



HOUSE BILL No. 5455

November 30, 1995, Introduced by Reps. DeHart, Prusi, DeMars, Tesanovich, Kelly, LaForge, Hanley and Pitoniak and referred to the Committee on Appropriations.

A bill to amend sections 1, 17j, 19, 20d, 20g, and 31 of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act," section 1 as amended by Act No. 177 of the Public Acts of 1990, section 17j as amended by Act No. 9 of the Public Acts of 1989, section 19 as amended by Act No. 195 of the Public Acts of 1993, sections 20d and 20g as amended by Act No. 241 of the Public Acts of 1987, and section 31 as amended by Act No. 48 of the Public Acts of 1991, being sections 38.1, 38.17j, 38.19, 38.20d, 38.20g, and 38.31 of the Michigan Compiled Laws; and to add sections 17m and 31a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 1, 17j, 19, 20d, 20g, and 31 of Act
2 No. 240 of the Public Acts of 1943, section 1 as amended by Act
3 No. 177 of the Public Acts of 1990, section 17j as amended by Act

1 No. 9 of the Public Acts of 1989, section 19 as amended by Act
2 No. 195 of the Public Acts of 1993, sections 20d and 20g as
3 amended by Act No. 241 of the Public Acts of 1987, and section 31
4 as amended by Act No. 48 of the Public Acts of 1991, being sec-
5 tions 38.1, 38.17j, 38.19, 38.20d, 38.20g, and 38.31 of the
6 Michigan Compiled Laws, are amended and sections 17m and 31a are
7 added to read as follows:

8 Sec. 1. As used in this act:

9 (a) "Retirement system" means the state employees' retire-
10 ment system created by section 2.

11 (b) "Retirement board" means the board provided for in
12 section 2 to administer the retirement system.

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

14 (d) "Employer" or "state" means this state.

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

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

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

22 (h) "Appointing authority" means the departmental officer
23 who has the responsibility of making appointments and handling
24 all other personnel transactions affecting the employees in the
25 agency that the officer represents.

26 (i) "Service" means service rendered to ~~the~~ THIS state by
27 an elected or appointed state official or employee of ~~the~~ THIS

1 state. Credit for service shall be determined by appropriate
2 rules and regulations of the retirement board, but not more than
3 1 year of service shall be creditable for all service in 1 calen-
4 dar year. The retirement board shall not allow credit as service
5 for any period of more than 1 month in any 1 calendar year during
6 which the employee was absent without pay. However, full service
7 credit shall be given for a period during which an employee is on
8 leave of absence and is receiving worker's compensation benefits
9 as the result of a ~~duty incurred~~ DUTY-INCURRED disability.

10 Full service credit shall also be given to an employee for
11 required 1-day layoffs, for voluntary or involuntary participa-
12 tion in pay reduction plan A, pay reduction plan B, or both, in
13 effect during the fiscal years ending on and after September 30,
14 1981, and for required and designated temporary layoffs.

15 (j) "Prior service" means all service as a state employee or
16 as an appointed state officer, and as an elected or appointed
17 state official, rendered before July 1, 1943.

18 (k) "Membership service" means all service rendered after
19 July 1, 1943.

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

22 (m) "Retirant" means a person who has ceased to be a member
23 of the retirement system by reason of retirement with a pension
24 or retirement allowance payable from the funds of the retirement
25 system.

1 (n) "Beneficiary" or "disability beneficiary" means a person
2 other than a retirant who receives a retirement allowance,
3 pension, or other benefit provided by this act.

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

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

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

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

19 (ii) Remuneration for services rendered after October 1,
20 1981, payable at retirement or termination under voluntary or
21 involuntary pay reduction plan B, in excess of the amount the
22 member would have received had the member been compensated for
23 those services at the rate of pay in effect at the time those
24 services were performed.

25 (iii) Payment for accrued annual leave at separation in
26 excess of ~~240~~ 300 hours.

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

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

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

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

1 average compensation shall not be diminished because of required
2 1-day layoffs. The compensation used in computing the final
3 average compensation for a period during which a member is in a
4 voluntary or involuntary pay reduction plan A or on a designated
5 temporary layoff shall include the value of the hours not worked
6 calculated at the member's hourly rate or rates of pay in effect
7 immediately before the applicable final average compensation
8 period. A member's final average compensation shall not be
9 increased or decreased by the member's participation in voluntary
10 or involuntary pay reduction plan B. Payment for accrued annual
11 leave at separation in excess of ~~240~~ 300 hours shall not be
12 included in final average compensation.

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

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

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

22 (v) "Retirement allowance" means the sum of the annuity and
23 the pension.

24 (w) "Annuity reserve" means the present value, computed upon
25 the basis of mortality and other tables adopted by the retirement
26 board, of all payments to be made on account of an annuity, or

1 benefits in lieu of an annuity, granted to a member under this
2 act.

