic school in the United States or in a foreign country, up to three years of service with the federal government as a teacher in a foreign country teaching students who were not U.S. citizens or on an Indian reservation in this country, up to two years service in the Peace Corps, VISTA, or with the Red Cross on a military base during an armed conflict, and up to six months of service in the Michigan National Guard or the U.S. Armed Forces Reserve. Further, a member could purchase service credit, at actuarial cost, for up to five years of employment with a municipal recreation department under certain circumstances. Purchased service credit could not be used to satisfy the minimum ten years service required to be "vested" in the system.

The bill would amend the definition of "out of system public education service" to include service as a teacher at a military base, thereby including people with that type of service under existing provisions for purchase of out of system service.

The bill would allow, until October 1, 1990, a member who was on an authorized leave or released time for purposes of employee organization professional services before October 1, 1981 to purchase service credit for the time at actuarial cost. (The act currently allows purchase of service credit for this type of service performed after October 1, 1981.)

MCL 38.1306 et al.

FISCAL IMPLICATIONS:

Fiscal information is not yet available.

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; indeed, the Public School Employees' Retirement System (PSERS) act already includes numerous situations for which the purchase of service is allowed. The bill would provide the same opportunity for those who were previously employed in nonpublic schools (as many teachers were, not necessarily by choice, during the 1970's when teaching jobs in the public schools were scarce). Other situations for which the bill would allow purchase of service, including teaching on military bases, Indian reservations, or in foreign schools as federal employees, are arguably within the scope of existing purchase of service provisions, though not specifically delineated in the act. Likewise, service with the National Guard, the reserve, the Red Cross, the Peace Corps, or VISTA has been compared to military service and should be treated in the same manner for purposes of purchasing service credit. It has been estimated that most of the provisions would apply to only a very small number of persons. Further, each of the purchase of service provisions proposed in the bill specify that the member would have to pay to the retirement system the actuarial cost of the service; thus, the bill would not appear to have any costs.

Against:

By allowing retirement system members to purchase service credit for employment in nonpublic schools, the bill could be construed as an unconstitutional advancement of religion by the state.

Response: The bill appears to meet the constitutional standard because it has a secular purpose, neither advances nor inhibits religion, and does not promote excessive entanglement between the state and the church.

POSITIONS:

The Retirement Coordinating Council supports the bill. (6-10-87)

The Michigan Federation of Teachers supports the bill. (6-10-87)

The Michigan Education Association supports the bill. (6-10-87)

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