



# HOUSE BILL No. 4872

May 18, 1995, Introduced by Rep. Rhead and referred to the Committee on Appropriations.

A bill to amend sections 1, 1a, 11, 171, 18, 19a, and 20d of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act," sections 1 and 18 as amended by Act No. 177 of the Public Acts of 1990, section 11 as amended by Act No. 57 of the Public Acts of 1987, section 171 as added by Act No. 195 of the Public Acts of 1993, section 19a as added by Act No. 3 of the Public Acts of 1984, and section 20d as amended by Act No. 241 of the Public Acts of 1987, being sections 38.1, 38.1a, 38.11, 38.171, 38.18, 38.19a, and 38.20d of the Michigan Compiled Laws; and to add sections 1b, 1c, 1d, 1e, 1f, 1g, 1h, 1i, and 49.

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

1 Section 1. Sections 1, 1a, 11, 171, 18, 19a, and 20d of Act  
2 No. 240 of the Public Acts of 1943, sections 1 and 18 as amended  
3 by Act No. 177 of the Public Acts of 1990, section 11 as amended

1 by Act No. 57 of the Public Acts of 1987, section 17~~l~~ as added by  
 2 Act No. 195 of the Public Acts of 1993, section 19a as added by  
 3 Act No. 3 of the Public Acts of 1984, and section 20d as amended  
 4 by Act No. 241 of the Public Acts of 1987, being sections 38.1,  
 5 38.1a, 38.11, 38.17~~l~~, 38.18, 38.19a, and 38.20d of the Michigan  
 6 Compiled Laws, are amended and sections 1b, 1c, 1d, 1e, 1f, 1g,  
 7 1h, 1i, and 49 are added to read as follows:

8       Sec. 1. (1) THIS ACT SHALL BE KNOWN AND MAY BE CITED AS THE  
 9 "STATE EMPLOYEES' RETIREMENT ACT".

10       (2) FOR THE PURPOSES OF THIS ACT, THE WORDS AND PHRASES  
 11 DEFINED IN SECTIONS 1A TO 1I HAVE THE MEANINGS ASCRIBED TO THEM  
 12 IN THOSE SECTIONS. ~~As used in this act:~~

13       ~~(a) "Retirement system" means the state employees' retire-~~  
 14 ~~ment system created by section 2.~~

15       ~~(b) "Retirement board" means the board provided for in~~  
 16 ~~section 2 to administer the retirement system.~~

17       ~~(c) "State treasurer" means the treasurer of this state.~~

18       ~~(d) "Employer" or "state" means this state.~~

19       ~~(e) "Member" means a state employee included in the member-~~  
 20 ~~ship of the retirement system, as provided for in section 13.~~

21       ~~(f) "Original member" means a person who became a member of~~  
 22 ~~this retirement system before January 1, 1945, or as provided in~~  
 23 ~~section 18.~~

24       ~~(g) "New member" means a person who becomes a member of this~~  
 25 ~~retirement system on or after January 1, 1945.~~

26       ~~(h) "Appointing authority" means the departmental officer~~  
 27 ~~who has the responsibility of making appointments and handling~~

~~1 all other personnel transactions affecting the employees in the  
2 agency that the officer represents.~~

~~3 (i) "Service" means service rendered to the state by an  
4 elected or appointed state official or employee of the state.  
5 Credit for service shall be determined by appropriate rules and  
6 regulations of the retirement board, but not more than 1 year of  
7 service shall be creditable for all service in 1 calendar year.  
8 The retirement board shall not allow credit as service for any  
9 period of more than 1 month in any 1 calendar year during which  
10 the employee was absent without pay. However, full service  
11 credit shall be given for a period during which an employee is on  
12 leave of absence and is receiving worker's compensation benefits  
13 as the result of a duty incurred disability. Full service credit  
14 shall also be given to an employee for required 1 day layoffs,  
15 for voluntary or involuntary participation in pay reduction plan  
16 A, pay reduction plan B, or both, in effect during the fiscal  
17 years ending on and after September 30, 1981, and for required  
18 and designated temporary layoffs.~~

~~19 (j) "Prior service" means all service as a state employee or  
20 as an appointed state officer, and as an elected or appointed  
21 state official, rendered before July 1, 1943.~~

~~22 (k) "Membership service" means all service rendered after  
23 July 1, 1943.~~

~~24 (l) "Credited service" means the sum of the prior service  
25 and membership service credited to a member's service account.~~

~~26 (m) "Retirant" means a person who has ceased to be a member  
27 of the retirement system by reason of retirement with a pension~~

1 ~~or retirement allowance payable from the funds of the retirement~~  
2 ~~system.~~

3 ~~(n) "Beneficiary" or "disability beneficiary" means a person~~  
4 ~~other than a retirant who receives a retirement allowance, pen-~~  
5 ~~sion, or other benefit provided by this act.~~

6 ~~(o) "Regular interest" means a rate or rates per annum, com-~~  
7 ~~pounded annually, as the retirement board determines. For the~~  
8 ~~purposes of employee refunds, the interest rate payable shall not~~  
9 ~~exceed 4% per annum, compounded annually.~~

10 ~~(p) "Accumulated contributions" means the sum of all amounts~~  
11 ~~deducted from the compensation of a member and credited to the~~  
12 ~~member's individual account in the employees' savings fund,~~  
13 ~~together with regular interest on that account.~~

14 ~~(q) "Compensation" means the remuneration paid a member on~~  
15 ~~account of the member's services rendered to the state. If a~~  
16 ~~member's remuneration is not paid totally in money, the retire-~~  
17 ~~ment board shall employ the maintenance compensation schedules~~  
18 ~~established from time to time by the civil service commission.~~  
19 ~~Compensation does not include any of the following:~~

20 ~~(i) Remuneration paid in lieu of accumulated sick leave.~~

21 ~~(ii) Remuneration for services rendered after October 1,~~  
22 ~~1981, payable at retirement or termination under voluntary or~~  
23 ~~involuntary pay reduction plan B, in excess of the amount the~~  
24 ~~member would have received had the member been compensated for~~  
25 ~~those services at the rate of pay in effect at the time those~~  
26 ~~services were performed.~~

1 ~~(iii) Payment for accrued annual leave at separation in~~  
2 ~~excess of 240 hours.~~

3 ~~(iv) Remuneration received by an employee of the department~~  
4 ~~of mental health resulting from severance pay received because of~~  
5 ~~the deinstitutionalization of the department of mental health~~  
6 ~~resident population.~~

7 ~~(v) Remuneration received as a bonus by investment managers~~  
8 ~~of the department of treasury under the treasury incentive bonus~~  
9 ~~plan first approved by the civil service commission on~~  
10 ~~February 11, 1988, pursuant to section 5 of article XI of the~~  
11 ~~state constitution of 1963.~~

12 ~~(vi) Remuneration received as a bonus or merit payment by~~  
13 ~~assistant attorneys general in the department of attorney general~~  
14 ~~under the merit pay plan approved by the civil service commission~~  
15 ~~on January 19, 1990, pursuant to section 5 of article XI of the~~  
16 ~~state constitution of 1963.~~

17 ~~(r) "Final average compensation" means the average of those~~  
18 ~~years of highest annual compensation received by a member during~~  
19 ~~a period of 5 consecutive years of credited service; or if the~~  
20 ~~member has less than 5 years of credited service, then the aver-~~  
21 ~~age of the annual compensation received by the member during the~~  
22 ~~member's total years of credited service. For a person whose~~  
23 ~~retirement allowance effective date is on or after October 1,~~  
24 ~~1987, "final average compensation" means the average of those~~  
25 ~~years of highest annual compensation received by a member during~~  
26 ~~a period of 3 consecutive years of credited service; or if the~~  
27 ~~member has less than 3 years of credited service, then the~~

