SUBSTITUTE FOR

HOUSE BILL NO. 5093

A bill to amend 1943 PA 240, entitled "State employees' retirement act,"

by amending sections 17g, 23, 27, 33, and 67a (MCL 38.17g, 38.23, 38.27, 38.33, and 38.67a), sections 17g, 23, and 27 as amended by 1987 PA 241, section 33 as amended by 2002 PA 93, and section 67a as added by 1996 PA 487, and by adding section 27a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 17g. (1) A member who left or leaves service with the state or who left or leaves service for a reporting unit of the public school employees retirement system for purposes of maternity or paternity or child rearing parental leave, and returned or returns to service with the state without other intervening employment of more than 20 hours per week for each week for which service credit is claimed, may purchase service credit for the time period or periods during which the person was

1 separated or on leave of absence from service with the state or separated or on leave of absence from a reporting unit of the 2 3 or paternity or child rearing parental leave, upon submitting an 4 5 application described in subsection (5) and upon payment to the -board retirement system of an amount -which - that is equal to 6 the actuarial cost multiplied by the member's full-time or 7 equated full-time fiscal year compensation for the fiscal year in 8 which payment is made multiplied by each year and fraction of a 9 year of service to be purchased, up to the maximum. For the 10 purpose of computing payment under this subsection, the 11 12 compensation amount used shall not be less than the highest 13 full-time or equated full-time fiscal year compensation previously received by the member as a member of the system. 14 The total service credited under this section shall not exceed 5 15 years. A member requesting purchase of service credit under this 16 section shall certify to the board retirement system the 17 purpose for which the member took leave or was separated from 18 19 service with the state.

20 (2) Service credit purchased under this section shall not be used to satisfy the minimum number of years of service credit 21 required to receive a retirement allowance under this act. 22 (3) If a member who made payment under this section dies and 23 a retirement allowance is not payable, or if the member leaves 24 service with the state before his or her retirement allowance 25 becomes effective, the payment made by the member shall be 26 refunded upon request to the member, to the person designated by 27

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1 the member in writing to the <u>board</u> retirement system, or if a
2 person is not designated, then to the member's legal
3 representative.

4 (4) A member who reduces hours of employment with the state
5 for purposes of <u>maternity</u>, paternity, or child rearing parental
6 leave may purchase service credit for those hours by which
7 employment was reduced if all other requirements of this section
8 are met.

9 (5) A member requesting purchase of service credit under this section shall submit an application as prescribed by the 10 11 retirement system in which the member shall certify the time 12 period claimed for parental leave and the purpose of the parental leave. If a request for purchase of service credit under this 13 section is a result of leave taken to care for the member's child 14 15 by birth or adoption, then the member also shall submit a certified copy of a birth certificate or adoption document from 16 17 the appropriate court.

(6) Parental leave is creditable under this act until the
child, by birth or adoption, attains age 18 or is married,
whichever occurs first.

(7) For purposes of this section, "parental leave" meanseither of the following:

(a) The presence of the member in the active participation or
supervision in the day-to-day, ongoing care or maintenance of his
or her child by birth or adoption, for which the member reduces
or eliminates the number of hours worked for the state or the
reporting unit in a normal work time period.

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1 (b) A member's pregnancy, whether brought to full term or 2 not, childbirth, and recuperation, for which the member reduces 3 or eliminates the number of hours worked for the state or the 4 reporting unit in a normal work time period.

5 Sec. 23. Upon retirement for disability, as provided for 6 in section 21, a member who has not attained age 60 years shall 7 receive the following benefits, subject to the provisions of 8 sections 33 and 34:

(a) A disability retirement allowance of 2/3 of the 9 retirant's final average compensation, the retirement allowance 10 11 to begin as of date of the retirant's disability, but not more 12 than 6 months before the date the retirant's application for 13 disability retirement was filed with the retirement board, and 14 not before the date the retirant's name last appeared on a state 15 payroll with pay, whichever is later, and to continue to the 16 attainment of age 60 years or recovery or death, whichever event 17 shall first occur. The disability retirement allowance payable 18 to a disability retirant shall not exceed \$6,000.00 per annum, 19 nor be more than an amount which when added to the statutory 20 worker's compensation benefits applicable in the retirant's case 21 shall exceed the retirant's final compensation. The increase in 22 the maximum amount payable under this subdivision as provided by 23 this 1987 amendatory act shall be payable to retirants on the 24 pension payroll as of July 1, 1987. 25 (b) Upon attaining age 60 years or July 1, 1987, whichever is

- 26 later, the disability retirant shall receive a retirement
- 27 allowance computed according to section 20. In computing the