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

8 (y) "Employee" means a person who may become eligible for
9 membership under this act, as provided in section 13, if the
10 person's compensation is paid in whole or in part by ~~the~~ THIS
11 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~~ FULL-TIME pay period the number
16 of hours 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~~ FULL-TIME pay period, defer compensation for 1 or
21 more of those hours, and accumulate or use the hours for which
22 compensation has been deferred in the same manner as annual leave
23 hours.

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

1 (cc) "Deferred member" means a member who is separated from
2 state service for a reason other than retirement or death and who
3 has satisfied the requirements of section 20(4) or (5) for a
4 deferred retirement allowance.

5 (dd) "Actuarial cost" means AN AMOUNT THAT SHALL BE PAID,
6 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED BY THIS ACT, BY A
7 MEMBER TO PURCHASE ADDITIONAL SERVICE CREDIT AS ALLOWED UNDER
8 THIS ACT. ACTUARIAL COST SHALL BE COMPUTED AS PROVIDED IN
9 SECTION 17J. ~~a single percentage which, when multiplied by a~~
10 ~~member's fiscal year compensation, will result in the average~~
11 ~~actuarial present value of the additional benefits resulting from~~
12 ~~the crediting of 1 additional year of service. This single per-~~
13 ~~centage shall be based on the members who utilize those sections~~
14 ~~of this act that permit the purchase of service. For purchases~~
15 ~~of service credit made before December 31, 1990, the single per-~~
16 ~~centage shall be 9%. Beginning December 31, 1990 and every 3~~
17 ~~years thereafter, the single percentage shall be computed based~~
18 ~~upon actual experience. If the computation results in an~~
19 ~~increase or decrease in the percentage, not less than 6 months~~
20 ~~notice shall be given to the members.~~

21 (ee) "Conservation officer" means an employee of the depart-
22 ment of natural resources, or its predecessor or successor
23 agency, who has sworn to the prescribed oath of office and who is
24 designated as a peace officer under section 6 of Act No. 192 of
25 the Public Acts of 1929, being section 300.16 of the Michigan
26 Compiled Laws, and section 1 of Act No. 109 of the Public Acts of
27 1986, being section 300.21 of the Michigan Compiled Laws.

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, ~~or~~ 17k, 17l, OR 17M shall not purchase a combined
4 total of more than 10 years of service credit under those
5 sections.

6 (2) On and after June 23, 1987, a member who under section
7 17c, 17e, 17f, 17g, 17h, 17i, 17k, 17l, 17M, or 18(2) is other-
8 wise entitled to purchase service credit may purchase ~~such~~ THE
9 service credit in separate increments equal to 1 or more full
10 years, or a remaining fraction of a year, if any, or both.
11 Partial purchase of service credit under this section ~~shall~~
12 DOES not bar future purchases otherwise in compliance with this
13 section and the provisions of this act authorizing the purchase,
14 but computation of the amount of payment due shall be made sepa-
15 rately for each purchase.

16 (3) If a member who made payment under this section dies and
17 a retirement allowance is not payable or if the member leaves
18 service with ~~the~~ THIS state before his or her retirement allow-
19 ance becomes effective, the payment made by the member shall be
20 refunded upon request to the member, to the person designated by
21 the member in writing to the board, or if a person is not desig-
22 nated, then to the member's legal representative or estate.

23 (4) ACTUARIAL COST SHALL BE EQUAL TO THE PRODUCT OF SUBDIVI-
24 SIONS (A), (B), AND (C):

25 (A) A PERCENTAGE, DETERMINED BY THE RETIREMENT BOARD AND THE
26 DEPARTMENT, THAT WHEN MULTIPLIED BY A MEMBER'S COMPENSATION, AS
27 DETERMINED UNDER SUBDIVISION (B), RESULTS IN THE AVERAGE

1 ACTUARIAL PRESENT VALUE OF THE ADDITIONAL BENEFITS RESULTING FROM
2 THE CREDITING OF 1 ADDITIONAL YEAR OF SERVICE. THE PERCENTAGE
3 MAY VARY BECAUSE OF AGE, CREDITED SERVICE, OR BENEFIT COVERAGE.
4 AN INCREASE OR DECREASE IN THE PERCENTAGE UNDER THIS SUBDIVISION
5 SHALL NOT BECOME EFFECTIVE BEFORE THE EXPIRATION OF 6 MONTHS OR
6 MORE AFTER THE RETIREMENT BOARD NOTIFIES THE MEMBERS OF THE
7 INCREASE OR DECREASE.

8 (B) A MEMBER'S COMPENSATION. THE MEMBER'S COMPENSATION
9 SHALL BE THE MEMBER'S COMPENSATION EARNED IN THE FISCAL YEAR
10 IMMEDIATELY BEFORE THE FISCAL YEAR IN WHICH THE APPLICATION TO
11 PURCHASE AND PAYMENT FOR THE SERVICE ARE MADE. THE COMPENSATION
12 AMOUNT USED SHALL NOT BE LESS THAN THE HIGHEST COMPENSATION PRE-
13 VIOUSLY EARNED BY THE MEMBER.

