



# HOUSE BILL No. 5424

February 22, 2000, Introduced by Reps. Garcia, DeHart, Mans, Gosselin, Faunce, Vander Roest, Vear, DeWeese, Mortimer, Martinez, Mead, Voorhees and Toy and referred to the Committee on Senior Health, Security and Retirement.

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 17j and 18 (MCL 38.17j and 38.18), section 17j as amended by 1998 PA 205 and section 18 as amended by 1995 PA 176.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 17j. (1) On and after June 23, 1987, a member who is  
2 otherwise entitled to purchase service credit under section 17g,  
3 17h, 17i, 17k, 17l, or 17m shall not purchase a combined total of  
4 more than 10 years of service credit under those sections.

5       (2) On and after June 23, 1987, a member who under section  
6 17c, 17e, 17f, 17g, 17h, 17i, 17k, 17l, 17m, or 18(2) OR (3) is  
7 otherwise entitled to purchase service credit may purchase the  
8 service credit in separate increments equal to 1 or more full  
9 years, or a remaining fraction of a year, if any, or both.

1 Partial purchase of service credit under this section does not  
2 bar future purchases otherwise in compliance with this section  
3 and the provisions of this act authorizing the purchase, but com-  
4 putation of the amount of payment due shall be made separately  
5 for each purchase.

6 (3) If a member who made payment under this section dies and  
7 a retirement allowance is not payable or if the member leaves  
8 service with this state before his or her retirement allowance  
9 becomes effective, the payment made by the member shall be  
10 refunded upon request to the member, to the person designated by  
11 the member in writing to the board, or if a person is not desig-  
12 nated, then to the member's legal representative or estate.

13 (4) Actuarial cost shall be equal to the product of subdivi-  
14 sions (a), (b), and (c), as follows:

15 (a) A percentage, determined by the retirement board and the  
16 department, that when multiplied by a member's compensation, as  
17 determined under subdivision (b), results in the average actuar-  
18 ial present value of the additional benefits resulting from the  
19 crediting of 1 additional year of service. The percentage may  
20 vary because of age, credited service, or benefit coverage. An  
21 increase or decrease in the percentage under this subdivision  
22 shall not become effective before the expiration of 6 months or  
23 more after the retirement board notifies the members of the  
24 increase or decrease.

25 (b) A member's compensation. The member's compensation  
26 shall be the member's compensation earned in the fiscal year  
27 immediately before the fiscal year in which the application to

1 purchase and payment for the service are made. The compensation  
2 amount used shall not be less than the highest compensation pre-  
3 viously earned by the member.

4 (c) The number of years, including any fraction of a year,  
5 of credited service a member elects to purchase up to the maximum  
6 allowed.

7 Sec. 18. (1) A member of the retirement system who, while  
8 an employee of this state, was or who is drafted or enlisted into  
9 active military or other armed service of the United States gov-  
10 ernment during time of war, or a member who is drafted or  
11 enlisted into active armed service during time of peace, and who  
12 returns for reemployment as a state employee within 6 months  
13 after the member's discharge from active service, or if hospital-  
14 ized at date of discharge, returns for reemployment as a state  
15 employee within 6 months after release from the military facili-  
16 ty, shall have all that active service credited as a member of  
17 the retirement system, in the same manner as if the member had  
18 served the state uninterruptedly but not more than 5 years of  
19 that service may be credited to a member. During the period of  
20 active service, and until return to state employment, the  
21 member's contributions to the employee's savings fund shall be  
22 suspended and the balance in the employees' savings fund standing  
23 to the member's credit as of the last payroll date preceding the  
24 leave of absence from the service of the member's department  
25 shall be accumulated at regular interest. If the member with-  
26 draws all or part of the accumulated contributions from the  
27 employees' savings fund, the active service shall not be credited

1 until the member returns to the fund all amounts the member  
2 withdrew, together with regular interest computed from the date  
3 of withdrawal to the date of repayment.

