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CORRECTIONS EMPLOYEES; RETIREMENT BENEFITS

House Bill 5737

Sponsor: Rep. Ruth Ann Jannick

**Committee: Senior Health, Security and
Retirement**

Complete to 7-12-00

A SUMMARY OF HOUSE BILL 5737 AS INTRODUCED 5-4-00

Under the defined benefit provisions of the State Employees' Retirement Act, Department of Corrections employees working in certain specified positions requiring supervision or custody of prisoners are considered to be in "covered" service for purposes of the retirement system. Members with "covered" service may be eligible for earlier retirement and supplementary benefits.

One of the requirements for receiving a supplemental retirement allowance is that the member's final three years of employment must be in a "covered" position. House Bill 5737 would amend the act to make an exception to this requirement for a member who was employed in a "covered" position in a corrections center and whose "covered" position was terminated due to the closing of the corrections center between August 1, 1999 and August 1, 2000, resulting in the employee's transfer to a non-covered position. In such a case, a person would be considered to be in a "covered" position (and thus eligible for a supplemental retirement allowance) if the person either continued in a non-covered position until retirement, or transferred to a covered position but whose last three years of credited service were a combination of covered and non-covered service due to the termination of the covered position by the closing of a corrections center.

(Under the defined benefit provisions of the State Employees Retirement System, a member must meet certain age and service requirements to be eligible to receive a retirement allowance. Generally, a member must reach age 60 with 10 years of service, or age 55 with 25 years of service. A regular retirement allowance is calculated by multiplying 1.5 percent of the member's final average compensation by years of service credit [.015 x FAC x years of credited service]. By contrast, a corrections employee in a "covered" position is eligible for retirement at age 51 with 25 or more years in a covered position, or at age 56 with 10 or more years in a covered position. [The final three years must be in the "covered" position.] The benefit formula for members retiring with a supplemental retirement allowance from a "covered" position is 2 percent of final average compensation times years of "covered" service, plus 1.5 percent of final average compensation times years of non-covered service, until age 62. At age 62, the benefit is recalculated using the normal 1.5 percent formula. In other words, retiring from a "covered" position results in an additional .5 percent added to the retirement allowance calculation for the years from retirement until age 62.)

MCL 38.45 et al.

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.