

SUBSTITUTE FOR
HOUSE BILL NO. 5093

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending sections 17g, 23, 27, 33, and 67a (MCL 38.17g, 38.23,
38.27, 38.33, and 38.67a), sections 17g, 23, and 27 as amended by
1987 PA 241, section 33 as amended by 2002 PA 93, and section 67a
as added by 1996 PA 487, and by adding section 27a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 17g. (1) A member who left or leaves service with the
2 state **or who left or leaves service for a reporting unit of the**
3 **public school employees retirement system** for purposes of
4 ~~maternity or paternity or child rearing~~ **parental leave**, and
5 returned or returns to service with the state without other
6 intervening employment of more than 20 hours per week for each
7 week for which service credit is claimed, may purchase service
8 credit for the time period or periods during which the person was

1 separated or on leave of absence from service with the state **or**
2 **separated or on leave of absence from a reporting unit of the**
3 **public school employees retirement system** because of ~~maternity~~
4 ~~or paternity or child rearing~~ **parental leave**, upon **submitting an**
5 **application described in subsection (5) and upon** payment to the
6 ~~board~~ **retirement system** of an amount ~~which~~ **that** is equal to
7 the actuarial cost multiplied by the member's full-time or
8 equated full-time fiscal year compensation for the fiscal year in
9 which payment is made multiplied by each year and fraction of a
10 year of service to be purchased, up to the maximum. For the
11 purpose of computing payment under this subsection, the
12 compensation amount used shall not be less than the highest
13 full-time or equated full-time fiscal year compensation
14 previously received by the member as a member of the system. The
15 total service credited under this section shall not exceed 5
16 years. A member requesting purchase of service credit under this
17 section shall certify to the ~~board~~ **retirement system** the
18 purpose for which the member took leave or was separated from
19 service with the state.

20 (2) Service credit purchased under this section shall 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 with the state before his or her retirement allowance
26 becomes effective, the payment made by the member shall be
27 refunded upon request to the member, to the person designated by

1 the member in writing to the ~~board~~ **retirement system**, or if a
2 person is not designated, then to the member's legal
3 representative.

4 (4) A member who reduces hours of employment with the state
5 for purposes of ~~maternity, paternity, or child rearing~~ **parental**
6 **leave** may purchase service credit for those hours by which
7 employment was reduced if all other requirements of this section
8 are met.

9 (5) A member requesting purchase of service credit under this
10 section shall submit an application as prescribed by the
11 retirement system in which the member shall certify the time
12 period claimed for parental leave and the purpose of the parental
13 leave. If a request for purchase of service credit under this
14 section is a result of leave taken to care for the member's child
15 by birth or adoption, then the member also shall submit a
16 certified copy of a birth certificate or adoption document from
17 the appropriate court.

18 (6) Parental leave is creditable under this act until the
19 child, by birth or adoption, attains age 18 or is married,
20 whichever occurs first.

21 (7) For purposes of this section, "parental leave" means
22 either of the following:

23 (a) The presence of the member in the active participation or
24 supervision in the day-to-day, ongoing care or maintenance of his
25 or her child by birth or adoption, for which the member reduces
26 or eliminates the number of hours worked for the state or the
27 reporting unit in a normal work time period.

1 (b) A member's pregnancy, whether brought to full term or
2 not, childbirth, and recuperation, for which the member reduces
3 or eliminates the number of hours worked for the state or the
4 reporting unit in a normal work time period.

