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## COUNTY RETIREMENT; MILITARY SERVICE

### House Bill 5035 as introduced First Analysis (4-28-98)

**Sponsor: Rep. Sue Rocca**  
**Committee: Public Retirement**

#### ***THE APPARENT PROBLEM:***

Under Public Act 156 of 1851, county boards of commissioners may establish retirement systems for county employees. Provision is made under that act, as it is under other public retirement system governing laws, to allow the purchase of service credit for various reasons, including time spent in military service. Generally, service credit may not be purchased and credited toward retirement under the various public retirement systems if the service time is also credited under any other public retirement system -- a prohibition against "double dipping". However, most of the systems permit an exception to this rule for the purchase of service credit for time spent in the military reserve. When a person leaves the active military service but continues to serve in the reserve, he or she retains eligibility for a military pension. However, the pension credit is apparently of little value since the majority of people in this situation may never qualify for a military pension. The result is that by continuing to serve in the military reserve, this group of public employees is also prevented from purchasing service credit for their time in active military service (which those who do not serve in the reserve are eligible to do). Thus, the retirement systems covering state employees, public school employees, and state police troopers allow purchase of service credit for time spent in the reserve. Legislation has been proposed to extend this provision to county retirement systems.

#### ***THE CONTENT OF THE BILL:***

House Bill 5035 would amend Public Act 156 of 1851 (MCL 46.12a), which allows county boards of commissioners to establish retirement systems for county employees, to make an exception to the prohibition against the purchase of service credit where that credit is also credited under another retirement system. That is, the bill would allow the purchase of service credit in county retirement systems for time spent in the reserve military service, even if that time is credited under a federal retirement system.

#### ***FISCAL IMPLICATIONS:***

According to the Department of Management and Budget, the bill has no fiscal implications for the state. If counties chose to allow their employees to purchase service credit under the bill, they would absorb some costs, as the five percent payment specified in the act for purchasing military service credit would not cover the cost of the enhanced pension benefit. (4-23-98)

According to the House Fiscal Agency, the bill would have no state impact, and would have an indeterminate fiscal impact on counties. (4-24-98)

#### ***ARGUMENTS:***

##### ***For:***

The bill would offer to county employees the same option to purchase service credit for military reserve service that is currently available to employees of state government, schools, and the state police. (The language in the bill is identical to that in the acts governing the state systems cited above, and it is interpreted as allowing the purchase of service credit for active military service as well as reserve time.) The bill is seen as offering equity to county employees in comparison to these other groups of public employees. The current situation penalizes those county employees who continue to serve their country by staying in the reserves after a time of active military service. Further, it is noted that the service credit would not be given without charge, but rather purchased by the employee at five percent of his or her compensation.

##### ***Against:***

It should be noted that the bill would permit an exception to the prohibition against "double dipping" (though arguably a minor one and one for which there is precedent), as some individuals would be able to qualify for a military pension as well as enhancing their county pension using the same service time. In addition, there would be a cost to counties to

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grant these requests to their employees, as the five percent purchase price would not be sufficient to cover the actuarial cost of the added service credit.

***POSITIONS:***

The Michigan Fraternal Order of Police supports the bill. (4-24-98)

The Department of Management and Budget is neutral on the bill. (4-23-98)

The Michigan Association of Counties opposes the bill. (4-27-98)

Analyst: D. Martens

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■ 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.