4 (2) On or after January 1, 1978 a member of this retirement  
5 system who does not meet the requirements of subsection (1) and  
6 who was drafted, enlisted, inducted, or commissioned into active  
7 duty with the military or other armed service of the United  
8 States government may elect to receive service credit for not  
9 more than 5 years of active duty upon request and payment to the  
10 retirement system of an amount equal to 5% of the member's  
11 full-time compensation for the fiscal year in which payment is  
12 made multiplied by the years of service that the member elects to  
13 purchase up to the maximum. Service shall not be credited if it  
14 is or would be credited under any other federal, state, or local  
15 publicly supported retirement system, but this restriction does  
16 not apply to those persons who have or will have acquired retire-  
17 ment eligibility under the federal government for service in the  
18 reserve. Armed service shall not be credited under this subsec-  
19 tion until the member has accumulated the number of years of  
20 credited service needed to vest in the retirement system. Armed  
21 service under this subsection shall not be creditable to a member  
22 on deferred retirement status under section 20(4) before May 18,  
23 1978. For purposes of computing payment under this subsection,  
24 the compensation amount used shall not be less than the highest  
25 fiscal year compensation previously received by the member.

26 (3) A SURVIVING SPOUSE OF A FORMER MEMBER OF THIS RETIREMENT  
27 SYSTEM WHO DID NOT MEET THE REQUIREMENTS OF SUBSECTION (1) AND

1 WHO WAS DRAFTED, ENLISTED, INDUCTED, OR COMMISSIONED INTO ACTIVE  
2 DUTY WITH THE MILITARY OR OTHER ARMED SERVICE OF THE UNITED  
3 STATES GOVERNMENT MAY PURCHASE SERVICE CREDIT FOR NOT MORE THAN 5  
4 YEARS OF ACTIVE DUTY OF THE FORMER MEMBER UPON REQUEST AND PAY-  
5 MENT TO THE RETIREMENT SYSTEM OF AN AMOUNT EQUAL TO 5% OF THE  
6 FORMER MEMBER'S FULL-TIME COMPENSATION FOR THE LAST FISCAL YEAR  
7 IN WHICH THE FORMER MEMBER WAS A MEMBER OF THIS RETIREMENT SYSTEM  
8 MULTIPLIED BY THE YEARS AND MONTHS THE SURVIVING SPOUSE ELECTS TO  
9 PURCHASE UP TO THE MAXIMUM. SERVICE SHALL NOT BE CREDITED IF THE  
10 SERVICE WAS CREDITED UNDER ANY OTHER FEDERAL, STATE, OR LOCAL  
11 PUBLICLY SUPPORTED RETIREMENT SYSTEM, BUT THIS RESTRICTION DOES  
12 NOT APPLY IF THE MEMBER ACQUIRED RETIREMENT ELIGIBILITY UNDER THE  
13 FEDERAL GOVERNMENT FOR SERVICE IN THE RESERVE.

14 (4) ~~(3)~~ A person who was in the employ of the Michigan  
15 employment service on January 1, 1942, the date on which the  
16 employment service and its personnel were taken over by the  
17 United States employment service, and who continued in the employ  
18 of the United States employment service or who was temporarily  
19 taken out of the United States employment service for service in  
20 the war manpower commission or other government agency engaged in  
21 the prosecution of the war and later returned to the United  
22 States employment service, and whose service to the state, United  
23 States government, and state again was continuous and who was in  
24 the employ either of the United States employment service or of  
25 this state on November 16, 1946, the date on which the employment  
26 service was returned to the state, and who reentered state  
27 service on or before that date, shall upon his OR HER reentry

1 into the state service become an original member of the  
2 retirement system, and shall receive full service credit for the  
3 period during which the personnel of the Michigan employment  
4 service was taken over by the United States employment service.

5       (5) ~~(4)~~ A person who entered into the employ of the  
6 Michigan employment service while the employment service was  
7 under the United States employment service and who retires after  
8 April 30, 1978, may receive service credit for the service under  
9 the United States employment service by contributing to the  
10 retirement system contributions the person would have made from  
11 July 1, 1943, to November 16, 1946, as if that service were  
12 rendered as a state employee, plus the interest with which the  
13 contributions would have been credited from the January following  
14 the year of employment to the date of repayment. The salary on  
15 which contributions are based shall be the salary received as a  
16 state employee on November 16, 1946.

17       (6) ~~(5)~~ A member who has prior service is entitled to  
18 credit for that prior service if at the time of retirement the  
19 member has 15 or more years of total service, of which the last 5  
20 are continuous years of service and if the member contributions  
21 equal the contributions made or that would have been made for not  
22 less than 15 years of membership service. In the computation of  
23 unpaid member contributions, the contribution rate will be com-  
24 puted on the member's salary level at retirement or date of pay-  
25 ment, whichever first occurs.