14 (C) THE NUMBER OF YEARS, INCLUDING ANY FRACTION OF A YEAR,
15 OF CREDITED SERVICE A MEMBER ELECTS TO PURCHASE UP TO THE MAXIMUM
16 ALLOWED.

17 SEC. 17M. (1) A MEMBER MAY ELECT TO PURCHASE NOT MORE THAN
18 5 YEARS OF SERVICE CREDIT UPON REQUEST AND PAYMENT TO THE RETIRE-
19 MENT SYSTEM OF THE ACTUARIAL COST.

20 (2) SERVICE CREDIT PURCHASED UNDER THIS SECTION MAY NOT BE
21 USED TO SATISFY THE MINIMUM NUMBER OF YEARS OF SERVICE CREDIT
22 REQUIRED TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS ACT.

23 (3) IF A MEMBER WHO MADE PAYMENT UNDER THIS SECTION DIES AND
24 A RETIREMENT ALLOWANCE IS NOT PAYABLE, OR IF THE MEMBER LEAVES
25 SERVICE AND A RETIREMENT ALLOWANCE IS NOT PAYABLE, THE PAYMENT
26 MADE BY THE MEMBER SHALL BE REFUNDED UPON REQUEST TO THE MEMBER,

1 THE MEMBER'S REFUND BENEFICIARY, IF ANY, OR TO THE MEMBER'S LEGAL
2 REPRESENTATIVE OR ESTATE.

3 Sec. 19. (1) A member who is 60 years of age or older and
4 has 10 or more years of credited service; A MEMBER WHO IS 60
5 YEARS OF AGE OR OLDER AND HAS 5 OR MORE YEARS OF CREDITED SERVICE
6 AS PROVIDED IN SECTION 20(4) OR (5); OR A MEMBER WHO IS 50 YEARS
7 OF AGE OR OLDER AND WHOSE COMBINED AGE AND AMOUNT OF CREDITED
8 SERVICE IS EQUAL TO OR GREATER THAN 80 YEARS, may retire upon
9 written application to the retirement board, stating a date, not
10 less than 30 or more than 90 days after the execution and filing
11 of the application, on which he or she desires to retire.

12 Beginning on the retirement allowance effective date, he or she
13 shall receive a retirement allowance computed according to sec-
14 tion 20(1), WITHOUT REGARD TO THE REDUCTION IN SUBSECTION (2).

15 (2) A member who is 55 years of age or older, but less than
16 60 years of age, and has 15 or more years of credited service,
17 may retire upon written application to the retirement board stat-
18 ing a date, not less than 30 or more than 90 days after the exe-
19 cution and filing of the application, on which he or she desires
20 to retire. Upon retirement he or she shall receive a retirement
21 allowance computed according to section 20(1). ~~The~~ EXCEPT AS
22 OTHERWISE PROVIDED IN THIS ACT, THE retirement allowance of a
23 member who has less than ~~30 years~~ 25 YEARS OF credited service
24 shall be reduced by an amount ~~which~~ THAT is 0.5% of the retire-
25 ment allowance multiplied by the number of months the person's
26 age at retirement is under 60 years. The reduction of 1/2 of 1%
27 for each month and fraction of a month from the member's

1 retirement allowance effective date to the date of the member's
2 sixtieth birthday provided for in this subsection ~~shall~~ DOES
3 not apply to a member who retired before July 1, 1974 and before
4 attainment of ~~age~~ 60 YEARS OF AGE, with 30 or more years of
5 credited service. The retirement allowance of a retirant or ben-
6 eficiary of a retirant who retired before that date shall be
7 recalculated disregarding the reduction and the person receiving
8 the retirement allowance ~~shall be~~ IS eligible to receive an
9 adjusted retirement allowance based on the recalculation begin-
10 ning October 1, 1987, but ~~shall~~ IS not ~~be~~ eligible to receive
11 the adjusted amount attributable to any month beginning before
12 October 1, 1987. The recalculated retirement allowance provided
13 by this subsection shall be paid by January 1, 1988. The retire-
14 ment allowance of a retirant who dies before January 1, 1988, and
15 who has not nominated a retirement allowance beneficiary pursuant
16 to section 31, shall not be recalculated pursuant to this
17 subsection.

18 (3) Notwithstanding any other provision of this section,
19 effective April 1, 1988, a member may retire with a retirement
20 allowance computed according to section 20(1), without regard to
21 the reduction in subsection (2), if all of the following apply:

22 (a) The member files a written application with the retire-
23 ment board stating a date, not less than 30 or more than 90 days
24 after the execution and filing of the application, on which the
25 member desires to retire, and which is within the early retire-
26 ment effective period.

1 (b) The member was employed by the state for the 6-month
2 period immediately preceding the member's retirement allowance
3 effective date. This subdivision ~~shall~~ DOES not apply to a
4 member who ~~had been~~ WAS restored to active service during that
5 6-month period pursuant to section 33.