~~1 average of the annual compensation received by the member during  
2 the member's total years of credited service. A member's final  
3 average compensation shall not be diminished because of required  
4 + day layoffs. The compensation used in computing the final  
5 average compensation for a period during which a member is in a  
6 voluntary or involuntary pay reduction plan A or on a designated  
7 temporary layoff shall include the value of the hours not worked  
8 calculated at the member's hourly rate or rates of pay in effect  
9 immediately before the applicable final average compensation  
10 period. A member's final average compensation shall not be  
11 increased or decreased by the member's participation in voluntary  
12 or involuntary pay reduction plan B. Payment for accrued annual  
13 leave at separation in excess of 240 hours shall not be included  
14 in final average compensation.~~

~~15 (s) "Final compensation" means a member's annual rate of  
16 compensation at the time the member last terminates employment  
17 with the state.~~

~~18 (t) "Annuity" means annual payments for life derived from  
19 the accumulated contributions of a member. An annuity shall be  
20 paid in equal monthly installments.~~

~~21 (u) "Pension" means annual payments for life payable from  
22 funds of the retirement system as provided in this act. A pen-  
23 sion shall be paid in equal monthly installments.~~

~~24 (v) "Retirement allowance" means the sum of the annuity and  
25 the pension.~~

~~26 (w) "Annuity reserve" means the present value, computed upon  
27 the basis of mortality and other tables adopted by the retirement~~

~~1 board, of all payments to be made on account of an annuity, or  
2 benefits in lieu of an annuity, granted to a member under this  
3 act.~~

~~4 (x) "Pension reserve" means the present value, computed upon  
5 the basis of mortality and other tables adopted by the retirement  
6 board, of all payments to be made on account of a pension, or  
7 benefits in lieu of a pension, granted to a member under this  
8 act.~~

~~9 (y) "Employee" means a person who may become eligible for  
10 membership under this act, as provided in section 13, if the  
11 person's compensation is paid in whole or in part by the state.~~

~~12 (z) "Pay reduction plan A" means the plan available to or  
13 required of a member during the fiscal years ending on and after  
14 September 30, 1981 under which the member may elect to reduce by  
15 1 hour or more in any 80 hour pay period the number of hours  
16 worked with a corresponding reduction in compensation.~~

~~17 (aa) "Pay reduction plan B" means the plan available to or  
18 required of a member during the fiscal years ending on and after  
19 September 30, 1981 under which the member may elect to work a  
20 full 80 hour pay period, defer compensation for 1 or more of  
21 those hours, and accumulate or use the hours for which compensa-  
22 tion has been deferred in the same manner as annual leave hours.~~

~~23 (bb) "Designated temporary layoff" means the layoff of a  
24 member that does not exceed 1 month and has a fixed, predeter-  
25 mined, and announced recall date.~~

~~26 (cc) "Deferred member" means a member who is separated from  
27 state service for a reason other than retirement or death and who~~

1 ~~has satisfied the requirements of section 20(4) or (5) for a~~  
2 ~~deferred retirement allowance.~~

3 ~~(dd) "Actuarial cost" means a single percentage which, when~~  
4 ~~multiplied by a member's fiscal year compensation, will result in~~  
5 ~~the average actuarial present value of the additional benefits~~  
6 ~~resulting from the crediting of + additional year of service.~~  
7 ~~This single percentage shall be based on the members who utilize~~  
8 ~~those sections of this act that permit the purchase of service.~~  
9 ~~For purchases of service credit made before December 31, 1990,~~  
10 ~~the single percentage shall be 9%. Beginning December 31, 1990~~  
11 ~~and every 3 years thereafter, the single percentage shall be com-~~  
12 ~~puted based upon actual experience. If the computation results~~  
13 ~~in an increase or decrease in the percentage, not less than 6~~  
14 ~~months' notice shall be given to the members.~~

15 ~~(ee) "Conservation officer" means an employee of the depart-~~  
16 ~~ment of natural resources, or its predecessor or successor~~  
17 ~~agency, who has sworn to the prescribed oath of office and who is~~  
18 ~~designated as a peace officer under section 6 of Act No. 192 of~~  
19 ~~the Public Acts of 1929, being section 300.16 of the Michigan~~  
20 ~~Compiled Laws, and section + of Act No. 109 of the Public Acts of~~  
21 ~~1986, being section 300.21 of the Michigan Compiled Laws.~~

22 Sec. 1a. (1) ~~This act shall be known and may be cited as~~  
23 ~~the "state employees' retirement act".~~ "ACCUMULATED  
24 CONTRIBUTIONS" MEANS THE SUM OF ALL AMOUNTS DEDUCTED FROM THE  
25 COMPENSATION OF A MEMBER AND CREDITED TO THE MEMBER'S INDIVIDUAL  
26 ACCOUNT IN THE EMPLOYEES' SAVINGS FUND, TOGETHER WITH REGULAR  
27 INTEREST ON THAT ACCOUNT.



1           (2) "ACTUARIAL COST" MEANS A SINGLE PERCENTAGE THAT, WHEN  
2 MULTIPLIED BY A MEMBER'S FISCAL YEAR COMPENSATION, WILL RESULT IN  
3 THE AVERAGE ACTUARIAL PRESENT VALUE OF THE ADDITIONAL BENEFITS  
4 RESULTING FROM THE CREDITING OF 1 ADDITIONAL YEAR OF SERVICE.  
5 THIS SINGLE PERCENTAGE SHALL BE BASED ON THE MEMBERS WHO UTILIZE  
6 THOSE SECTIONS OF THIS ACT THAT PERMIT THE PURCHASE OF SERVICE.  
7 FOR PURCHASES OF SERVICE CREDIT MADE BEFORE DECEMBER 31, 1990,  
8 THE SINGLE PERCENTAGE SHALL BE 9%. BEGINNING DECEMBER 31, 1990  
9 AND EVERY 3 YEARS THEREAFTER, THE SINGLE PERCENTAGE SHALL BE COM-  
10 PUTED BASED UPON ACTUAL EXPERIENCE. IF THE COMPUTATION RESULTS  
11 IN AN INCREASE OR DECREASE IN THE PERCENTAGE, NOT LESS THAN 6  
12 MONTHS' NOTICE SHALL BE GIVEN TO THE MEMBERS.

13           (3) "ANNUITY" MEANS ANNUAL PAYMENTS FOR LIFE DERIVED FROM  
14 THE ACCUMULATED CONTRIBUTIONS OF A MEMBER. AN ANNUITY SHALL BE  
15 PAID IN EQUAL MONTHLY INSTALLMENTS.

16           (4) "ANNUITY RESERVE" MEANS THE PRESENT VALUE, COMPUTED UPON  
17 THE BASIS OF MORTALITY AND OTHER TABLES ADOPTED BY THE RETIREMENT  
18 BOARD, OF ALL PAYMENTS TO BE MADE ON ACCOUNT OF AN ANNUITY, OR  
19 BENEFITS IN LIEU OF AN ANNUITY, GRANTED TO A MEMBER UNDER THIS  
20 ACT.

21           (5) "APPOINTING AUTHORITY" MEANS THE DEPARTMENTAL OFFICER  
22 WHO HAS THE RESPONSIBILITY OF MAKING APPOINTMENTS AND HANDLING  
23 ALL OTHER PERSONNEL TRANSACTIONS AFFECTING THE EMPLOYEES IN THE  
24 AGENCY THAT THE OFFICER REPRESENTS.

