

# HOUSE BILL No. 4813

April 21, 2009, Introduced by Rep. Rick Jones and referred to the Committee on Labor.

A bill to amend 1943 PA 240, entitled  
"State employees' retirement act,"  
by amending sections 19 and 20 (MCL 38.19 and 38.20), as amended by  
2002 PA 93.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 19. (1) A member who is 60 years of age or older and has  
2       10 or more years of credited service or a member who is 60 years of  
3       age or older and has 5 or more years of credited service as  
4       provided in section 20(4) or (5) may retire upon written  
5       application to the retirement board, stating a date on which he or  
6       she desires to retire. Beginning on the retirement allowance  
7       effective date, he or she shall receive a retirement allowance  
8       computed according to section 20(1).

9       (2) A member who is 55 years of age or older, but less than 60

1 years of age, and has 15 or more years of credited service, may  
2 retire upon written application to the retirement board stating a  
3 date on which he or she desires to retire. Upon retirement he or  
4 she shall receive a retirement allowance computed according to  
5 section 20(1). Except as otherwise provided in this act, the  
6 retirement allowance of a member who has less than 30 years of  
7 credited service shall be reduced by an amount that is 0.5% of the  
8 retirement allowance multiplied by the number of months the  
9 person's age at retirement is under 60 years. The reduction of 1/2  
10 of 1% for each month and fraction of a month from the member's  
11 retirement allowance effective date to the date of the member's  
12 sixtieth birthday provided for in this subsection does not apply to  
13 a member who retired before July 1, 1974 and before attainment of  
14 age 60, with 30 or more years of credited service. The retirement  
15 allowance of a retirant or beneficiary of a retirant who retired  
16 before that date shall be recalculated disregarding the reduction,  
17 and the person receiving the retirement allowance is eligible to  
18 receive an adjusted retirement allowance based on the recalculation  
19 beginning October 1, 1987, but is not eligible to receive the  
20 adjusted amount attributable to any month beginning before October  
21 1, 1987. The recalculated retirement allowance provided by this  
22 subsection shall be paid by January 1, 1988. The retirement  
23 allowance of a retirant who dies before January 1, 1988, and who  
24 has not nominated a retirement allowance beneficiary pursuant to  
25 section 31, shall not be recalculated pursuant to this subsection.

26 (3) A MEMBER WHO IS 50 YEARS OF AGE OR OLDER AND HAS 30 OR  
27 MORE YEARS OF CREDITED SERVICE MAY RETIRE UPON WRITTEN APPLICATION

1 TO THE RETIREMENT BOARD STATING A DATE ON WHICH HE OR SHE DESIRES  
2 TO RETIRE. UPON RETIREMENT, HE OR SHE SHALL RECEIVE A RETIREMENT  
3 ALLOWANCE COMPUTED ACCORDING TO SECTION 20(1) WITHOUT REGARD TO THE  
4 REDUCTION IN SUBSECTION (2).

5 (4) ~~(3)~~—Notwithstanding any other provision of this section,  
6 effective April 1, 1988, a member may retire with a retirement  
7 allowance computed according to section 20(1), without regard to  
8 the reduction in subsection (2), if all of the following apply:

9 (a) The member files a written application with the retirement  
10 board stating a date, not less than 30 or more than 90 days after  
11 the execution and filing of the application, on which the member  
12 desires to retire, and which is within the early retirement  
13 effective period.

14 (b) The member was employed by the state for the 6-month  
15 period immediately preceding the member's retirement allowance  
16 effective date. This subdivision does not apply to a member who had  
17 been restored to active service during that 6-month period pursuant  
18 to section 33.

19 (c) On the last day of the month immediately preceding the  
20 retirement allowance effective date stated in the application, the  
21 member's combined age and length of credited service is equal to or  
22 greater than 80 years and the member is 50 years of age or older.

23 (d) For purposes of this subsection, "early retirement  
24 effective period" means 1 of the following:

25 (i) Except as provided in subparagraph (ii), the period  
26 beginning on April 1, 1988 and ending on April 1, 1989.

27 (ii) For a member employed by a hospital or facility owned or

1 operated by the department formerly known as the department of  
2 mental health that is in the process of being closed by the  
3 department formerly known as the department of mental health, the  
4 period beginning on April 1, 1988 and ending on October 1, 1989.

5 (5) ~~(4)~~—As used in subsections ~~(5)~~—(6) to ~~(9)~~—(10):

6 (a) "Agency of the department" means 1 of the following:

7 (i) Southwest Michigan community living services.