6 (c) On the last day of the month immediately preceding the
7 retirement allowance effective date stated in the application the
8 member's combined age and length of credited service is equal to
9 or greater than 80 years and the member is 50 years of age or
10 older.

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

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

15 (ii) For a member employed by a department of mental health
16 hospital or facility that is in the process of being closed by
17 the department of mental health, the period beginning on April 1,
18 1988 and ending on October 1, 1989.

19 (4) As used in subsections (5) to (9):

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

21 (i) Southwest Michigan community living services.

22 (ii) Wayne community living services.

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

25 (i) A developmental disability center that is directly oper-
26 ated by the department of mental health for purposes of providing

1 inpatient care and treatment services to persons with
2 developmental disabilities.

3 (ii) A psychiatric hospital that is directly operated by the
4 department of mental health for purposes of providing inpatient
5 diagnostic and therapeutic services to persons who are mentally
6 ill.

7 (5) Notwithstanding any other provision of this section, a
8 member who is an employee of an agency of the department or a
9 department inpatient facility and is on layoff status because the
10 agency OF THE DEPARTMENT or DEPARTMENT inpatient facility has
11 been designated by the director of mental health for closure on
12 or after October 1, 1989, may retire as provided in subsection
13 (7) or (8), as applicable, with a retirement allowance computed
14 according to section 20(1), without regard to the reduction in
15 subsection (2), upon satisfaction of any 1 of the following
16 conditions:

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

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

25 (c) The member has 25 or more years of credited service,
26 regardless of age, as an employee of an agency of the department

1 designated for closure or a department inpatient facility
2 designated for closure.

3 (6) When a department inpatient facility or agency OF THE
4 DEPARTMENT is designated for closure on or after October 1, 1989,
5 the director of mental health shall certify in writing to the
6 state legislature and the retirement board, not less than 240
7 days before the designated official date of closure, which facil-
8 ity or agency is to be closed and the designated official date of
9 closure.

10 (7) Except as provided in subsection (8), a member who is
11 eligible to receive a retirement allowance under subsection (5)
12 may retire effective on the date that an agency of the department
13 or a department inpatient facility designated for closure as pro-
14 vided in subsection (5) actually closes, upon written application
15 to the retirement board not less than 30 or more than 180 days
16 before the designated official date of closure. Beginning on the
17 retirement allowance effective date, he or she shall receive a
18 retirement allowance computed according to section 20(1).

19 (8) A member who is on layoff status, is not working for the
20 state, and becomes eligible to receive a retirement allowance
21 under subsection (5) and who was an employee of an agency of the
22 department or a department inpatient facility that has been des-
23 ignated for closure as provided in subsection (5), and that actu-
24 ally closes on or after October 1, 1989, may retire upon written
25 application to the retirement board, stating a date, not less
26 than 30 or more than 180 days after the facility actually closes,
27 upon which he or she wishes to retire.. Beginning on the

1 retirement allowance effective date, he or she shall receive a
2 retirement allowance computed according to section 20(1).

3 (9) Any additional accrued actuarial cost and costs for
4 health insurance resulting from the implementation of subsection
5 (5) shall be funded from appropriations to the department of
6 mental health for this purpose.

7 (10) A member who is an employee of the state accident fund
8 on the date of transfer to a permitted transferee as that term is
9 defined by section 701a of the worker's disability compensation
10 act of 1969, Act No. 317 of the Public Acts of 1969, being sec-
11 tion 418.701a of the Michigan Compiled Laws, may retire if the
12 member's age and his or her length of service is equal to or
13 greater than 70 years on the date of transfer. The member may
14 retire upon written application to the retirement board, stating
15 a date, not less than 30 or more than 90 days after the execution
16 and filing of the application, on which he or she desires to
17 retire. Beginning on the retirement allowance effective date, he
18 or she shall receive a retirement allowance computed according to
19 section 20(1), without regard to the reduction required by sub-
20 section (2). THIS SUBSECTION SHALL NOT TAKE EFFECT UNLESS THE
21 STATE ADMINISTRATIVE BOARD CERTIFIES IN WRITING TO THE SECRETARY
22 OF STATE BY DECEMBER 31, 1994 THAT AN AGREEMENT FOR THE TRANSFER
23 OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND THE ASSUMPTION OF
24 ALL OR SUBSTANTIALLY ALL OF THE LIABILITIES OF THE STATE ACCIDENT
25 FUND HAS BEEN CONSUMMATED WITH A PERMITTED TRANSFEREE PURSUANT TO
26 THE REQUIREMENTS OF SECTION 701A OF ACT NO. 317 OF THE PUBLIC
27 ACTS OF 1969. IF THE STATE ADMINISTRATIVE BOARD CERTIFIES IN

1 WRITING TO THE SECRETARY OF STATE BY DECEMBER 31, 1994 THAT AN
2 AGREEMENT FOR THE TRANSFER OF ALL OR SUBSTANTIALLY ALL OF THE
3 ASSETS AND THE ASSUMPTION OF ALL OR SUBSTANTIALLY ALL OF THE
4 LIABILITIES OF THE STATE ACCIDENT FUND HAS BEEN CONSUMMATED WITH
5 A PERMITTED TRANSFEREE, THEN THIS SUBSECTION APPLIES.