25           SEC. 1B. (1) "BENEFICIARY" OR "DISABILITY BENEFICIARY"  
26 MEANS A PERSON OTHER THAN A RETIRANT WHO RECEIVES A RETIREMENT  
27 ALLOWANCE, PENSION, OR OTHER BENEFIT PROVIDED BY THIS ACT.

1           (2) "COMPENSATION" MEANS THE REMUNERATION PAID A MEMBER ON  
2 ACCOUNT OF THE MEMBER'S SERVICES RENDERED TO THIS STATE. IF A  
3 MEMBER'S REMUNERATION IS NOT PAID TOTALLY IN MONEY, THE RETIRE-  
4 MENT BOARD SHALL EMPLOY THE MAINTENANCE-COMPENSATION SCHEDULES  
5 ESTABLISHED FROM TIME TO TIME BY THE CIVIL SERVICE COMMISSION.  
6 COMPENSATION DOES NOT INCLUDE ANY OF THE FOLLOWING:

7           (A) REMUNERATION PAID IN LIEU OF ACCUMULATED SICK LEAVE.

8           (B) REMUNERATION FOR SERVICES RENDERED AFTER OCTOBER 1,  
9 1981, PAYABLE AT RETIREMENT OR TERMINATION UNDER VOLUNTARY OR  
10 INVOLUNTARY PAY REDUCTION PLAN B, IN EXCESS OF THE AMOUNT THE  
11 MEMBER WOULD HAVE RECEIVED HAD THE MEMBER BEEN COMPENSATED FOR  
12 THOSE SERVICES AT THE RATE OF PAY IN EFFECT AT THE TIME THOSE  
13 SERVICES WERE PERFORMED.

14           (C) PAYMENT FOR ACCRUED ANNUAL LEAVE AT SEPARATION IN EXCESS  
15 OF 240 HOURS.

16           (D) REMUNERATION RECEIVED BY AN EMPLOYEE OF THE DEPARTMENT  
17 OF MENTAL HEALTH RESULTING FROM SEVERANCE PAY RECEIVED BECAUSE OF  
18 THE DEINSTITUTIONALIZATION OF THE DEPARTMENT OF MENTAL HEALTH  
19 RESIDENT POPULATION.

20           (E) REMUNERATION RECEIVED AS A BONUS BY INVESTMENT MANAGERS  
21 OF THE DEPARTMENT OF TREASURY UNDER THE TREASURY INCENTIVE BONUS  
22 PLAN FIRST APPROVED BY THE CIVIL SERVICE COMMISSION ON  
23 FEBRUARY 11, 1988, PURSUANT TO SECTION 5 OF ARTICLE XI OF THE  
24 STATE CONSTITUTION OF 1963.

25           (F) REMUNERATION RECEIVED AS A BONUS OR MERIT PAYMENT BY  
26 ASSISTANT ATTORNEYS GENERAL IN THE DEPARTMENT OF ATTORNEY GENERAL  
27 UNDER THE MERIT PAY PLAN APPROVED BY THE CIVIL SERVICE COMMISSION

1 ON JANUARY 19, 1990, PURSUANT TO SECTION 5 OF ARTICLE XI OF THE  
2 STATE CONSTITUTION OF 1963.

3 (3) "CONSERVATION OFFICER" MEANS AN EMPLOYEE OF THE DEPART-  
4 MENT OF NATURAL RESOURCES, OR ITS PREDECESSOR OR SUCCESSOR  
5 AGENCY, WHO HAS SWORN TO THE PRESCRIBED OATH OF OFFICE AND WHO IS  
6 DESIGNATED AS A PEACE OFFICER UNDER SECTION 6 OF ACT NO. 192 OF  
7 THE PUBLIC ACTS OF 1929, BEING SECTION 300.16 OF THE MICHIGAN  
8 COMPILED LAWS, AND SECTION 1 OF ACT NO. 109 OF THE PUBLIC ACTS OF  
9 1986, BEING SECTION 300.21 OF THE MICHIGAN COMPILED LAWS.

10 (4) "CREDITED SERVICE" MEANS THE SUM OF THE PRIOR SERVICE  
11 AND MEMBERSHIP SERVICE CREDITED TO A MEMBER'S SERVICE ACCOUNT.

12 SEC. 1C. (1) "DEFERRED MEMBER" MEANS A MEMBER WHO IS SEPA-  
13 RATED FROM STATE SERVICE FOR A REASON OTHER THAN RETIREMENT OR  
14 DEATH AND WHO HAS SATISFIED THE REQUIREMENTS OF SECTION 20(4) OR  
15 (5) FOR A DEFERRED RETIREMENT ALLOWANCE.

16 (2) "DESIGNATED TEMPORARY LAYOFF" MEANS THE LAYOFF OF A  
17 MEMBER THAT DOES NOT EXCEED 1 MONTH AND HAS A FIXED, PREDETER-  
18 MINED, AND ANNOUNCED RECALL DATE.

19 (3) "DIRECT ROLLOVER" MEANS A PAYMENT BY THE RETIREMENT  
20 SYSTEM TO THE ELIGIBLE RETIREMENT PLAN SPECIFIED BY THE  
21 DISTRIBUTE.

22 (4) "DISTRIBUTE" INCLUDES A MEMBER OR DEFERRED MEMBER.  
23 DISTRIBUTE ALSO INCLUDES THE MEMBER'S OR DEFERRED MEMBER'S SUR-  
24 VIVING SPOUSE OR THE MEMBER'S OR DEFERRED MEMBER'S SPOUSE OR  
25 FORMER SPOUSE UNDER AN ELIGIBLE DOMESTIC RELATIONS ORDER, WITH  
26 REGARD TO THE INTEREST OF THE SPOUSE OR FORMER SPOUSE.

1           SEC. 1D. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS  
2 SUBSECTION, "ELIGIBLE RETIREMENT PLAN" MEANS AN INDIVIDUAL  
3 RETIREMENT ACCOUNT DESCRIBED IN SECTION 408(a) OF THE INTERNAL  
4 REVENUE CODE, AN INDIVIDUAL RETIREMENT ANNUITY DESCRIBED IN SEC-  
5 TION 408(b) OF THE INTERNAL REVENUE CODE, AN ANNUITY PLAN  
6 DESCRIBED IN SECTION 403(a) OF THE INTERNAL REVENUE CODE, OR A  
7 QUALIFIED TRUST DESCRIBED IN SECTION 401(a) OF THE INTERNAL REVE-  
8 NUE CODE, THAT ACCEPTS THE DISTRIBUTEES' ELIGIBLE ROLLOVER  
9 DISTRIBUTION. HOWEVER, IN THE CASE OF AN ELIGIBLE ROLLOVER DIS-  
10 TRIBUTION TO A SURVIVING SPOUSE, AN ELIGIBLE RETIREMENT PLAN  
11 MEANS AN INDIVIDUAL RETIREMENT ACCOUNT OR AN INDIVIDUAL RETIRE-  
12 MENT ANNUITY DESCRIBED ABOVE.

13           (2) "ELIGIBLE ROLLOVER DISTRIBUTION" MEANS A DISTRIBUTION OF  
14 ALL OR ANY PORTION OF THE BALANCE TO THE CREDIT OF THE  
15 DISTRIBUTEES. ELIGIBLE ROLLOVER DISTRIBUTION DOES NOT INCLUDE ANY  
16 OF THE FOLLOWING:

17           (A) A DISTRIBUTION MADE FOR THE LIFE OR LIFE EXPECTANCY OF  
18 THE DISTRIBUTEES OR THE JOINT LIVES OR JOINT LIFE EXPECTANCIES OF  
19 THE DISTRIBUTEES AND THE DISTRIBUTEES' DESIGNATED BENEFICIARY.