8 (ii) Wayne community living services.

9 (b) "Department inpatient facility" means 1 of the following:

10 (i) A developmental disability center that is directly operated  
11 by the department formerly known as the department of mental health  
12 for purposes of providing inpatient care and treatment services to  
13 persons with developmental disabilities.

14 (ii) A psychiatric hospital that is directly operated by the  
15 department formerly known as the department of mental health for  
16 purposes of providing inpatient diagnostic and therapeutic services  
17 to persons who are mentally ill.

18 (6) ~~(5)~~—Notwithstanding any other provision of this section, a  
19 member who is an employee of an agency of the department or a  
20 department inpatient facility and is on layoff status because the  
21 agency or inpatient facility has been designated by the state  
22 officer formerly known as the director of mental health for closure  
23 on or after October 1, 1989, may retire as provided in subsection  
24 ~~(7)~~—(8) or ~~(8)~~—(9), as applicable, with a retirement allowance  
25 computed according to section 20(1), without regard to the  
26 reduction in subsection (2), upon satisfaction of any 1 of the  
27 following conditions:

1 (a) The member is 51 years of age or older and has 25 or more  
2 years of credited service, the last 5 of which are as an employee  
3 of an agency of the department designated for closure or a  
4 department inpatient facility designated for closure.

5 (b) The member is at least 56 years of age and has 10 or more  
6 years of credited service, the last 5 of which are as an employee  
7 of an agency of the department designated for closure or a  
8 department inpatient facility designated for closure.

9 (c) The member has 25 or more years of credited service,  
10 regardless of age, as an employee of an agency of the department  
11 designated for closure or a department inpatient facility  
12 designated for closure.

13 (7) ~~(6)~~—When a department inpatient facility or agency is  
14 designated for closure on or after October 1, 1989, the state  
15 officer formerly known as the director of mental health shall  
16 certify in writing to the state legislature and the retirement  
17 board, not less than 240 days before the designated official date  
18 of closure, which facility or agency is to be closed and the  
19 designated official date of closure.

20 (8) ~~(7)~~—Except as provided in subsection ~~(8)~~—(9), a member who  
21 is eligible to receive a retirement allowance under subsection ~~(5)~~  
22 (6) may retire effective on the date that an agency of the  
23 department or a department inpatient facility designated for  
24 closure as provided in subsection ~~(5)~~—(6) actually closes, upon  
25 written application to the retirement board not less than 30 or  
26 more than 180 days before the designated official date of closure.  
27 Beginning on the retirement allowance effective date, he or she

1 shall receive a retirement allowance computed according to section  
2 20(1).

3       (9) ~~(8)~~—A member who is on layoff status, is not working for  
4 the state, and becomes eligible to receive a retirement allowance  
5 under subsection ~~(5)~~—(6) and who was an employee of an agency of  
6 the department or a department inpatient facility that has been  
7 designated for closure as provided in subsection ~~(5)~~—(6) and that  
8 actually closes on or after October 1, 1989, may retire upon  
9 written application to the retirement board, stating a date upon  
10 which he or she wishes to retire. Beginning on the retirement  
11 allowance effective date, he or she shall receive a retirement  
12 allowance computed according to section 20(1).

13       (10) ~~(9)~~—Any additional accrued actuarial cost and costs for  
14 health insurance resulting from the implementation of subsection  
15 ~~(5)~~—(6) shall be funded from appropriations to the department  
16 formerly known as the department of mental health for this purpose.

17       (11) ~~(10)~~—A member who is an employee of the state accident  
18 fund on the date of transfer to a permitted transferee as that term  
19 is defined by section 701a of the worker's disability compensation  
20 act of 1969, 1969 PA 317, MCL 418.701a, may retire if the member's  
21 age and his or her length of service is equal to or greater than 70  
22 years on the date of transfer. The member may retire upon written  
23 application to the retirement board, stating a date, not less than  
24 30 or more than 90 days after the execution and filing of the  
25 application, on which he or she desires to retire. Beginning on the  
26 retirement allowance effective date, he or she shall receive a  
27 retirement allowance computed according to section 20(1) without

1 regard to the reduction required by subsection (2).