6 Sec. 20d. (1) On and after July 1, 1974, hospitalization
7 and medical coverage insurance premium payable by any retirant or
8 his or her beneficiary and his or her dependents under any group
9 health plan authorized by the Michigan civil service commission
10 and the department of management and budget shall be paid by the
11 retirement board from the pension reserve fund created under sec-
12 tion ~~11(d)~~ 11. The amount payable shall be in the same propor-
13 tion of premium payable by the state of Michigan for the classi-
14 fied employees occupying positions in the state civil service.
15 The hospitalization and medical insurance premium payable shall
16 be paid from appropriations made for this purpose to the pension
17 reserve fund sufficient to cover the premium payment needed to be
18 made.

19 (2) Effective January 1, 1988, 90% of the premium payable by
20 a retirant or the retirant's beneficiary and his or her depen-
21 dents for dental coverage or vision coverage, or both, under any
22 group plan authorized by the Michigan civil service commission
23 and the department of management and budget shall be paid by the
24 retirement board from the dental-vision reserve fund created
25 under section 11.

26 (3) THE RETIREMENT BOARD SHALL PAY THE HOSPITALIZATION AND
27 MEDICAL COVERAGE INSURANCE PREMIUMS AND DENTAL COVERAGE OR VISION

1 COVERAGE PREMIUMS, OR BOTH, AS PROVIDED IN THIS SECTION FOR A
2 CHILD OF A DECEASED RETIRANT DURING THE PERIOD THAT CHILD
3 RECEIVES A RETIREMENT ALLOWANCE PURSUANT TO SECTION 31A.
4 COVERAGE UNDER THIS SUBSECTION DOES NOT APPLY TO A SPOUSE OR
5 DEPENDENT OF THE CHILD OF A DECEASED RETIRANT.

6 Sec. 20g. (1) After the end of each state fiscal year, the
7 department of management and budget shall determine the rate of
8 investment return earned on retirement system assets during the
9 fiscal year, based upon methods established by the retirement
10 board.

11 (2) At the end of each state fiscal year, the retirement
12 system's actuary shall determine the present value of retirement
13 allowances to be paid after the end of the fiscal year to retir-
14 ants and retirement allowance beneficiaries in receipt of retire-
15 ment allowances at the end of the fiscal period. The assumed
16 interest rate used in the determination shall be 8% per year,
17 compounded annually.

18 (3) The distribution income at the end of each state fiscal
19 year shall be equal to the product of the present value of
20 retirement allowances determined in subsection (2) at the end of
21 the previous fiscal year times the positive excess, if any, of
22 the rate of investment return determined in subsection (1)
23 exceeding 8%. The distribution income calculated pursuant to
24 this subsection at the end of the fiscal years 1984-85 and
25 1985-86 shall be reduced by the costs of postretirement adjust-
26 ments paid during the fiscal year pursuant to sections 20b, 20c,
27 20e, and 20f.

1 (4) After the end of each state fiscal year, each retirant
2 and retirement allowance beneficiary in receipt of a retirement
3 allowance at the end of the fiscal year, and whose effective date
4 of retirement allowance preceded the beginning of that fiscal
5 year, shall be credited with 1 distribution unit for each full
6 year between the effective date of retirement and the end of the
7 fiscal year and 1 distribution unit for each full year of service
8 credit in force on the effective date of retirement.
9 Distribution units shall not accumulate from 1 year to the next
10 year.

11 (5) The distribution amount for an individual retirant or
12 retirement allowance beneficiary shall be equal to the product of
13 the distribution income determined in subsection (3) times the
14 individual's number of distribution units determined in subsec-
15 tion (4) divided by the total number of distribution units for
16 all eligible retirants and retirement allowance beneficiaries in
17 receipt of retirement allowances at the end of the fiscal year.
18 The distribution amount for an individual retirant or retirement
19 allowance beneficiary of a retirant whose retirement allowance
20 effective date is on or after October 1, 1987 is zero.

21 (6) The distribution amount for each retirant or retirement
22 allowance beneficiary shall be payable in the form of a supple-
23 mental payment ~~prior to~~ BEFORE the seventh month after the end
24 of the state fiscal year. Except as provided in subsection (9),
25 a distribution amount shall not be payable after March 31, 1988.
26 If a retirant dies before receipt of the distribution amount, the
27 payment shall be made to the retirant's retirement allowance

1 beneficiary, if any. If both the retirant and the retirement
2 allowance beneficiary die before receipt of the distribution
3 amount, no payment shall be made.