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1 retirant's retirement allowance, the retirant shall be given 2 membership service credit for the period during which the 3 retirant was receiving the disability retirement allowance 4 provided for in subdivision (a). If the computation results in a 5 retirement allowance less than the disability retirement allowance provided in subdivision (a), the retirant shall receive 6 a retirement allowance equal to the disability retirement 7 allowance. Upon attaining age 60 years or July 1, 1987, 8 whichever is later, the retirant may elect an option provided for 9 in section 31(1). 10 -(c) During the period a disability retirant is receiving a 11 12 disability retirement allowance, as provided for in subdivision (a), the retirant's contributions to the employees' savings fund 13 shall be suspended and the balance in the fund, standing to the 14 15 retirant's credit as of the date the disability retirement 16 allowance begins, shall remain in the savings fund and shall be accumulated at regular interest. Upon attaining age 60 years or 17 July 1, 1987, whichever is later, the retirant's accumulated 18 contributions shall be transferred from the employees' savings 19 fund to the pension reserve fund. If the disability retirant 20 21 should die before attaining age 60 years, the accumulated contributions standing to the retirant's credit in the employees' 22 savings fund shall be paid to the person or persons the retirant 23 nominated by written designation duly executed and filed with the 24 25 retirement board, or if there is not a designated person or 26 persons surviving, then to the retirant's legal representative. 27 (1) Upon retirement for disability as provided in section

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21, a member who is less than 60 years old shall receive a
 disability retirement allowance calculated under section 20(1).
 A disability retirement allowance payable under this subsection
 is payable beginning on the first day of the month following the
 date the member becomes totally incapacitated for state
 employment. A disability retirement allowance payable under this
 subsection shall not be paid before the first day of the month
 after the later of the following:

9 (a) Twelve months before the date the application for a 10 disability retirement allowance was filed with the retirement 11 system under section 21.

12 (b) The date the disability retirant's name last appeared on13 the state payroll with pay.

(2) Upon attaining age 60 years, a disability retirant under 14 subsection (1) shall receive a retirement allowance calculated 15 under section 20. For the purpose of calculating that retirant's 16 17 retirement allowance, the retirant shall be given membership service credit for the period during which the retirant was 18 receiving the disability retirement allowance provided for in 19 20 subsection (1). If the computation results in a retirement 21 allowance less than the disability retirement allowance provided in subsection (1), the retirant shall receive a retirement 22 23 allowance equal to the disability retirement allowance provided in subsection (1). Upon attaining age 60, the retirant may elect 24 an option provided for in section 31(1). 25

26 (3) During the period a disability retirant is receiving a
27 disability retirement allowance under subsection (1), the

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1 retirant's contributions to the employees' savings fund shall be suspended and the balance in the fund, that is credited to the 2 retirant as of the date the disability retirement allowance 3 begins, shall remain in the savings fund and shall be accumulated 4 5 at regular interest. Upon attaining age 60 years, the disability retirant's accumulated contributions shall be transferred from 6 the employees' savings fund to the pension reserve fund. 7 If the disability retirant should die before attaining age 60 years, the 8 accumulated contributions standing to the disability retirant's 9 credit in the employees' savings fund shall be paid to the person 10 or persons the disability retirant nominated by written 11 12 designation executed and filed with the retirement system, or if 13 there is not a designated person or persons surviving, then to the disability retirant's legal representative or estate. 14

(4) The disability retirement allowance payable to a disability retirant under this section shall not be less than \$6,000.00 per year. A disability retirement allowance first payable to a disability retirant under this section shall not be more than an amount that when added to the worker's compensation benefits payable to the disability retirant exceeds the disability retirant's final compensation.

(5) If the disability retirant who retired under section 21 dies before reaching age 60, the retirement allowance payable to the beneficiary designated by the disability retirant shall be calculated as provided in section 20(1). For the purpose of calculating the retirement allowance payable to the beneficiary designated by the disability retirant, the deceased retirant

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shall be given membership service credit for the period during
 which the retirant was receiving the disability retirement
 allowance provided for in subsection (1).

4 (6) The receipt of a disability retirement allowance under5 this section is subject to sections 33 and 34.