20           (B) A DISTRIBUTION FOR A SPECIFIED PERIOD OF 10 YEARS OR  
21 MORE.

22           (C) A DISTRIBUTION TO THE EXTENT THAT THE DISTRIBUTION IS  
23 REQUIRED UNDER SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE.

24           (D) THE PORTION OF ANY DISTRIBUTION THAT IS NOT INCLUDABLE  
25 IN FEDERAL GROSS INCOME, DETERMINED WITHOUT REGARD TO THE EXCLU-  
26 SION FOR NET UNREALIZED APPRECIATION WITH RESPECT TO EMPLOYER  
27 SECURITIES.

1 (3) "EMPLOYEE" MEANS A PERSON WHO MAY BECOME ELIGIBLE FOR  
2 MEMBERSHIP UNDER THIS ACT, AS PROVIDED IN SECTION 13, IF THE  
3 PERSON'S COMPENSATION IS PAID IN WHOLE OR IN PART BY THIS STATE.

4 (4) "EMPLOYER" OR "STATE" MEANS THIS STATE.

5 SEC. 1E. (1) "FINAL AVERAGE COMPENSATION" MEANS THE AVERAGE  
6 OF THOSE YEARS OF HIGHEST ANNUAL COMPENSATION RECEIVED BY A  
7 MEMBER DURING A PERIOD OF 5 CONSECUTIVE YEARS OF CREDITED SERV-  
8 ICE; OR IF THE MEMBER HAS LESS THAN 5 YEARS OF CREDITED SERVICE,  
9 THEN THE AVERAGE OF THE ANNUAL COMPENSATION RECEIVED BY THE  
10 MEMBER DURING THE MEMBER'S TOTAL YEARS OF CREDITED SERVICE. FOR  
11 A PERSON WHOSE RETIREMENT ALLOWANCE EFFECTIVE DATE IS ON OR AFTER  
12 OCTOBER 1, 1987, "FINAL AVERAGE COMPENSATION" MEANS THE AVERAGE  
13 OF THOSE YEARS OF HIGHEST ANNUAL COMPENSATION RECEIVED BY A  
14 MEMBER DURING A PERIOD OF 3 CONSECUTIVE YEARS OF CREDITED SERV-  
15 ICE; OR IF THE MEMBER HAS LESS THAN 3 YEARS OF CREDITED SERVICE,  
16 THEN THE AVERAGE OF THE ANNUAL COMPENSATION RECEIVED BY THE  
17 MEMBER DURING THE MEMBER'S TOTAL YEARS OF CREDITED SERVICE. A  
18 MEMBER'S FINAL AVERAGE COMPENSATION SHALL NOT BE DIMINISHED  
19 BECAUSE OF REQUIRED 1-DAY LAYOFFS. THE COMPENSATION USED IN COM-  
20 PUTING THE FINAL AVERAGE COMPENSATION FOR A PERIOD DURING WHICH A  
21 MEMBER IS IN A VOLUNTARY OR INVOLUNTARY PAY REDUCTION PLAN A OR  
22 ON A DESIGNATED TEMPORARY LAYOFF SHALL INCLUDE THE VALUE OF THE  
23 HOURS NOT WORKED CALCULATED AT THE MEMBER'S HOURLY RATE OR RATES  
24 OF PAY IN EFFECT IMMEDIATELY BEFORE THE APPLICABLE FINAL AVERAGE  
25 COMPENSATION PERIOD. A MEMBER'S FINAL AVERAGE COMPENSATION SHALL  
26 NOT BE INCREASED OR DECREASED BY THE MEMBER'S PARTICIPATION IN  
27 VOLUNTARY OR INVOLUNTARY PAY REDUCTION PLAN B. PAYMENT FOR

1 ACCRUED ANNUAL LEAVE AT SEPARATION IN EXCESS OF 240 HOURS SHALL  
2 NOT BE INCLUDED IN FINAL AVERAGE COMPENSATION.

3 (2) "FINAL COMPENSATION" MEANS A MEMBER'S ANNUAL RATE OF  
4 COMPENSATION AT THE TIME THE MEMBER LAST TERMINATES EMPLOYMENT  
5 WITH THIS STATE.

6 (3) "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL  
7 REVENUE CODE OF 1986.

8 SEC. 1F. (1) "MEMBER" MEANS A STATE EMPLOYEE INCLUDED IN  
9 THE MEMBERSHIP OF THE RETIREMENT SYSTEM, AS PROVIDED FOR IN SEC-  
10 TION 13.

11 (2) "MEMBERSHIP SERVICE" MEANS ALL SERVICE RENDERED AFTER  
12 JULY 1, 1943.

13 (3) "NEW MEMBER" MEANS A PERSON WHO BECOMES A MEMBER OF THIS  
14 RETIREMENT SYSTEM ON OR AFTER JANUARY 1, 1945.

15 (4) "ORIGINAL MEMBER" MEANS A PERSON WHO BECAME A MEMBER OF  
16 THIS RETIREMENT SYSTEM BEFORE JANUARY 1, 1945, OR AS PROVIDED IN  
17 SECTION 18.

18 SEC. 1G. (1) "PAY REDUCTION PLAN A" MEANS THE PLAN AVAIL-  
19 ABLE TO OR REQUIRED OF A MEMBER DURING THE FISCAL YEARS ENDING ON  
20 AND AFTER SEPTEMBER 30, 1981 UNDER WHICH THE MEMBER MAY ELECT TO  
21 REDUCE BY 1 HOUR OR MORE IN ANY FULL-TIME PAY PERIOD THE NUMBER  
22 OF HOURS WORKED WITH A CORRESPONDING REDUCTION IN COMPENSATION.

23 (2) "PAY REDUCTION PLAN B" MEANS THE PLAN AVAILABLE TO OR  
24 REQUIRED OF A MEMBER DURING THE FISCAL YEARS ENDING ON AND AFTER  
25 SEPTEMBER 30, 1981 UNDER WHICH THE MEMBER MAY ELECT TO WORK AN  
26 ENTIRE FULL-TIME PAY PERIOD, DEFER COMPENSATION FOR 1 OR MORE OF  
27 THOSE HOURS, AND ACCUMULATE OR USE THE HOURS FOR WHICH

1 COMPENSATION HAS BEEN DEFERRED IN THE SAME MANNER AS ANNUAL LEAVE  
2 HOURS.

3 (3) "PENSION" MEANS ANNUAL PAYMENTS FOR LIFE PAYABLE FROM  
4 FUNDS OF THE RETIREMENT SYSTEM AS PROVIDED IN THIS ACT. A PEN-  
5 SION SHALL BE PAID IN EQUAL MONTHLY INSTALLMENTS.

6 (4) "PENSION RESERVE" MEANS THE PRESENT VALUE, COMPUTED UPON  
7 THE BASIS OF MORTALITY AND OTHER TABLES ADOPTED BY THE RETIREMENT  
8 BOARD, OF ALL PAYMENTS TO BE MADE ON ACCOUNT OF A PENSION, OR  
9 BENEFITS IN LIEU OF A PENSION, GRANTED TO A MEMBER UNDER THIS  
10 ACT.

11 (5) "PRIOR SERVICE" MEANS ALL SERVICE AS A STATE EMPLOYEE OR  
12 AS AN APPOINTED STATE OFFICER, AND AS AN ELECTED OR APPOINTED  
13 STATE OFFICIAL, RENDERED BEFORE JULY 1, 1943.

