

SENATE BILL No. 1351

September 8, 2004, Introduced by Senators PRUSI, CLARKE, BERNERO, CLARK-COLEMAN, JACOBS, OLSHOVE and BRATER and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled
 "State employees' retirement act,"
 by amending section 20 (MCL 38.20), as amended by 2002 PA 93.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) Upon his or her retirement, as provided for in
 2 section 19, 19a, 19b, 19c, or 19d, a member shall receive a
 3 retirement allowance equal to the member's number of years and
 4 fraction of a year of credited service multiplied by 1-1/2% of
 5 his or her final average compensation. **Beginning July 1, 2003,**
 6 **upon his or her retirement as provided for under this act, a**
 7 **member shall receive a retirement allowance equal to the member's**
 8 **number of years and fraction of a year of credited service**
 9 **multiplied by 1.75% of his or her final average compensation. The**
 10 member's retirement allowance is subject to subsection (3). Upon
 11 his or her retirement, the member may elect an option provided

1 for in section 31(1).

2 (2) Pursuant to rules promulgated by the retirement board, a
3 member who retires before becoming 65 years of age may elect to
4 have his or her regular retirement allowance equated on an
5 actuarial basis to provide an increased retirement allowance
6 payable up to his or her attainment of 65 years of age and a
7 reduced retirement allowance payable after his or her attainment
8 of 65 years of age. His or her increased retirement allowance
9 payable up to age 65 shall approximately equal the sum of his or
10 her reduced retirement allowance payable after age 65 and his or
11 her estimated social security primary insurance amount. In
12 addition, upon retirement the member may elect an option provided
13 for in section 31(1).

14 (3) If a retirant dies before receiving payment of his or her
15 retirement allowance in an aggregate amount equal to the
16 retirant's accumulated contributions credited to the retirant in
17 the employees' savings fund at the time of his or her retirement,
18 the difference between his or her accumulated contributions and
19 the amount of retirement allowance received by him or her shall
20 be paid to the person or persons that he or she nominated by
21 written designation executed and filed with the retirement
22 board. If the person or persons do not survive the retirant,
23 then the difference, if any, shall be paid to the retirant's
24 legal representative or estate. Benefits shall not be paid under
25 this subsection on account of the death of the retirant if he or
26 she elected an option provided for in section 31(1).

27 (4) If a member has 10 or more years of credited service, or

1 has 5 or more years of credited service as an elected officer or
2 in a position in the executive branch or the legislative branch
3 excepted or exempt from the classified state civil service as
4 provided in section 5 of article XI of the state constitution of
5 1963, and is separated from the service of the state for a reason
6 other than retirement or death, he or she shall remain a member
7 during the period of absence from the state service for the
8 exclusive purpose of receiving a retirement allowance provided
9 for in this section. If a former employee of the state accident
10 fund who had 5 or more years of service as an employee of the
11 state accident fund returns to employment with the state before
12 receiving a retirement allowance under this act, the employee
13 shall be required to accumulate 10 or more years of credited
14 service before receiving a retirement allowance under this act.
15 If a former employee of the Michigan biologic products institute
16 who is eligible to and has elected to purchase additional
17 credited service pursuant to section 17(2) returns to employment
18 with the state before receiving a retirement allowance under this
19 act, the employee shall be required to accumulate 10 or more
20 years of credited service, without regard to the additional
21 credited service purchased pursuant to section 17(2) but
22 including any credited service authorized under section 16,
23 before receiving a retirement allowance under this act. If the
24 member withdraws all or part of his or her accumulated
25 contributions, he or she ceases to be a member. Upon becoming
26 60 years of age or older, the member may retire upon his or her
27 written application to the retirement board as provided in

1 section 19(1). If a member elects an option as provided under
2 section 31(4), but dies before the effective date of his or her
3 retirement, the option elected by the member shall be carried
4 out, and the beneficiary of the member is entitled to all
5 advantages due under that option.

6 (5) A person who is a member after January 1, 1981, who has
7 at least 5 years of credited service, and whose employment with
8 the department formerly known as the department of mental health
9 is terminated by reason of reduction in force related to
10 deinstitutionalization that may or may not result in facility
11 closure, shall remain a member during the period of absence from
12 the state service for the exclusive purpose of receiving a
13 service retirement allowance as provided in this subsection. As
14 used in this subsection, "deinstitutionalization" means planned
15 reduction of state center or hospital beds through placement of
16 individuals from the hospital or facility, or through limiting
17 admissions to centers and hospitals, or both. If a member
18 withdraws all or part of the member's accumulated contributions,
19 the member ceases to be a member. Upon becoming 60 years of age
20 or older, the member may retire upon written application to the
21 retirement board. The application shall specify a date on which
22 the member desires to retire. Upon retirement, the member shall
23 receive a retirement allowance equal to the number of years and
24 fraction of a year of credited state service multiplied by 1-1/2%
25 of the member's final average compensation. Upon retirement, the
26 member may elect an option provided in section 31(1). If the
27 member elects an option provided for in section 31(4), but dies

1 before the effective date of retirement, the option elected by
2 the member shall be carried out, and a beneficiary of the member
3 is entitled to all advantages due under the option.

4 (6) A retirant or the beneficiary of a retirant who retired
5 before July 1, 1974 shall have his or her retirement allowance
6 recalculated based on the retirant's number of years and fraction
7 of a year of credited service multiplied by 1.5% of his or her
8 final average compensation. The retirant or beneficiary is
9 eligible to receive the recalculated retirement allowance
10 beginning October 1, 1987, but is not eligible to receive the
11 adjusted amount attributable to any month beginning before
12 October 1, 1987. The recalculated retirement allowance provided
13 by this subsection shall be paid by January 1, 1988 and shall be
14 the basis on which future adjustments to the allowance, including
15 the supplement provided by section 20h, are calculated. The
16 retirement allowance of a retirant who dies before January 1,
17 1988, and who did not nominate a retirement allowance beneficiary
18 pursuant to section 31, shall not be recalculated pursuant to
19 this subsection.

20 (7) Each retirement allowance payable under this act shall
21 date from the first of the month following the month in which the
22 applicant satisfies the age and service or other requirements for
23 receiving the retirement allowance and terminates state service.
24 A full month's retirement allowance is payable for the month in
25 which a retirement allowance ceases.

26 (8) An employee of the state accident fund who has 5 or more
27 but less than 10 years of credited service as of the effective

1 date of the transfer authorized by section 701a of the worker's
2 disability compensation act of 1969, 1969 PA 317, MCL 418.701a,
3 and who is permitted to receive a retirement allowance under
4 subsection (4) is eligible for health care benefits under section
5 20d on the date of his or her retirement to the same extent as a
6 member with 10 years of credited service who vested on the same
7 date.

8 (9) An employee of the Michigan biologic products institute
9 who has 5 or more but less than 10 years of credited service as
10 of the effective date of the conveyance authorized by the
11 Michigan biologic products institute transfer act, **1996 PA 522,**
12 **MCL 333.26331 to 333.26340,** and who is permitted to receive a
13 retirement allowance under subsection (4) is eligible for health
14 care benefits under section 20d on the date of his or her
15 retirement to the same extent as a member with 10 years of
16 credited service who vested on the same date.