4 (7) Each retirement allowance shall be increased each
5 October 1 beginning with the later of October 1, 1988 or the
6 first October 1 ~~which~~ THAT is at least 12 months after the
7 retirement allowance effective date. The amount of the annual
8 increase shall be equal to 3% of the retirement allowance that
9 would be payable as of the date of the increase without applica-
10 tion of this subsection, except that if the member made the elec-
11 tion permitted under section 20(2), the increase shall be based
12 on the amount of retirement allowance that would have been paid
13 without application of section 20(2). ~~The~~ BEGINNING OCTOBER 1,
14 1995, THE annual increase shall not exceed ~~\$300.00~~ \$900.00.

15 (8) After the end of each state fiscal year, the cumulative
16 increase amount shall be computed for each retirant or retirement
17 allowance beneficiary. The cumulative increase amount shall be
18 equal to the difference between the total retirement allowance
19 paid during the state fiscal year and the retirement allowance
20 that would have been payable without application of subsection
21 (7) and section 20h. The cumulative increase amount for any
22 retirant or retirement allowance beneficiary whose retirement
23 allowance effective date is on or after October 1, 1987 is zero.

24 (9) In March of each year, beginning in March, 1989, each
25 retirant or retirement allowance beneficiary shall be paid, in a
26 single supplemental payment, the excess, if any, of the
27 distribution amount over the cumulative increase amount for the

1 previous state fiscal year. If a retirant dies before receipt of
2 a supplemental payment, the supplemental payment shall be made to
3 the retirant's retirement allowance beneficiary, if any. If both
4 the retirant and the retirement allowance beneficiary die before
5 receipt of a supplemental payment, no payment shall be made.

6 Sec. 31. (1) Except as provided in subsection (6), before
7 the effective date of retirement, but not after the effective
8 date of retirement, a member or deferred member who is eligible
9 for retirement, as provided in ~~section 19, 19a, 21, 24, 46, or~~
10 ~~48~~ THIS ACT, shall elect to receive his or her benefit in a
11 retirement allowance payable throughout life, which shall be
12 called a regular retirement allowance, or to receive the actuar-
13 ial equivalent at that time of his or her regular retirement
14 allowance in a reduced retirement allowance payable throughout
15 the lives of the retirant and a retirement allowance beneficiary,
16 pursuant to 1 of the following PAYMENT options:

17 (a) Option A. Upon the retirant's death his or her reduced
18 retirement allowance shall be continued throughout the life of
19 and paid to the retirement allowance beneficiary whom the member
20 nominated by written designation duly executed and filed with the
21 retirement board before the effective date of his or her
22 retirement.

23 (b) Option B. Upon the retirant's death, 1/2 of his or her
24 reduced retirement allowance shall be continued throughout the
25 life of and paid to the retirement allowance beneficiary whom the
26 member nominated by written designation duly executed and filed

1 with the retirement board before the effective date of his or her
2 retirement.

3 (C) OPTION C. UPON THE RETIRANT'S DEATH, 3/4 OF HIS OR HER
4 REDUCED RETIREMENT ALLOWANCE SHALL BE CONTINUED THROUGHOUT THE
5 LIFE OF AND PAID TO THE RETIREMENT ALLOWANCE BENEFICIARY WHOM THE
6 MEMBER NOMINATED BY WRITTEN DESIGNATION DULY EXECUTED AND FILED
7 WITH THE RETIREMENT BOARD BEFORE THE EFFECTIVE DATE OF HIS OR HER
8 RETIREMENT.

9 (2) Except as provided in subsections (3) and (8), the elec-
10 tion of ~~an~~ A PAYMENT option UNDER SUBSECTION (1) shall not be
11 changed on or after the effective date of the retirement
12 allowance. A retirement allowance beneficiary designated under
13 this section shall not be changed on or after the effective date
14 of the retirement allowance, and shall be either a spouse, broth-
15 er, sister, parent, child, including an adopted child, or grand-
16 child of the person making the designation. Payment to a retire-
17 ment allowance beneficiary shall begin on the first day of the
18 month following the death of the retirant or member.

19 (3) If the retirement allowance beneficiary named under A
20 PAYMENT option ~~A or B~~ under subsection (1) predeceases the
21 retirant, the retirant's benefit shall revert to the regular
22 retirement allowance, effective with the first day of the month
23 following the retirement allowance beneficiary's death. For a
24 retirant whose effective date of retirement was on or before
25 June 28, 1976, this subsection shall apply, but the regular
26 retirement allowance is not payable for any month beginning
27 before the later of the retirement allowance beneficiary's death

1 or January 1, 1986. A retirant who on January 1, 1986 is
2 receiving a reduced retirement allowance because the retirant
3 designated a retirement allowance beneficiary and the retirement
4 allowance beneficiary predeceased the retirant is eligible to
5 receive the regular retirement allowance beginning January 1,
6 1986, but the regular retirement allowance is not payable for any
7 month beginning before January 1, 1986.