14 SEC. 1H. (1) "REGULAR INTEREST" MEANS A RATE OR RATES PER  
15 ANNUM, COMPOUNDED ANNUALLY, AS THE RETIREMENT BOARD DETERMINES.  
16 FOR THE PURPOSES OF EMPLOYEE REFUNDS, THE INTEREST RATE PAYABLE  
17 SHALL NOT EXCEED 4% PER ANNUM, COMPOUNDED ANNUALLY.

18 (2) "RETIRANT" MEANS A PERSON WHO HAS CEASED TO BE A MEMBER  
19 OF THE RETIREMENT SYSTEM BY REASON OF RETIREMENT WITH A PENSION  
20 OR RETIREMENT ALLOWANCE PAYABLE FROM THE FUNDS OF THE RETIREMENT  
21 SYSTEM.

22 (3) "RETIREMENT ALLOWANCE" MEANS THE SUM OF THE ANNUITY AND  
23 THE PENSION.

24 (4) "RETIREMENT BOARD" MEANS THE BOARD PROVIDED FOR IN  
25 SECTION 2 TO ADMINISTER THE RETIREMENT SYSTEM.

26 (5) "RETIREMENT SYSTEM" MEANS THE STATE EMPLOYEES'  
27 RETIREMENT SYSTEM CREATED BY SECTION 2.

1 SEC. 11. (1) "SERVICE" MEANS SERVICE RENDERED TO THIS STATE  
 2 BY AN ELECTED OR APPOINTED STATE OFFICIAL OR EMPLOYEE OF THIS  
 3 STATE. CREDIT FOR SERVICE SHALL BE DETERMINED BY APPROPRIATE  
 4 RULES AND REGULATIONS OF THE RETIREMENT BOARD, BUT NOT MORE THAN  
 5 1 YEAR OF SERVICE SHALL BE CREDITABLE FOR ALL SERVICE IN 1 CALEN-  
 6 DAR YEAR. THE RETIREMENT BOARD SHALL NOT ALLOW CREDIT FOR SERV-  
 7 ICE FOR ANY PERIOD OF MORE THAN 1 MONTH IN ANY 1 CALENDAR YEAR  
 8 DURING WHICH THE EMPLOYEE WAS ABSENT WITHOUT PAY. HOWEVER, FULL  
 9 SERVICE CREDIT SHALL BE GIVEN FOR A PERIOD DURING WHICH AN  
 10 EMPLOYEE IS ON LEAVE OF ABSENCE AND IS RECEIVING WORKER'S COMPEN-  
 11 SATION BENEFITS AS THE RESULT OF A DUTY-INCURRED DISABILITY.  
 12 FULL SERVICE CREDIT SHALL ALSO BE GIVEN TO AN EMPLOYEE FOR  
 13 REQUIRED 1-DAY LAYOFFS, FOR VOLUNTARY OR INVOLUNTARY PARTICIPA-  
 14 TION IN PAY REDUCTION PLAN A, PAY REDUCTION PLAN B, OR BOTH, IN  
 15 EFFECT DURING THE FISCAL YEARS ENDING ON AND AFTER SEPTEMBER 30,  
 16 1981, AND FOR REQUIRED AND DESIGNATED TEMPORARY LAYOFFS.

17 (2) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

18 Sec. 11. (1) ~~The funds hereby~~ THERE IS created ~~are~~ the  
 19 employees' savings fund, employer's accumulation fund, annuity  
 20 reserve fund, pension reserve fund, income fund, expense fund,  
 21 and ~~dental vision~~ HEALTH INSURANCE reserve fund.

22 (2) The employees' savings fund ~~shall be~~ IS the fund in  
 23 which shall be accumulated at regular interest the contributions  
 24 to the retirement system deducted from the compensation of  
 25 members. The retirement board shall provide for the maintenance  
 26 of an individual account for each member ~~showing~~ THAT SHOWS the  
 27 amount of the member's contributions together with interest on



1 those contributions. The accumulated contributions of a member  
2 returned to the member upon his or her withdrawal from service,  
3 or paid to the member's estate or designated beneficiary in THE  
4 event of the member's death, as provided in this act, shall be  
5 paid from the employees' savings fund. Any accumulated contribu-  
6 tions not claimed by a member or the member's legal representa-  
7 tive as provided in this act within 5 years after the member's  
8 separation from state service shall be transferred from the  
9 employees' savings fund to the income fund. The accumulated con-  
10 tributions of a member, upon the member's retirement, shall be  
11 transferred from the employees' savings fund to the pension  
12 reserve fund.

13 (3) The ~~employers'~~ EMPLOYER'S accumulation fund ~~shall be~~  
14 IS the fund in which shall be accumulated the reserves derived  
15 from money provided by ~~the~~ THIS state for the payment of all  
16 retirement allowances to be payable to retirants and beneficia-  
17 ries as provided in this act. The amounts paid by ~~the~~ THIS  
18 state shall be credited to the employer's accumulation fund.  
19 Upon the retirement of a member, or upon the member's death, if a  
20 beneficiary is entitled to a retirement allowance payable from  
21 funds of the retirement system, the difference between the  
22 reserve for the retirement allowance to be paid on account of the  
23 member's retirement or death and the member's accumulated contri-  
24 butions standing to his or her credit in the employees' savings  
25 fund at the time of his or her retirement or death shall be  
26 transferred from the employer's accumulation fund to the pension  
27 reserve fund. If, in any year, the pension reserve fund is

1 insufficient to cover the reserves for retirement allowances and  
2 other benefits being paid from the fund, the amount or amounts of  
3 the insufficiency or insufficiencies shall be transferred from  
4 the employer's accumulation fund to the pension reserve fund.

5 (4) The annuity reserve fund ~~shall be~~ IS the fund from  
6 which shall be paid all annuities, or benefits in lieu ~~thereof~~  
7 OF ANNUITIES, because of which reserves have been transferred  
8 from the employees' savings fund to the annuity reserve fund.  
9 Upon the adoption of this act, the balance in the annuity reserve  
10 fund shall be transferred to the pension reserve fund, and the  
11 annuities heretofore payable from the annuity reserve fund shall  
12 thereafter become payable from the pension reserve fund.

13 (5) The pension reserve fund ~~shall be~~ IS the fund from  
14 which shall be paid all retirement allowances and benefits in  
15 lieu of pensions, as provided in this act. ~~In the case of~~ FOR  
16 a disability retirant returned to active service with ~~the~~ THIS  
17 state, his or her pension reserve, computed as of the date of  
18 return, shall be transferred from the pension reserve fund to the  
19 employees' savings fund and the employer's accumulation fund in  
20 the proportion that this reserve, as of the date of his or her  
21 retirement, was transferred to the pension reserve fund from the  
22 employees' savings fund and from the employer's accumulation  
23 fund. The amounts ~~so~~ transferred to the employees' savings  
24 fund UNDER THIS SECTION shall be credited to the member's indi-  
25 vidual account in the fund.

26 (6) An income fund is ~~hereby~~ created for the purpose of  
27 crediting regular interest on the amounts in the various other

1 funds of the retirement system with the exception of the expense  
2 fund, and to provide a contingent fund out of which special  
3 requirements of any of the other funds may be covered. Transfers  
4 for special requirements shall be made only when the amount in  
5 the income fund exceeds the ordinary requirements of the fund as  
6 evidenced by a resolution of the retirement board recorded in its  
7 minutes. The retirement board shall annually allow regular  
8 interest for the preceding year to each of the funds enumerated  
9 in subsections (2), (3), (4), (5), and (8), and the amount ~~so~~  
10 allowed UNDER THIS SUBSECTION shall be due and payable to each of  
11 these funds and shall be annually credited to the funds by the  
12 retirement board and paid from the income fund. However, inter-  
13 est on contributions from members within a calendar year shall  
14 begin on the first day of the next calendar year, and shall be  
15 credited at the end of the calendar year. All income, interest,  
16 and dividends derived from the deposits and investments autho-  
17 rized by this act shall be paid into the income fund. The  
18 retirement board is ~~hereby~~ authorized to accept gifts and  
19 bequests. Any funds that ~~may~~ come into the possession of the  
20 retirement system ~~in such manner~~ AS A GIFT OR BEQUEST, or any  
21 funds ~~which~~ THAT may be transferred from the employees' savings  
22 fund by reason of lack of claimant, or because of a surplus in  
23 any fund created by this act, or any other money the disposition  
24 of which is not otherwise provided for in this act shall be cred-  
25 ited to the income fund.