5 Sec. 23. ~~Upon retirement for disability, as provided for~~
6 ~~in section 21, a member who has not attained age 60 years shall~~
7 ~~receive the following benefits, subject to the provisions of~~
8 ~~sections 33 and 34:~~

9 ~~—— (a) A disability retirement allowance of 2/3 of the~~
10 ~~retirant's final average compensation, the retirement allowance~~
11 ~~to begin as of date of the retirant's disability, but not more~~
12 ~~than 6 months before the date the retirant's application for~~
13 ~~disability retirement was filed with the retirement board, and~~
14 ~~not before the date the retirant's name last appeared on a state~~
15 ~~payroll with pay, whichever is later, and to continue to the~~
16 ~~attainment of age 60 years or recovery or death, whichever event~~
17 ~~shall first occur. The disability retirement allowance payable~~
18 ~~to a disability retirant shall not exceed \$6,000.00 per annum,~~
19 ~~nor be more than an amount which when added to the statutory~~
20 ~~worker's compensation benefits applicable in the retirant's case~~
21 ~~shall exceed the retirant's final compensation. The increase in~~
22 ~~the maximum amount payable under this subdivision as provided by~~
23 ~~this 1987 amendatory act shall be payable to retirants on the~~
24 ~~pension payroll as of July 1, 1987.~~

25 ~~—— (b) Upon attaining age 60 years or July 1, 1987, whichever is~~
26 ~~later, the disability retirant shall receive a retirement~~
27 ~~allowance computed according to section 20. In computing the~~

1 ~~retirant's retirement allowance, the retirant shall be given~~
2 ~~membership service credit for the period during which the~~
3 ~~retirant was receiving the disability retirement allowance~~
4 ~~provided for in subdivision (a). If the computation results in a~~
5 ~~retirement allowance less than the disability retirement~~
6 ~~allowance provided in subdivision (a), the retirant shall receive~~
7 ~~a retirement allowance equal to the disability retirement~~
8 ~~allowance. Upon attaining age 60 years or July 1, 1987,~~
9 ~~whichever is later, the retirant may elect an option provided for~~
10 ~~in section 31(1).~~

11 ~~—— (c) During the period a disability retirant is receiving a~~
12 ~~disability retirement allowance, as provided for in subdivision~~
13 ~~(a), the retirant's contributions to the employees' savings fund~~
14 ~~shall be suspended and the balance in the fund, standing to the~~
15 ~~retirant's credit as of the date the disability retirement~~
16 ~~allowance begins, shall remain in the savings fund and shall be~~
17 ~~accumulated at regular interest. Upon attaining age 60 years or~~
18 ~~July 1, 1987, whichever is later, the retirant's accumulated~~
19 ~~contributions shall be transferred from the employees' savings~~
20 ~~fund to the pension reserve fund. If the disability retirant~~
21 ~~should die before attaining age 60 years, the accumulated~~
22 ~~contributions standing to the retirant's credit in the employees'~~
23 ~~savings fund shall be paid to the person or persons the retirant~~
24 ~~nominated by written designation duly executed and filed with the~~
25 ~~retirement board, or if there is not a designated person or~~
26 ~~persons surviving, then to the retirant's legal representative.~~

27 **(1) Upon retirement for disability as provided in section**

1 21, a member who is less than 60 years old shall receive a
2 disability retirement allowance calculated under section 20(1).
3 A disability retirement allowance payable under this subsection
4 is payable beginning on the first day of the month following the
5 date the member becomes totally incapacitated for state
6 employment. A disability retirement allowance payable under this
7 subsection shall not be paid before the first day of the month
8 after the later of the following:

9 (a) Twelve months before the date the application for a
10 disability retirement allowance was filed with the retirement
11 system under section 21.

12 (b) The date the disability retirant's name last appeared on
13 the state payroll with pay.

14 (2) Upon attaining age 60 years, a disability retirant under
15 subsection (1) shall receive a retirement allowance calculated
16 under section 20. For the purpose of calculating that retirant's
17 retirement allowance, the retirant shall be given membership
18 service credit for the period during which the retirant was
19 receiving the disability retirement allowance provided for in
20 subsection (1). If the computation results in a retirement
21 allowance less than the disability retirement allowance provided
22 in subsection (1), the retirant shall receive a retirement
23 allowance equal to the disability retirement allowance provided
24 in subsection (1). Upon attaining age 60, the retirant may elect
25 an option provided for in section 31(1).