8 (4) A member who continues in the employ of this state on
9 and after the date he or she acquires 10 years of service credit
10 or becomes eligible for deferred retirement as provided by sec-
11 tion 20(4) or (5), whichever occurs first, may by written decla-
12 ration duly executed and filed with the retirement board elect
13 option A, provided for in subsection (1)(a), and nominate a
14 retirement allowance beneficiary in the same manner as if the
15 member were then retiring from service, notwithstanding that the
16 member may not have attained 60 years of age. ~~In the case of~~
17 IF the beneficiary's death or divorce from the member OCCURS
18 before the effective date of the member's retirement, the
19 member's election of option A and nomination of retirement allow-
20 ance beneficiary shall be automatically revoked and the member
21 may again elect option A and nominate a retirement allowance ben-
22 eficiary at any time before the effective date of retirement. If
23 a member who has made an election and nominated a retirement
24 allowance beneficiary as provided in this subsection dies before
25 the effective date of his or her retirement, then the retirement
26 allowance beneficiary shall immediately receive the retirement
27 allowance that he or she would have been entitled to receive

1 under option A if the member had been regularly retired on the
2 date of the member's death. Except as otherwise provided by sub-
3 section (5), if a member who has made an election under this sub-
4 section subsequently retires under this act, his or her election
5 of option A shall take effect at the time of retirement. Subject
6 to the requirements of subsection (5), the member, ~~may~~ before
7 the effective date of retirement, but not after the effective
8 date of retirement, MAY revoke his or her previous election of
9 option A and elect to receive his or her retirement allowance as
10 a regular retirement allowance or under option B OR C as provided
11 for in subsection ~~(+)(b)~~ (1). A retirement allowance shall not
12 be paid under this subsection on account of the death of a member
13 if any benefits are paid under section 27 on account of his or
14 her death. If a deferred member who has an option A election in
15 effect dies before the effective date of his or her retirement,
16 the retirement allowance payable under option A shall be paid to
17 the retirement allowance beneficiary at the time the deceased
18 deferred member otherwise would have been eligible to begin
19 receiving benefits.

20 (5) If a member, deferred member, retiring member, or retir-
21 ing deferred member is married at the effective date of the
22 retirement allowance, an election under this section, other than
23 an election of ~~an~~ A PAYMENT option under subsection (1) naming
24 the spouse as retirement allowance beneficiary, shall not be
25 effective unless the election is signed by the spouse. However,
26 this requirement may be waived by the retirement board if the
27 signature of a spouse cannot be obtained because of extenuating

1 circumstances. As used in this subsection, "spouse" means the
2 person to whom the member, deferred member, retiring member, or
3 retiring deferred member is married at the effective date of the
4 retirement allowance.

5 (6) Until July 1, 1991, upon request in a form as determined
6 by the retirement board, a nonduty disability retirant who
7 retired under section 24 may change his or her election to
8 receive a disability retirement allowance computed as a regular
9 retirement allowance and elect to receive the actuarial equiva-
10 lent at the time of the election pursuant to this subsection of
11 his or her disability retirement allowance in a reduced retire-
12 ment allowance payable to the retirant and the retirant's spouse
13 pursuant to the provisions of A PAYMENT option ~~A or B~~ as pro-
14 vided in subsection (1), if the disability retirement allowance
15 effective date was before November 12, 1985 and the retirant had
16 25 or more years of credited service on the disability retirement
17 allowance effective date. The nonduty disability retirant shall
18 begin to receive the reduced retirement allowance under this sub-
19 section effective the first day of the month following the month
20 in which the retirant makes the election pursuant to this
21 subsection. As used in this subsection, "spouse" means the
22 person to whom the nonduty disability retirant was married on the
23 effective date of his or her disability retirement allowance and
24 on the date the retirant makes the election pursuant to this
25 subsection.

26 (7) If a member who continues in the employ of ~~the~~ THIS
27 state on and after the date he or she acquires 10 years of

1 service credit, or on and after the date he or she becomes
2 eligible for deferred retirement as provided by section 20(4) or
3 (5), whichever occurs first, and who does not have an election of
4 option A in force as provided in subsection (4), dies before the
5 effective date of retirement and leaves a surviving spouse, the
6 spouse shall receive a retirement allowance computed in the same
7 manner as if the member had retired effective the day before the
8 date of his or her death, elected option A, and nominated the
9 spouse as retirement allowance beneficiary. When the retirement
10 allowance beneficiary dies, his or her retirement allowance shall
11 terminate. If the aggregate amount of retirement allowance pay-
12 ments received by the beneficiary is less than the accumulated
13 contributions credited to the member's account in the employees'
14 savings fund at the time of the member's death, the difference
15 between the accumulated contributions and the aggregate amount of
16 retirement allowance payments received by the beneficiary shall
17 be transferred from the employer's accumulation fund or pension
18 reserve fund to the employees' savings fund and paid pursuant to
19 section 29. A retirement allowance shall not be paid under this
20 subsection on account of the death of a member if benefits are
21 paid under section 27 on account of his or her death.