26 (7) The expense fund ~~shall be~~ IS the fund from which shall  
27 be paid the expenses of the administration of this act, exclusive

1 of amounts payable as retirement allowances and other benefits  
2 provided for in this act. The legislature shall appropriate the  
3 funds necessary to defray and cover the expenses of administering  
4 this act.

5 (8) The ~~dental-vision~~ HEALTH INSURANCE reserve fund ~~shall~~  
6 ~~be~~ IS the fund into which appropriations made by the legislature  
7 for HEALTH, dental, and vision ~~health~~ INSURANCE premiums are  
8 paid. ~~Dental~~ HEALTH, DENTAL, and vision ~~health~~ INSURANCE  
9 premiums payable pursuant to section 20d shall be paid from the  
10 ~~dental-vision~~ HEALTH INSURANCE reserve fund.

11 (9) The description of the various funds in this section  
12 shall be interpreted to refer to the accounting records of the  
13 retirement system and not to the segregation of assets credited  
14 to the various funds of the retirement system.

15 Sec. 174. (1) An employee of the state accident fund who  
16 has 5 or more but less than 10 years of credited service as of  
17 the effective date of the transfer in order to qualify for a  
18 retirement allowance under this act may purchase additional serv-  
19 ice credit under this subsection. A member who purchases addi-  
20 tional service credit shall contribute within 10 years after the  
21 effective date of the transfer an amount equal to the product of  
22 the following:

23 (a) Ten less the number of years and fraction of a year of  
24 that employee's credited service.

25 (b) The employee's full-time or equated full-time fiscal  
26 year compensation for the last fiscal year before the effective  
27 date of the transfer.

1 (c) The actuarial cost percentage determined under section  
2 ~~+(dd)~~ 1A for the year in which the effective date of the trans-  
3 fer occurred.

4 (2) Not more than 5 years of additional service credit may  
5 be purchased under this section.

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

1 member withdrew, together with regular interest computed from the  
2 date of withdrawal to the date of repayment.

3 (2) On or after January 1, 1978 a member of this retirement  
4 system who does not meet the requirements of subsection (1) and  
5 who was drafted, enlisted, inducted, or commissioned into active  
6 duty with the military or other armed service of the United  
7 States government may elect to receive service credit for not  
8 more than 5 years of active duty upon request and payment to the  
9 retirement system of an amount equal to 5% of the member's  
10 full-time compensation for the fiscal year in which payment is  
11 made multiplied by the years of service that the member elects to  
12 purchase up to the maximum. Service shall not be credited if it  
13 is or would be credited under any other federal, state, or local  
14 publicly supported retirement system, but this restriction  
15 ~~shall~~ DOES not apply to those persons who have or will have  
16 acquired retirement eligibility under the federal government for  
17 service in the reserve. Armed service shall not be credited  
18 under this subsection until the member has accumulated the number  
19 of years of credited service needed to vest in the retirement  
20 system. Armed service under this subsection shall not be credit-  
21 able to a member on deferred retirement status under section  
22 20(4) before ~~the effective date of this subsection~~ 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 person who was in the employ of the Michigan  
27 employment service on January 1, 1942, the date on which the

1 employment service and its personnel were taken over by the  
2 United States employment service, and who continued in the employ  
3 of the United States employment service or who was temporarily  
4 taken out of the United States employment service for service in  
5 the war manpower commission or other government agency engaged in  
6 the prosecution of the war and later returned to the United  
7 States employment service, and whose service to the state, United  
8 States government, and state again was continuous and who was in  
9 the employ either of the United States employment service or of  
10 this state on November 16, 1946, the date on which the employment  
11 service was returned to the state, and who reentered state serv-  
12 ice on or before that date, shall upon his reentry into the state  
13 service become an original member of the retirement system, and  
14 shall receive full service credit for the period during which the  
15 personnel of the Michigan employment service was taken over by  
16 the United States employment service.

17 (4) A person who entered into the employ of the Michigan  
18 employment service while the employment service was under the  
19 United States employment service and who retires after April 30,  
20 1978, may receive service credit for the service under the United  
21 States employment service by contributing to the retirement  
22 system contributions the person would have made from July 1,  
23 1943, to November 16, 1946, as if that service were rendered as a  
24 state employee, plus the interest with which the contributions  
25 would have been credited from the January following the year of  
26 employment to the date of repayment. The salary on which

1 contributions are based shall be the salary received as a state  
2 employee on November 16, 1946.

3 (5) A member who has prior service ~~as defined in section~~  
4 ~~+(j) of this chapter~~ is entitled to credit for that prior serv-  
5 ice if at the time of retirement the member has 15 or more years  
6 of total service, of which the last 5 are continuous years of  
7 service and if the member contributions equal the contributions  
8 made or that would have been made for not less than 15 years of  
9 membership service. In the computation of unpaid member contri-  
10 butions, the contribution rate will be computed on the member's  
11 salary level at retirement or date of payment, whichever first  
12 occurs.

13 Sec. 19a. (1) Notwithstanding section 19, a member who is  
14 employed by the state on ~~the effective date of this section~~  
15 MAY 1, 1984 may retire and receive a retirement allowance com-  
16 puted according to section 20 if the member satisfies all of the  
17 following requirements:

18 (a) On the effective date of his or her retirement, 1 of the  
19 following applies:

20 (i) The member has attained age 60 and has 10 or more years  
21 of credited service.

22 (ii) The member's combined age and length of credited serv-  
23 ice is equal to or greater than 80 years, and the member has  
24 attained age 50.

25 (b) The member is not a supplemental member as defined in  
26 section 45.



1 (c) The member was employed by the state for the 6-month  
2 period immediately preceding ~~the effective date of this section~~  
3 MAY 1, 1984. This subdivision shall not apply to a member who  
4 had been restored to active service during that 6-month period  
5 pursuant to section 33.

6 (d) The member files a written application with the retire-  
7 ment board, on or after May 1, 1984 but not later than June 1,  
8 1984, stating a date, which date shall be on or after June 2,  
9 1984 but not later than September 30, 1984, on which he or she  
10 desires to retire.

11 (e) The member agrees to the conditions stated in  
12 subsection (3).

13 (2) A member who retires under this section, and who at the  
14 time of his or her retirement has not attained age 62 years,  
15 shall receive a monthly retirement allowance supplement for each  
16 month, including any fraction of a month, until the retirant  
17 attains age 62 years. The amount of the monthly retirement  
18 allowance supplement shall be based upon the annual rate of base  
19 salary of the retirant as of the pay period immediately preceding  
20 the date of retirement, according to the following schedule:

1	Annual Base Salary	Monthly Retirement
2	Annual Base Salary	Allowance Supplement
3	Less than \$10,000.00	\$240.00
4	At least \$10,000.00 but not more	
5	than \$19,999.99	\$280.00
6	At least \$20,000.00 but not more	
7	than \$29,999.99	\$320.00
8	At least \$30,000.00	\$360.00

9 A payment shall not be made under this subsection for any month  
10 for which the retirant is paid, on account of his or her state  
11 employment, worker's compensation benefits, unemployment compen-  
12 sation benefits, long or short term disability benefits, federal  
13 social security benefits, Michigan state employees' retirement  
14 system disability benefits, state salary, or receiving remunera-  
15 tion for any contractual services provided to the state certified  
16 under section 18(1)(d) of FORMER Act No. 18 of the Public Acts of  
17 1981. ~~being section 21.518 of the Michigan Compiled Laws.~~

18 (3) Any amount which a member retiring under this section  
19 would otherwise be entitled to receive in a lump sum at retire-  
20 ment on account of accumulated sick leave shall be paid in 60  
21 consecutive equal monthly installments.