Sec. 27. (1) If a member dies as a result of a personal 6 injury or disease arising out of and in the course of his or her 7 employment with the state, or a disability retirant who retired 8 under section 21 dies prior to becoming age 60 and within 3 years 9 after the member's disability retirement from the same causes for 10 11 which he or she was retired, and such death or illness or 12 injuries resulting in death are found by the retirement board to 13 have been the sole and exclusive result of employment with the 14 state, the applicable benefits provided in subsections (2), (3), 15 (4), and (5) shall be paid, subject to subsection (6). 16 (2) The accumulated contributions standing to the member's 17 account in the employees' savings fund shall be paid to such 18 person or persons as the member has nominated by written designation duly executed and filed with the retirement board, or 19 20 if there are no such designated person or persons surviving, then 21 to the member's legal representative. (3) A retirement allowance of 1/3 of the final compensation 22 23 of the deceased person shall be paid to the surviving spouse to 24 whom the deceased person was married at the time he or she last

25 terminated employment with the state. If a child or children

26 under the age of 18 years also survives the deceased person, each

27 such child shall receive an allowance of an equal share of 1/4 of

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1 the deceased person's final compensation. Upon the marriage, 2 death, or attainment of age 18 years of any such child, there 3 shall be a redistribution by the retirement board to the deceased 4 person's remaining children under age 18 years. 5 (4) If there is no surviving spouse or if the surviving 6 spouse dies before the youngest surviving child of the deceased person reaches the age of 18 years, then each such child under 7 age 18 shall each receive an allowance equal to 1/4 of the 8 deceased person's final compensation, but the total so paid in 9 any year to the children of a deceased person shall not exceed 10 11 1/2 of his or her final compensation. If there are more than 2 12 such surviving children under age 18 years, each such child shall 13 receive an allowance of an equal share of 1/2 of the deceased 14 person's final compensation. Upon the marriage, death, or 15 attainment of age 18 years of any such child, the child's 16 allowance shall terminate and there shall be a redistribution by 17 the retirement board to any remaining eligible children of the 18 deceased under age 18, but a child shall not receive an allowance more than 1/4 of the deceased person's final compensation. 19 20 (5) If there is neither a spouse nor a child under age 18 21 years surviving the deceased person, then there shall be paid to 22 each parent of the deceased person whom the retirement board 23 after investigation determines to have been actually dependent 24 upon the deceased person through absence of earning power due to 25 disability, an allowance of 1/6 of the deceased person's final 26 compensation.

27 (6) The total of the retirement allowances payable under

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subsections (3), (4), and (5) on account of the death of a member or retirant shall not exceed \$2,400.00 per annum, nor an amount which, when added to the statutory worker's compensation benefit to which the dependents of the member or retirant are entitled, exceeds his or her final compensation.

6 (1) Except as provided in subsections (3), (4), and (5), if a member dies as a result of a personal injury or disease arising 7 out of and in the course of his or her employment with the state 8 and the personal injury or disease resulting in death is found by 9 the retirement board to have been the sole and exclusive result 10 of employment with the state, the surviving spouse shall receive 11 12 a retirement allowance calculated as if the deceased member had 13 retired effective the day before the date of death, elected option A under section 31(1), and nominated his or her spouse as 14 retirement allowance beneficiary. The retirement allowance shall 15 be calculated based upon the amount of the deceased member's 16 credited service. If the deceased member does not have the 17 minimum number of years of credited service needed to vest in the 18 retirement system, the amount of service necessary to reach that 19 20 amount of credited service shall be granted.

(2) The retirement allowance payable to a surviving spouse under this section shall not be less than \$6,000.00 per year. The retirement allowance first payable to a surviving spouse under subsection (1) shall not be more than an amount that, when added to the statutory worker's disability compensation benefits payable to the surviving spouse of the deceased member, equals the deceased member's final compensation.

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1 (3) If the requirements of subsection (1) are met but the 2 deceased member is survived by a spouse and a child or children 3 under 21 years of age, then the retirement allowance calculated 4 under subsections (1) and (2) shall be payable as follows: 5 (a) One-half to the surviving spouse.

(b) One-half to the surviving child or children under 21 6 years of age, in equal shares. The retirement allowance payable 7 8 to a surviving child under this subsection shall terminate upon that child's marriage, death, or becoming 21 years of age, 9 whichever occurs first. That child's share of the terminated 10 11 retirement allowance shall be redistributed among the remaining 12 children under 21 years of age, if any. When there are no surviving children entitled to a share of the retirement 13 allowance under this subsection, the children's share shall 14 revert to the surviving spouse. 15

16 (4) If the requirements of subsection (1) are met and the deceased member is not survived by a spouse but is survived by a 17 child or children under 21 years of age, then the retirement 18 allowance calculated under subsections (1) and (2) shall be paid 19 20 to the surviving child or children in equal shares. The retirement allowance payable to a surviving child under this 21 22 subsection shall terminate upon that child's marriage, death, or 23 becoming 21 years of age, whichever occurs first. That child's share of the terminated retirement allowance shall be 24 redistributed among the remaining children under 21 years of age, 25 if any. 26

