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BILL ANALYSIS

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Senate Bill 636 (as introduced 6-22-05)
Sponsor: Senator Wayne Kuipers
Committee: Education

Date Completed: 8-2-05

CONTENT

The bill would amend the Public School Employees Retirement Act to provide that a member of the Public School Employees Retirement System could not purchase service credit unless he or she had 15 years of service as a public school employee. This would apply to individuals who became members of the system on or after July 1, 2005.

The Act allows members of the retirement system to purchase service credit that may be applied to the years required for retirement. Members may purchase up to five years of service credit (less the number of years purchased before January 31, 1991, for particular types of service).

MCL 38.1369f

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

According to the Office of Retirement Services, the bill would have little, if any impact on the contribution rate. However, even under current law, members who purchase additional service credit and retire earlier than normal do receive additional health care benefits that are unaccounted for in the actuarial valuation. Normal pension costs, even those taken early due to the purchase of service credit, are accounted for actuarially.

The local cost would be to the employees purchasing the additional service credit. The actuarial cost of purchasing service credit is based on the salary in the immediately preceding year in which service credit is to be purchased. Under this bill, employees would have to have at least 15 years of service, thus making the purchase of service credit more expensive for the employees since the actuarial cost of purchasing those years would be based on the higher salary of having worked for at least 15 years.

Fiscal Analyst: Joe Carrasco

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