22 (8) If a retirant receiving a reduced retirement allowance
23 under A PAYMENT option ~~A or B~~ under subsection (1) is divorced
24 from the spouse who had been designated as the retirant's retire-
25 ment allowance beneficiary under THE option, ~~A or B,~~ the elec-
26 tion of THE PAYMENT option ~~A or B~~ shall be considered void by
27 the retirement system if the judgment of divorce or award or

1 order of the court, or an amended judgment of divorce or award or
2 order of the court, described in section 40 and dated after ~~the~~
3 ~~effective date of the amendatory act that added this subsection~~
4 JUNE 27, 1991 provides that the election of THE PAYMENT option ~~A~~
5 ~~or B~~ under subsection (1) is to be considered void by the
6 retirement system and the retirant provides a certified copy of
7 the judgment of divorce or award or order of the court, or an
8 amended judgment of divorce or award or order of the court, to
9 the retirement system. If the election of A PAYMENT option ~~A or~~
10 ~~B~~ under subsection (1) is considered void by the retirement
11 system under this subsection, the retirant's retirement allowance
12 shall revert to a regular retirement allowance, including postre-
13 tirement adjustments, if any, subject to an award or order of the
14 court as described in section 40. The retirement allowance shall
15 revert to a regular retirement allowance under this subsection
16 effective the first of the month after the date the retirement
17 system receives a certified copy of the judgment of divorce or
18 award or order of the court. This subsection does not supersede
19 a judgment of divorce or award or order of the court in effect on
20 ~~the effective date of the amendatory act that added this~~
21 ~~subsection~~ JUNE 27, 1991. This subsection does not require the
22 retirement system to distribute or pay retirement assets on
23 behalf of a retirant in an amount that exceeds the actuarially
24 determined amount that would otherwise become payable if a judg-
25 ment of divorce had not been rendered.

26 (9) A retirement allowance payable under a payment option
27 provided in this section is subject to an eligible domestic

1 relations order under the eligible domestic relations order act,
2 ACT NO. 46 OF THE PUBLIC ACTS OF 1991, BEING SECTIONS 38.1701 TO
3 38.1711 OF THE MICHIGAN COMPILED LAWS.

4 SEC. 31A. (1) IF A RETIRANT RECEIVING A RETIREMENT ALLOW-
5 ANCE UNDER THIS ACT DIES AND THERE IS NOT A SURVIVING SPOUSE OR
6 OTHER BENEFICIARY TO WHOM A RETIREMENT ALLOWANCE IS PAYABLE UNDER
7 THIS ACT, A RETIREMENT ALLOWANCE SHALL BE PAID TO THE CHILDREN OF
8 THE DECEASED RETIRANT AS PROVIDED IN THIS SECTION.

9 (2) THE RETIREMENT SYSTEM SHALL PAY TO THE CHILDREN OF THE
10 DECEASED RETIRANT, SHARE AND SHARE ALIKE, 50% OF THE RETIREMENT
11 ALLOWANCE THAT WOULD HAVE BEEN PAYABLE TO THE RETIRANT IF HE OR
12 SHE HAD ELECTED A REGULAR RETIREMENT ALLOWANCE UNDER SECTION 31,
13 UNDER THE FOLLOWING CIRCUMSTANCES:

14 (A) TO A CHILD UNTIL THE CHILD ATTAINS 19 YEARS OF AGE,
15 UNLESS A RETIREMENT ALLOWANCE IS PAYABLE UNDER SUBDIVISION (B)
16 OR (C).

17 (B) TO A CHILD UNTIL THE CHILD ATTAINS 25 YEARS OF AGE, IF
18 THE CHILD IS ENROLLED AS A FULL-TIME STUDENT IN SECONDARY OR
19 POSTSECONDARY EDUCATION.

20 (C) TO A CHILD, REGARDLESS OF AGE, IF THE CHILD IS INCAPABLE
21 OF SELF-SUSTAINING EMPLOYMENT BECAUSE OF A HANDICAP AS DEFINED IN
22 SECTION 103 OF THE MICHIGAN HANDICAPPERS' CIVIL RIGHTS ACT, ACT
23 NO. 220 OF THE PUBLIC ACTS OF 1976, BEING SECTION 37.1103 OF THE
24 MICHIGAN COMPILED LAWS.

25 (3) WHEN A CHILD RECEIVING A RETIREMENT ALLOWANCE UNDER
26 SUBSECTION (2) IS NO LONGER ELIGIBLE TO RECEIVE A RETIREMENT
27 ALLOWANCE UNDER THIS SECTION, PAYMENT TO THE CHILD SHALL CEASE

1 AND HIS OR HER SHARE SHALL BE PRORATED AMONG THE REMAINING
2 CHILDREN ELIGIBLE TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS
3 SECTION, IF ANY.