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(5) If the other requirements of subsection (1) are met and

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1 neither a surviving spouse nor an eligible child surviving the deceased member or duty disability retirant exists, a monthly 2 allowance shall be paid to 1 surviving dependent parent whom the 3 retirement board finds to be totally and permanently disabled and 4 5 to have been dependent upon the deceased member or retirant for at least 50% of the parent's financial support. The allowance 6 shall be computed in the same manner as if the deceased member or 7 retirant had retired for reasons of age and service effective the 8 day preceding the member's or retirant's death, elected the 9 option provided in section 31(1)(a), and nominated the surviving 10 11 parent as retirement allowance beneficiary. The surviving 12 parent's beneficiary retirement allowance shall terminate upon 13 marriage or death.

Sec. 27a. (1) Beginning with retirement allowance payments due on or after June 1, 2004, retirement allowances granted under section 27 that began before the effective date of the amendatory act that added this section shall be adjusted as provided in this section.

19 (2) Except as otherwise provided in this section, a20 retirement allowance shall not be less than \$6,000.00 per year.

(3) A portion of a retirement allowance payable to a surviving child or parent shall not be less than that portion of a retirement allowance that the child or parent was entitled to receive under section 27 before the effective date of the amendatory act that added this section.

Sec. 33. (a) The retirement board may, and upon the
 retirant's application of anyone retired pursuant to section

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1 21, 24, or 67a shall, require -any disability retirant anyone retired under section 21, 24, or 67a who has not attained age 60 2 years to undergo a medical examination. The retirement board 3 shall not require a <u>disability retirant</u> person retired under 4 5 section 21, 24, or 67a to undergo more than 1 medical examination in any calendar year. The examination is to be made by or under 6 the direction of the medical advisor at the retirant's place of 7 residence or other place mutually agreed upon. Should - any 8 disability retirant anyone retired under section 21, 24, or 67a 9 who has not attained age 60 years refuse to submit to the medical 10 examination, his or her disability retirement allowance or 11 12 supplemental benefit provided for in section 67a may be discontinued until his or her withdrawal of the refusal. 13 If the refusal continues for 1 year, all rights in and to his or her 14 disability retirement allowance or supplemental benefit provided 15 for in section 67a may be revoked by the retirement board. 16 Ιf upon the medical examination of a disability retirant person 17 retired under section 21, 24, or 67a, the medical advisor reports 18 and his or her report is concurred in by the retirement board, 19 20 that the <u>disability retirant</u> person retired under section 21, 24, or 67a is physically -able and capable of resuming 21 22 employment, he or she shall be restored to active service with the state and his or her disability retirement allowance or 23 supplemental benefit provided for in section 67a shall cease. 24 (b) If the secretary reports and certifies to the retirement 25 board that a -disability beneficiary person retired under 26 27 section 21, 24, or 67a is engaged in a gainful occupation paying

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1 more than the difference between his or her disability retirement allowance and his or her final compensation, and if the 2 retirement board concurs in the report, then -the amount of his 3 or her retirement allowance shall be reduced to an amount which 4 5 together with the amount earned by him or her shall equal his or her final compensation. Should the earnings of the disability 6 retirant person retired under section 21, 24, or 67a be later 7 changed, the amount of his or her retirement allowance shall be 8 further modified in like manner. 9

10 Sec. 67a. (1) Upon the application of a qualified participant, his or her department head, or the state personnel 11 12 director, a qualified participant who becomes totally incapacitated for duty in the service of this state without 13 willful negligence on his or her part, by reason of a personal 14 15 injury or disease, which the retirement board finds to have 16 occurred as the natural and proximate result of the qualified participant's actual performance of duty in the service of this 17 18 state, shall be granted a supplemental benefit equivalent to the amount provided for in section 23 as if the former qualified 19 20 participant had retired under section 21, which supplemental 21 benefit shall be offset by the value of the distribution of his or her accumulated balance upon becoming a former qualified 22 23 participant pursuant to section 67.

(1) Except as otherwise provided in section 33, a qualified
participant who becomes totally incapacitated for duty because of
a personal injury or disease shall be retired if all of the
following apply:

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1 (a) Within 1 year after the qualified participant becomes 2 totally incapacitated or at a later date if the later date is 3 approved by the retirement board, the qualified participant, the 4 qualified participant's personal representative or guardian, his 5 or her department head, or the state personnel director files an 6 application on behalf of the member with the retirement board.