26 (3) During the period a disability retirant is receiving a
27 disability retirement allowance under subsection (1), the

1 retirant's contributions to the employees' savings fund shall be
2 suspended and the balance in the fund, that is credited to the
3 retirant as of the date the disability retirement allowance
4 begins, shall remain in the savings fund and shall be accumulated
5 at regular interest. Upon attaining age 60 years, the disability
6 retirant's accumulated contributions shall be transferred from
7 the employees' savings fund to the pension reserve fund. If the
8 disability retirant should die before attaining age 60 years, the
9 accumulated contributions standing to the disability retirant's
10 credit in the employees' savings fund shall be paid to the person
11 or persons the disability retirant nominated by written
12 designation executed and filed with the retirement system, or if
13 there is not a designated person or persons surviving, then to
14 the disability retirant's legal representative or estate.

15 (4) The disability retirement allowance payable to a
16 disability retirant under this section shall not be less than
17 \$6,000.00 per year. A disability retirement allowance first
18 payable to a disability retirant under this section shall not be
19 more than an amount that when added to the worker's compensation
20 benefits payable to the disability retirant exceeds the
21 disability retirant's final compensation.

22 (5) If the disability retirant who retired under section 21
23 dies before reaching age 60, the retirement allowance payable to
24 the beneficiary designated by the disability retirant shall be
25 calculated as provided in section 20(1). For the purpose of
26 calculating the retirement allowance payable to the beneficiary
27 designated by the disability retirant, the deceased retirant

1 shall be given membership service credit for the period during
2 which the retirant was receiving the disability retirement
3 allowance provided for in subsection (1).

4 (6) The receipt of a disability retirement allowance under
5 this section is subject to sections 33 and 34.

6 Sec. 27. ~~(1) If a member dies as a result of a personal
7 injury or disease arising out of and in the course of his or her
8 employment with the state, or a disability retirant who retired
9 under section 21 dies prior to becoming age 60 and within 3 years
10 after the member's disability retirement from the same causes for
11 which he or she was retired, and such death or illness or
12 injuries resulting in death are found by the retirement board to
13 have been the sole and exclusive result of employment with the
14 state, the applicable benefits provided in subsections (2), (3),
15 (4), and (5) shall be paid, subject to subsection (6).~~

16 ~~—— (2) The accumulated contributions standing to the member's
17 account in the employees' savings fund shall be paid to such
18 person or persons as the member has nominated by written
19 designation duly executed and filed with the retirement board, or
20 if there are no such designated person or persons surviving, then
21 to the member's legal representative.~~

22 ~~—— (3) A retirement allowance of 1/3 of the final compensation
23 of the deceased person shall be paid to the surviving spouse to
24 whom the deceased person was married at the time he or she last
25 terminated employment with the state. If a child or children
26 under the age of 18 years also survives the deceased person, each
27 such child shall receive an allowance of an equal share of 1/4 of~~

~~1 the deceased person's final compensation. Upon the marriage,
2 death, or attainment of age 18 years of any such child, there
3 shall be a redistribution by the retirement board to the deceased
4 person's remaining children under age 18 years.~~

~~5 ——— (4) If there is no surviving spouse or if the surviving
6 spouse dies before the youngest surviving child of the deceased
7 person reaches the age of 18 years, then each such child under
8 age 18 shall each receive an allowance equal to 1/4 of the
9 deceased person's final compensation, but the total so paid in
10 any year to the children of a deceased person shall not exceed
11 1/2 of his or her final compensation. If there are more than 2
12 such surviving children under age 18 years, each such child shall
13 receive an allowance of an equal share of 1/2 of the deceased
14 person's final compensation. Upon the marriage, death, or
15 attainment of age 18 years of any such child, the child's
16 allowance shall terminate and there shall be a redistribution by
17 the retirement board to any remaining eligible children of the
18 deceased under age 18, but a child shall not receive an allowance
19 more than 1/4 of the deceased person's final compensation.~~

