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BILL ANALYSIS

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**House Bill 4443 (Substitute S-2 as reported)****Sponsor:** Representative Maxine Berman**House Committee:** Senior Citizens and Retirement**Senate Committee:** Judiciary**Date Completed:** 12-8-87**RATIONALE**

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, for example. Some people feel that members of the retirement system should be allowed to purchase service credit for various additional reasons, including employment time spent in nonpublic schools.

**CONTENT**

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 service credit, at actuarial cost, for the following:

- Up to five years of service as a teacher in a State-approved nonpublic school or a State approved nonpublic two- or four-year higher education institution in the State, in the United States or in a foreign country; as a full-time teacher with the Job Corps; as a teacher in a trust territory or former trust territory of the United States or at a school for United States personnel or dependents of United States military or State Department personnel.
- 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 or VISTA, with the Red Cross on a military base during an armed conflict, as a teacher or counselor employed by the United States Congress at the school for the pages of the United States government, or in alternative service to active duty military service when under the auspices of a local draft board.
- Up to six months of service in the Michigan National Guard or the U.S. Armed Forces Reserve.
- Up to five years of employment with a municipal recreation department, under certain circumstances.
- Service performed as an employee in a day care or day training program for the handicapped.

Purchased service credit could not be used to satisfy the minimum 10 years' service required to be "vested" in the system. Also, as a rule, service could not be credited if the member were or would be receiving a pension or annuity for the same service from another retirement

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 IMPACT**

The bill would increase administrative costs for the State Retirement Bureau to process the additional service credit purchases. The bill should impose no direct cost on the Public School Employees' Retirement System because the bill would require that the additional service credit purchases be made at actuarial cost. The bill would have no fiscal impact on 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 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 1970s 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 and others, 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, VISTA, or the Job Corps 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 specifies 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.

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