7 (b) The retirement board finds that the qualified 8 participant's personal injury or disease is the natural and 9 proximate result of the qualified participant's performance of 10 duty.

11 (c) A medical advisor conducts a medical examination of the 12 qualified participant and certifies in writing that the qualified 13 participant is mentally or physically totally incapacitated for 14 further performance of duty, that the total incapacitation is 15 probably permanent, and that the qualified participant should be 16 retired.

17 (d) The retirement board concurs in the recommendation of18 the medical advisor.

19 (2) If the retirement board grants the application of the qualified participant under subsection (1), the qualified 20 participant shall be granted a supplemental benefit equivalent to 21 the amount provided in section 23 as if the former qualified 22 participant had retired under section 21, which supplemental 23 24 benefit shall be offset by the value of the distribution of his or her accumulated balance as determined by the retirement system 25 26 upon becoming a former qualified participant pursuant to section 27 67.

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1 (3) -(2) If a qualified participant dies as a result of a personal injury or disease arising out of and in the course of 2 his or her employment with this state, or if a former qualified 3 participant who retired under subsection (1) who dies before 4 5 becoming age 60 and within 3 years after the former qualified participant's disability retirement from the same causes from 6 which he or she separated, and such death or illness or injuries 7 resulting in death are found by the retirement board to have been 8 the sole and exclusive result of employment with this state, a 9 supplemental benefit shall be granted equivalent to the amount 10 provided for in section 27 had the former qualified participant 11 12 been considered retired under section 27, which supplemental benefit shall be offset by the value of the distribution of his 13 or her accumulated balance upon becoming a former qualified 14 participant pursuant to section 67. 15

(4) (3) A qualified participant, former qualified
participant, or beneficiary of a deceased participant, which
participant is eligible for a duty disability retirement
allowance pursuant to subsection (1), or (2), or (3), is
eligible for health insurance coverage under section 20d in all
respects and under the same terms as would be a retirant and his
or her beneficiaries under Tier 1.

23 (4) Upon the application of a qualified participant, his or
24 her department head, or the state personnel director, a qualified
25 participant who has been a state employee for 10 years or more
26 and who becomes totally and permanently incapacitated for duty as
27 the result of causes occurring not in the performance of duty to

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1 this state shall be granted a supplemental benefit equivalent to
2 the amount provided for in section 25 as if the former qualified
3 participant had retired under section 24, which supplemental
4 benefit shall be offset by the value of the distribution of his
5 or her accumulated balance upon becoming a former qualified
6 participant pursuant to section 67.

7 (5) Except as otherwise provided in section 33, a qualified 8 participant who becomes totally incapacitated for duty because of 9 a personal injury or disease that is not the natural and 10 proximate result of the qualified participant's performance of 11 duty may be retired if all of the following apply:

(a) Within 1 year after the qualified participant becomes totally incapacitated or at a later date if the later date is approved by the retirement board, the qualified participant, the qualified participant's personal representative or guardian, the qualified participant's department head, or the state personnel director files an application on behalf of the qualified participant with the retirement board.

(b) A medical advisor conducts a medical examination of the qualified participant and certifies in writing that the qualified participant is mentally or physically totally incapacitated for further performance of duty, that the incapacitation is likely to be permanent, and that the qualified participant should be retired.

(c) The qualified participant has been a state employee forat least 10 years.

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(6) If the retirement board grants the application of the

1 qualified participant under subsection (5), the qualified
2 participant shall be granted a supplemental benefit equivalent to
3 the amount provided for in section 25 as if the qualified
4 participant had retired under section 24. The supplemental
5 benefit shall be offset by the value of the distribution of his
6 or her accumulated balance as determined by the retirement system
7 upon becoming a former qualified participant pursuant to section
8 67.

9 (7) -(5) If a qualified participant who has been a state 10 employee for the number of years necessary to vest under Tier 1 dies as a result of causes occurring not in the performance of 11 12 duty to this state, a supplemental benefit shall be granted equivalent to the amount provided for in section 25 had the 13 former qualified participant been considered retired under 14 section 24, which supplemental benefit shall be offset by the 15 value of the distribution of his or her accumulated balance as 16 determined by the retirement system upon becoming a former 17 qualified participant pursuant to section 67. 18

19 (8) (6) A qualified participant, former qualified
20 participant, or beneficiary of a deceased participant, which
21 participant is eligible for a disability retirement allowance
22 pursuant to subsection (4) or (5), is eligible for health
23 insurance coverage under section 20d in all respects and under
24 the same terms as would be a retirant and his or her
25 beneficiaries under Tier 1.

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