2       (12) ~~(11)~~—A member who is an employee of the Michigan biologic  
3 products institute on the date the institute is conveyed pursuant  
4 to the Michigan biologic products institute transfer act, 1996 PA  
5 522, MCL 333.26331 to 333.26340, may retire if the member's age and  
6 his or her length of service is equal to or greater than 70 years  
7 on the date of the conveyance. The member may retire upon written  
8 application to the retirement board, stating a date, not less than  
9 30 or more than 90 days after the execution and filing of the  
10 application, on which he or she desires to retire. Beginning on the  
11 retirement allowance effective date, he or she shall receive a  
12 retirement allowance computed according to section 20(1) without  
13 regard to the reduction required by subsection (2).

14       (13) ~~(12)~~—A member who is an employee of the liquor control  
15 commission created by section 209 of the Michigan liquor control  
16 code of 1998, 1998 PA 5—58, MCL 436.1209, whose employment is  
17 terminated due to the privatization of the distribution of spirits  
18 within this state is effectuated pursuant to the resolution and  
19 order adopted by the liquor control commission on February 7, 1996,  
20 a plan adopted pursuant to statute or court order, or a plan  
21 adopted pursuant to both statute and order of the liquor control  
22 commission may retire if the member's age and his or her length of  
23 service is equal to or greater than 70 years on the date the  
24 privatization is effectuated. The member may retire under this  
25 subsection upon written application to the retirement board,  
26 stating a date, not less than 30 or more than 90 days after the  
27 execution and filing of the application, on which he or she desires

1 to retire. Beginning on the retirement allowance effective date, he  
2 or she shall receive a retirement allowance computed according to  
3 section 20(1), without regard to the reduction required by  
4 subsection (2). The cost of benefits paid under this section shall  
5 be paid out of the revolving fund created under section 221 of the  
6 Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1221.

7       Sec. 20. (1) Upon his or her retirement, as provided for in  
8 section 19, 19a, 19b, 19c, or 19d, a member shall receive a  
9 retirement allowance equal to the member's number of years and  
10 fraction of a year of credited service multiplied by 1-1/2% of his  
11 or her final average compensation. **FOR A MEMBER WHO RETIRES ON OR**  
12 **AFTER OCTOBER 1, 2009, THE MEMBER SHALL RECEIVE A RETIREMENT**  
13 **ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF YEARS AND FRACTION OF A**  
14 **YEAR OF CREDITED SERVICE MULTIPLIED BY 1-3/4% OF HIS OR HER FINAL**  
15 **AVERAGE COMPENSATION.** The member's retirement allowance is subject  
16 to subsection (3). Upon his or her retirement, the member may elect  
17 an option provided for in section 31(1).

18       (2) Pursuant to rules promulgated by the retirement board, a  
19 member who retires before becoming 65 years of age may elect to  
20 have his or her regular retirement allowance equated on an  
21 actuarial basis to provide an increased retirement allowance  
22 payable up to his or her attainment of 65 years of age and a  
23 reduced retirement allowance payable after his or her attainment of  
24 65 years of age. His or her increased retirement allowance payable  
25 up to age 65 shall approximately equal the sum of his or her  
26 reduced retirement allowance payable after age 65 and his or her  
27 estimated social security primary insurance amount. In addition,



1 upon retirement the member may elect an option provided for in  
2 section 31(1).

3 (3) If a retirant dies before receiving payment of his or her  
4 retirement allowance in an aggregate amount equal to the retirant's  
5 accumulated contributions credited to the retirant in the  
6 employees' savings fund at the time of his or her retirement, the  
7 difference between his or her accumulated contributions and the  
8 amount of retirement allowance received by him or her shall be paid  
9 to the person or persons that he or she nominated by written  
10 designation executed and filed with the retirement board. If the  
11 person or persons do not survive the retirant, then the difference,  
12 if any, shall be paid to the retirant's legal representative or  
13 estate. Benefits shall not be paid under this subsection on account  
14 of the death of the retirant if he or she elected an option  
15 provided for in section 31(1).