22 (4) Payment of retirement allowances, retirement allowance  
23 supplements, and installment payments on account of accumulated  
24 sick leave to retirants under this section shall be made by the  
25 retirement system. Except as provided in subsection (7), each  
26 principal department shall pay to the retirement system for

1 employees of that department who retire under this section an  
2 amount sufficient to cover all of the following:

3 (a) Retirement allowances payable to each individual who  
4 retires under this section before having attained age 60 years,  
5 until the retirant attains age 60 years, or in the event of a  
6 survivor allowance payable under section ~~31(a)~~ 31(1)(A), until  
7 the retirant would have attained age 60 years. This amount shall  
8 be paid from the account established in that department under  
9 subsection (6). In the absence of sufficient funds in the  
10 account established under subsection (6), this amount shall be  
11 paid from other funds available to the department.

12 (b) Retirement allowance supplements payable under this  
13 section. This amount shall be paid from the account established  
14 in that department under subsection (6). In the absence of suf-  
15 ficient funds in the account established under subsection (6),  
16 this amount shall be paid from other funds available to the  
17 department.

18 (c) Installment payments on account of accumulated sick  
19 leave payable under subsection (3). This amount shall be paid  
20 from money available to the department for that purpose.

21 (5) Notwithstanding section ~~11(m)~~ 1H(2), a member who  
22 retires under this section shall be considered a retirant for  
23 purposes of receiving benefits under this act.

24 (6) Except as otherwise provided in this subsection, each  
25 principal department shall deposit into a separate departmental  
26 account the 1983-84 and 1984-85 fiscal year appropriations for  
27 salaries, wages, longevity payments, group insurance payments,

1 retirement fund contributions, and social security employer  
2 contributions, which would have been paid to or on behalf of each  
3 employee who retires under this section, for use as follows:

4 (a) Payments to the retirement system as provided in subsec-  
5 tion (4)(a) and (b) shall be made from the account.

6 (b) Installment payments to a retirant under subsection (3)  
7 and payments to the retirement system under subsection (4)(c)  
8 shall not be made from the account.

9 (c) Expenditures may be made from the account as provided in  
10 section 33 of FORMER Act No. 18 of the Public Acts of 1981. ~~→~~  
11 ~~being section 21.533 of the Michigan Compiled Laws.~~

12 Deposits shall not be required under this subsection for  
13 employees of the Michigan employment security commission who  
14 retire under this section.

15 (7) The Michigan employment security commission shall pay to  
16 the retirement system monthly, from money available to that com-  
17 mission, an amount sufficient to cover the items enumerated in  
18 subsection (4)(a), (b), and (c), for employees of the Michigan  
19 employment security commission who retire under this section.

20 (8) For the purpose of qualifying for retirement under sub-  
21 section (1)(a), or receiving a retirement allowance under this  
22 section, or both, a member who participated in pay reduction plan  
23 C may receive service credit for such leave of absence upon pay-  
24 ment to the retirement system of an amount actuarially determined  
25 by the board, but which shall be not less than 5% of the member's  
26 full-time biweekly compensation for the fiscal year in which  
27 payment is made multiplied by the number of biweekly pay periods

1 for which the member participated in pay reduction plan C and  
2 which the member is eligible to purchase under this subsection.  
3 For purposes of this subsection, "pay reduction plan C" means the  
4 plan available to a member during the fiscal years ending on or  
5 after September 30, 1981, under which the member may elect to  
6 take a leave of absence without pay for a duration of not less  
7 than 1 pay period. A member shall not be eligible to receive  
8 service credit under this subsection for more than 13 biweekly  
9 pay periods.

10 (9) If a person who retired under this section dies after  
11 the effective date of his or her retirement but before having  
12 attained age 62 years, the monthly retirement allowance supple-  
13 ment otherwise payable to the retirant under subsection (2) shall  
14 be paid as follows:

15 (a) Except as provided by subdivision (b), to the person or  
16 persons nominated for that purpose by the retirant by written  
17 designation duly executed and filed with the board. Payment  
18 shall be made by monthly installments in the manner provided  
19 under subsection (2), until the retirant would have attained age  
20 62 years.

21 (b) If the retirant failed to execute and file a written  
22 nomination or nominated his or her estate, or if the person or  
23 persons nominated predecease the retirant, to the retirant's per-  
24 sonal representative in a lump sum equal to the difference  
25 between the total amount the retirant would have received under  
26 subsection (2), had he or she attained age 62 years, and the  
27 amount actually received by the retirant under subsection (2).

1 (10) If a member who is eligible for retirement under this  
2 section files an application for retirement under subsection  
3 (1)(d) and dies prior to the date on which he or she desires to  
4 retire, the monthly retirement allowance supplement otherwise  
5 payable under subsection (2) shall be paid as follows:

6 (a) Except as provided by subdivision (b), to the person or  
7 persons nominated for that purpose by the member by written des-  
8 ignation duly executed and filed with the board. Payment shall  
9 be made by monthly installments in the manner provided under sub-  
10 section (2), until the member would have attained age 62 years.

11 (b) If the member failed to execute and file a written nomi-  
12 nation or nominated his or her estate, or if the person or per-  
13 sons nominated predecease the member, to the member's personal  
14 representative in a lump sum equal to the amount the member would  
15 have received under subsection (2) had he or she retired and  
16 attained age 62 years.

17 Sec. 20d. (1) On and after July 1, 1974, hospitalization  
18 and medical coverage insurance premium payable by any retirant or  
19 his or her beneficiary and his or her dependents under any group  
20 health plan authorized by the Michigan civil service commission  
21 and the department of management and budget shall be paid by the  
22 retirement board from the ~~pension~~ HEALTH INSURANCE reserve fund  
23 created ~~under~~ IN section ~~11(d)~~ 11. The amount payable shall  
24 be in the same proportion of premium payable by the state of  
25 Michigan for the classified employees occupying positions in the  
26 state civil service. The hospitalization and medical insurance  
27 premium payable shall be paid from appropriations made for this

1 purpose to the ~~pension~~ HEALTH INSURANCE reserve fund sufficient  
2 to cover the premium payment needed to be made.

3 (2) Effective January 1, 1988, 90% of the premium payable by  
4 a retirant or the retirant's beneficiary and his or her depen-  
5 dents for dental coverage or vision coverage, or both, under any  
6 group plan authorized by the Michigan civil service commission  
7 and the department of management and budget shall be paid by the  
8 retirement board from the ~~dental-vision~~ HEALTH INSURANCE  
9 reserve fund created ~~under~~ IN section 11.

