

# SENATE BILL No. 892

May 25, 1988, Introduced by Senators GAST, ENGLER, GEAKE and  
DE GROW and referred to the Committee on Appropriations.

A bill to amend section 1 of Act No. 240 of the Public Acts  
of 1943, entitled as amended  
"State employees' retirement act,"  
as amended by Act No. 57 of the Public Acts of 1987, being sec-  
tion 38.1 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Section 1 of Act No. 240 of the Public Acts of  
2 1943, as amended by Act No. 57 of the Public Acts of 1987, being  
3 section 38.1 of the Michigan Compiled Laws, is amended to read as  
4 follows:

5       Sec. 1. As used in this act:

6       (a) "Retirement system" means the state employees' retire-  
7 ment system provided for in this act.

8       (b) "Retirement board" means the board provided for in this  
9 act to administer the retirement system.

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

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

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

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

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

10 (h) "Appointing authority" means the departmental officer  
11 who has the responsibility of making appointments and handling  
12 all other personnel transactions affecting the employees in the  
13 agency which the officer represents.

14 (i) "Service" means service rendered to the state by an  
15 elected or appointed state official or employee of the state.  
16 Credit for service shall be determined by appropriate rules and  
17 regulations of the retirement board, but not more than 1 year of  
18 service shall be creditable for all service in 1 calendar year.  
19 The retirement board shall not allow credit as service for any  
20 period of more than 1 month in any 1 calendar year during which  
21 the employee was absent without pay. However, full service  
22 credit shall be given for a period during which an employee is on  
23 leave of absence and is receiving worker's compensation benefits  
24 as the result of a duty incurred disability. Full service credit  
25 shall also be given to an employee for required 1-day layoffs,  
26 for voluntary or involuntary participation in pay reduction plan  
27 A, pay reduction plan B, or both, in effect during the fiscal

1 years ending on and after September 30, 1981, and for required  
2 and designated temporary layoffs.

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

6 (k) "Membership service" means all service rendered after  
7 July 1, 1943.

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

10 (m) "Retirant" means a person who has ceased to be a member  
11 of the retirement system by reason of retirement with a pension  
12 or retirement allowance payable from the funds of the retirement  
13 system.

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

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

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

25 (q) "Compensation" means the remuneration paid a member on  
26 account of the member's services rendered to the state. IF A  
27 MEMBER'S REMUNERATION IS NOT PAID TOTALLY IN MONEY, THE

1 RETIREMENT BOARD SHALL EMPLOY THE MAINTENANCE-COMPENSATION  
2 SCHEDULES ESTABLISHED FROM TIME TO TIME BY THE CIVIL SERVICE  
3 COMMISSION. Compensation does not include ~~remuneration~~ ANY OF  
4 THE FOLLOWING:

5 (i) REMUNERATION paid in lieu of accumulated sick leave. →  
6 ~~remuneration~~

7 (ii) REMUNERATION for services rendered after October 1,  
8 1981, payable at retirement or termination under voluntary or  
9 involuntary pay reduction plan B, in excess of the amount the  
10 member would have received had the member been compensated for  
11 those services at the rate of pay in effect at the time those  
12 services were performed. → ~~payment~~

13 (iii) PAYMENT for accrued annual leave at separation in  
14 excess of 240 hours. → ~~or remuneration~~

15 (iv) REMUNERATION received by an employee of the department  
16 of mental health resulting from severance pay received because of  
17 the deinstitutionalization of the department of mental health  
18 resident population. ~~If a member's remuneration is not paid~~  
19 ~~totally in money, the retirement board shall employ the~~  
20 ~~maintenance compensation schedules established from time to time~~  
21 ~~by the civil service commission.~~

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

1 (r) "Final average compensation" means the average of those  
2 years of highest annual compensation received by a member during  
3 a period of 5 consecutive years of credited service; or if the  
4 member has less than 5 years of credited service, then the aver-  
5 age of the annual compensation received by the member during the  
6 member's total years of credited service. For a person whose  
7 retirement allowance effective date is on or after October 1,  
8 1987, "final average compensation" means the average of those  
9 years of highest annual compensation received by a member during  
10 a period of 3 consecutive years of credited service; or if the  
11 member has less than 3 years of credited service, then the aver-  
12 age of the annual compensation received by the member during the  
13 member's total years of credited service. A member's final aver-  
14 age compensation shall not be diminished because of required  
15 1-day layoffs. The compensation used in computing the final  
16 average compensation for a period during which a member is in a  
17 voluntary or involuntary pay reduction plan A or on a designated  
18 temporary layoff shall include the value of the hours not worked  
19 calculated at the member's hourly rate or rates of pay in effect  
20 immediately preceding the applicable final average compensation  
21 period. A member's final average compensation shall be neither  
22 increased nor decreased by the member's participation in volun-  
23 tary or involuntary pay reduction plan B. Payment for accrued  
24 annual leave at separation in excess of 240 hours shall not be  
25 included in final average compensation.

1 (s) "Final compensation" means a member's annual rate of  
2 compensation at the time the member last terminates employment  
3 with the state.

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

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

10 (v) "Retirement allowance" means the sum of the annuity and  
11 the pension.

12 (w) "Annuity reserve" means the present value, computed upon  
13 the basis of mortality and other tables adopted by the retirement  
14 board, of all payments to be made on account of an annuity, or  
15 benefits in lieu of an annuity, granted to a member under this  
16 act.

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

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

25 (z) "Pay reduction plan A" means the plan available to or  
26 required of a member during the fiscal years ending on and after  
27 September 30, 1981 under which the member may elect to reduce by

1 1 hour or more in any 80-hour pay period the number of hours  
2 worked with a corresponding reduction in compensation.

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

9 (bb) "Designated temporary layoff" means the layoff of a  
10 member which layoff has a duration not to exceed 1 month and a  
11 fixed, predetermined, and announced recall date.

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

16 (dd) "Actuarial cost" means a single percentage which, when  
17 multiplied by a member's fiscal year compensation, will result in  
18 the average actuarial present value of the additional benefits  
19 resulting from the crediting of 1 additional year of service.  
20 This single percentage shall be based on the members who utilize  
21 those sections of this act that permit the purchase of service.  
22 For purchases of service credit made before December 31, 1990,  
23 the single percentage shall be 9%. Beginning December 31, 1990  
24 and every 3 years thereafter, the single percentage shall be com-  
25 puted based upon actual experience. If the computation results  
26 in an increase or decrease in the percentage, not less than 6  
27 months' notice shall be given to the members.