16 (4) If a member has 10 or more years of credited service, or  
17 has 5 or more years of credited service as an elected officer or in  
18 a position in the executive branch or the legislative branch  
19 excepted or exempt from the classified state civil service as  
20 provided in section 5 of article XI of the state constitution of  
21 1963, and is separated from the service of the state for a reason  
22 other than retirement or death, he or she shall remain a member  
23 during the period of absence from the state service for the  
24 exclusive purpose of receiving a retirement allowance provided for  
25 in this section. If a former employee of the state accident fund  
26 who had 5 or more years of service as an employee of the state  
27 accident fund returns to employment with the state before receiving

1 a retirement allowance under this act, the employee shall be  
2 required to accumulate 10 or more years of credited service before  
3 receiving a retirement allowance under this act. If a former  
4 employee of the Michigan biologic products institute who is  
5 eligible to and has elected to purchase additional credited service  
6 pursuant to section 17(2) returns to employment with the state  
7 before receiving a retirement allowance under this act, the  
8 employee shall be required to accumulate 10 or more years of  
9 credited service, without regard to the additional credited service  
10 purchased pursuant to section 17(2) but including any credited  
11 service authorized under section 16, before receiving a retirement  
12 allowance under this act. If the member withdraws all or part of  
13 his or her accumulated contributions, he or she ceases to be a  
14 member. Upon becoming 60 years of age or older, the member may  
15 retire upon his or her written application to the retirement board  
16 as provided in section 19(1). If a member elects an option as  
17 provided under section 31(4), but dies before the effective date of  
18 his or her retirement, the option elected by the member shall be  
19 carried out, and the beneficiary of the member is entitled to all  
20 advantages due under that option.

21 (5) A person who is a member after January 1, 1981, who has at  
22 least 5 years of credited service, and whose employment with the  
23 department formerly known as the department of mental health is  
24 terminated by reason of reduction in force related to  
25 deinstitutionalization that may or may not result in facility  
26 closure, shall remain a member during the period of absence from  
27 the state service for the exclusive purpose of receiving a service

1 retirement allowance as provided in this subsection. As used in  
2 this subsection, "deinstitutionalization" means planned reduction  
3 of state center or hospital beds through placement of individuals  
4 from the hospital or facility, or through limiting admissions to  
5 centers and hospitals, or both. If a member withdraws all or part  
6 of the member's accumulated contributions, the member ceases to be  
7 a member. Upon becoming 60 years of age or older, the member may  
8 retire upon written application to the retirement board. The  
9 application shall specify a date on which the member desires to  
10 retire. Upon retirement, the member shall receive a retirement  
11 allowance equal to the number of years and fraction of a year of  
12 credited state service multiplied by 1-1/2% of the member's final  
13 average compensation. Upon retirement, the member may elect an  
14 option provided in section 31(1). If the member elects an option  
15 provided for in section 31(4), but dies before the effective date  
16 of retirement, the option elected by the member shall be carried  
17 out, and a beneficiary of the member is entitled to all advantages  
18 due under the option.

19 (6) A retirant or the beneficiary of a retirant who retired  
20 before July 1, 1974 shall have his or her retirement allowance  
21 recalculated based on the retirant's number of years and fraction  
22 of a year of credited service multiplied by 1.5% of his or her  
23 final average compensation. The retirant or beneficiary is eligible  
24 to receive the recalculated retirement allowance beginning October  
25 1, 1987, but is not eligible to receive the adjusted amount  
26 attributable to any month beginning before October 1, 1987. The  
27 recalculated retirement allowance provided by this subsection shall

1 be paid by January 1, 1988 and shall be the basis on which future  
2 adjustments to the allowance, including the supplement provided by  
3 section 20h, are calculated. The retirement allowance of a retirant  
4 who dies before January 1, 1988, and who did not nominate a  
5 retirement allowance beneficiary pursuant to section 31, shall not  
6 be recalculated pursuant to this subsection.

7 (7) Each retirement allowance payable under this act shall  
8 date from the first of the month following the month in which the  
9 applicant satisfies the age and service or other requirements for  
10 receiving the retirement allowance and terminates state service. A  
11 full month's retirement allowance is payable for the month in which  
12 a retirement allowance ceases.

13 (8) An employee of the state accident fund who has 5 or more  
14 but less than 10 years of credited service as of the effective date  
15 of the transfer authorized by section 701a of the worker's  
16 disability compensation act of 1969, 1969 PA 317, MCL 418.701a, and  
17 who is permitted to receive a retirement allowance under subsection  
18 (4) is eligible for health care benefits under section 20d on the  
19 date of his or her retirement to the same extent as a member with  
20 10 years of credited service who vested on the same date.

21 (9) An employee of the Michigan biologic products institute  
22 who has 5 or more but less than 10 years of credited service as of  
23 the effective date of the conveyance authorized by the Michigan  
24 biologic products institute transfer act and who is permitted to  
25 receive a retirement allowance under subsection (4) is eligible for  
26 health care benefits under section 20d on the date of his or her  
27 retirement to the same extent as a member with 10 years of credited

1 service who vested on the same date.