10 SEC. 49. (1) THIS SECTION IS ENACTED PURSUANT TO  
11 SECTION 401(a) OF THE INTERNAL REVENUE CODE THAT IMPOSES CERTAIN  
12 ADMINISTRATIVE REQUIREMENTS AND BENEFIT LIMITATIONS FOR QUALIFIED  
13 GOVERNMENTAL PLANS. THIS STATE INTENDS THAT THE RETIREMENT  
14 SYSTEM BE A QUALIFIED PENSION PLAN CREATED IN TRUST UNDER SECTION  
15 401 OF THE INTERNAL REVENUE CODE AND THAT THE TRUST BE AN EXEMPT  
16 ORGANIZATION UNDER SECTION 501 OF THE INTERNAL REVENUE CODE. THE  
17 DEPARTMENT SHALL ADMINISTER THE RETIREMENT SYSTEM TO FULFILL THIS  
18 INTENT.

19 (2) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,  
20 EMPLOYER-FINANCED BENEFITS PROVIDED BY THE RETIREMENT SYSTEM  
21 UNDER THIS ACT SHALL NOT EXCEED THE LESSER OF \$90,000.00 OR 100%  
22 OF THE MEMBER'S AVERAGE COMPENSATION FOR HIGH 3 YEARS AS  
23 DESCRIBED IN SECTION 415(b)(3) OF THE INTERNAL REVENUE CODE FOR  
24 RETIREMENT OCCURRING AT AGE 62 OR OLDER.

25 (3) THE LIMITATION ON EMPLOYER FINANCED BENEFITS PROVIDED BY  
26 THE RETIREMENT SYSTEM UNDER SUBSECTION (2) APPLIES UNLESS

1 APPLICATION OF SUBSECTIONS (4) AND (5) PRODUCES A HIGHER  
2 LIMITATION, IN WHICH CASE THE HIGHER LIMITATION APPLIES.

3 (4) IF A MEMBER RETIRES BEFORE AGE 62, THE AMOUNT OF  
4 \$90,000.00 IN SUBSECTION (2) IS ACTUARIALLY REDUCED TO REFLECT  
5 PAYMENT BEFORE AGE 62. THE RETIREMENT SYSTEM SHALL USE AN INTER-  
6 EST RATE OF 5% PER YEAR COMPOUNDED ANNUALLY TO CALCULATE THE  
7 ACTUARIAL REDUCTION IN THIS SUBSECTION. IF THIS SUBSECTION  
8 PRODUCES A LIMITATION OF LESS THAN \$75,000.00 AT AGE 55, THE LIM-  
9 ITATION AT AGE 55 IS \$75,000.00 AND THE LIMITATIONS FOR AGES  
10 UNDER AGE 55 SHALL BE CALCULATED FROM A LIMITATION OF \$75,000.00  
11 AT AGE 55.

12 (5) SECTION 415(d) OF THE INTERNAL REVENUE CODE REQUIRES THE  
13 COMMISSIONER OF INTERNAL REVENUE TO ADJUST THE \$90,000.00 LIMITA-  
14 TION IN SUBSECTION (2) TO REFLECT COST OF LIVING INCREASES,  
15 BEGINNING WITH CALENDAR YEAR 1988. THIS SUBSECTION SHALL BE  
16 ADMINISTERED USING THE LIMITATIONS APPLICABLE TO EACH CALENDAR  
17 YEAR AS ADJUSTED BY THE COMMISSIONER OF INTERNAL REVENUE UNDER  
18 SECTION 415(d) OF THE INTERNAL REVENUE CODE. THE RETIREMENT  
19 SYSTEM SHALL ADJUST THE BENEFITS SUBJECT TO THE LIMITATION EACH  
20 YEAR TO CONFORM WITH THE ADJUSTED LIMITATION.

21 (6) THE ASSETS OF THE RETIREMENT SYSTEM SHALL BE HELD IN  
22 TRUST AND INVESTED FOR THE SOLE PURPOSE OF MEETING THE LEGITIMATE  
23 OBLIGATIONS OF THE RETIREMENT SYSTEM AND SHALL NOT BE USED FOR  
24 ANY OTHER PURPOSE. THE ASSETS SHALL NOT BE USED FOR OR DIVERTED  
25 TO A PURPOSE OTHER THAN FOR THE EXCLUSIVE BENEFIT OF THE MEMBERS,  
26 VESTED FORMER MEMBERS, RETIRANTS, AND RETIREMENT ALLOWANCE



1 BENEFICIARIES BEFORE SATISFACTION OF ALL RETIREMENT SYSTEM  
2 LIABILITIES.

3 (7) THE RETIREMENT SYSTEM SHALL RETURN POST-TAX MEMBER CON-  
4 TRIBUTIONS MADE BY A MEMBER AND RECEIVED BY THE RETIREMENT SYSTEM  
5 TO A MEMBER UPON RETIREMENT, PURSUANT TO INTERNAL REVENUE SERVICE  
6 REGULATIONS AND APPROVED INTERNAL REVENUE SERVICE EXCLUSION RATIO  
7 TABLES.

8 (8) THE REQUIRED BEGINNING DATE FOR RETIREMENT ALLOWANCES  
9 AND OTHER DISTRIBUTIONS SHALL NOT BE LATER THAN APRIL 1 OF THE  
10 CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE EMPLOYEE  
11 ATTAINS AGE 70-1/2 OR APRIL 1 OF THE CALENDAR YEAR FOLLOWING THE  
12 CALENDAR YEAR IN WHICH THE EMPLOYEE RETIRES.

13 (9) IF THE RETIREMENT SYSTEM IS TERMINATED, THE INTEREST OF  
14 THE MEMBERS, VESTED FORMER MEMBERS, RETIRANTS, AND RETIREMENT  
15 ALLOWANCE BENEFICIARIES IN THE RETIREMENT SYSTEM IS NONFORFEIT-  
16 ABLE TO THE EXTENT FUNDED AS DESCRIBED IN SECTION 411(d)(3) OF  
17 THE INTERNAL REVENUE CODE AND RELATED INTERNAL REVENUE SERVICE  
18 REGULATIONS APPLICABLE TO GOVERNMENTAL PLANS.

19 (10) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT TO THE  
20 CONTRARY THAT WOULD LIMIT A DISTRIBUTEES ELECTION UNDER THIS  
21 ACT, A DISTRIBUTEES MAY ELECT, AT THE TIME AND IN THE MANNER PRE-  
22 SCRIBED BY THE RETIREMENT BOARD, TO HAVE ANY PORTION OF AN ELIGI-  
23 BLE ROLLOVER DISTRIBUTION PAID DIRECTLY TO AN ELIGIBLE RETIREMENT  
24 PLAN SPECIFIED BY THE DISTRIBUTEES IN A DIRECT ROLLOVER. THIS  
25 SUBSECTION APPLIES TO DISTRIBUTIONS MADE ON OR AFTER JANUARY 1,  
26 1993.

1           (11) FOR PURPOSES OF DETERMINING ACTUARIAL EQUIVALENT  
2 RETIREMENT ALLOWANCES UNDER SECTIONS 31(1)(A) AND (B) AND 20(2),  
3 THE ACTUARIALLY ASSUMED INTEREST RATE SHALL BE 8% WITH UTILIZA-  
4 TION OF THE 1983 GROUP ANNUITY AND MORTALITY TABLE.

5           (12) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,  
6 THE RETIREMENT SYSTEM SHALL BE ADMINISTERED IN COMPLIANCE WITH  
7 THE PROVISIONS OF SECTION 415 OF THE INTERNAL REVENUE CODE AND  
8 REVENUE SERVICE REGULATIONS UNDER THAT SECTION THAT ARE APPLICA-  
9 BLE TO GOVERNMENTAL PLANS. IF THERE IS A CONFLICT BETWEEN THIS  
10 SECTION AND ANOTHER SECTION OF THIS OR ANY OTHER ACT OF THIS  
11 STATE, THIS SECTION PREVAILS.