~~20 ——— (5) If there is neither a spouse nor a child under age 18
21 years surviving the deceased person, then there shall be paid to
22 each parent of the deceased person whom the retirement board
23 after investigation determines to have been actually dependent
24 upon the deceased person through absence of earning power due to
25 disability, an allowance of 1/6 of the deceased person's final
26 compensation.~~

~~27 ——— (6) The total of the retirement allowances payable under~~

1 ~~subsections (3), (4), and (5) on account of the death of a member~~
2 ~~or retirant shall not exceed \$2,400.00 per annum, nor an amount~~
3 ~~which, when added to the statutory worker's compensation benefit~~
4 ~~to which the dependents of the member or retirant are entitled,~~
5 ~~exceeds his or her final compensation.~~

6 (1) Except as provided in subsections (3), (4), and (5), if
7 a member dies as a result of a personal injury or disease arising
8 out of and in the course of his or her employment with the state
9 and the personal injury or disease resulting in death is found by
10 the retirement board to have been the sole and exclusive result
11 of employment with the state, the surviving spouse shall receive
12 a retirement allowance calculated as if the deceased member had
13 retired effective the day before the date of death, elected
14 option A under section 31(1), and nominated his or her spouse as
15 retirement allowance beneficiary. The retirement allowance shall
16 be calculated based upon the amount of the deceased member's
17 credited service. If the deceased member does not have the
18 minimum number of years of credited service needed to vest in the
19 retirement system, the amount of service necessary to reach that
20 amount of credited service shall be granted.

21 (2) The retirement allowance payable to a surviving spouse
22 under this section shall not be less than \$6,000.00 per year.
23 The retirement allowance first payable to a surviving spouse
24 under subsection (1) shall not be more than an amount that, when
25 added to the statutory worker's disability compensation benefits
26 payable to the surviving spouse of the deceased member, equals
27 the deceased member's final compensation.

1 (3) If the requirements of subsection (1) are met but the
2 deceased member is survived by a spouse and a child or children
3 under 21 years of age, then the retirement allowance calculated
4 under subsections (1) and (2) shall be payable as follows:

5 (a) One-half to the surviving spouse.

6 (b) One-half to the surviving child or children under 21
7 years of age, in equal shares. The retirement allowance payable
8 to a surviving child under this subsection shall terminate upon
9 that child's marriage, death, or becoming 21 years of age,
10 whichever occurs first. That child's share of the terminated
11 retirement allowance shall be redistributed among the remaining
12 children under 21 years of age, if any. When there are no
13 surviving children entitled to a share of the retirement
14 allowance under this subsection, the children's share shall
15 revert to the surviving spouse.

16 (4) If the requirements of subsection (1) are met and the
17 deceased member is not survived by a spouse but is survived by a
18 child or children under 21 years of age, then the retirement
19 allowance calculated under subsections (1) and (2) shall be paid
20 to the surviving child or children in equal shares. The
21 retirement allowance payable to a surviving child under this
22 subsection shall terminate upon that child's marriage, death, or
23 becoming 21 years of age, whichever occurs first. That child's
24 share of the terminated retirement allowance shall be
25 redistributed among the remaining children under 21 years of age,
26 if any.

27 (5) If the other requirements of subsection (1) are met and

1 neither a surviving spouse nor an eligible child surviving the
2 deceased member or duty disability retirant exists, a monthly
3 allowance shall be paid to 1 surviving dependent parent whom the
4 retirement board finds to be totally and permanently disabled and
5 to have been dependent upon the deceased member or retirant for
6 at least 50% of the parent's financial support. The allowance
7 shall be computed in the same manner as if the deceased member or
8 retirant had retired for reasons of age and service effective the
9 day preceding the member's or retirant's death, elected the
10 option provided in section 31(1)(a), and nominated the surviving
11 parent as retirement allowance beneficiary. The surviving
12 parent's beneficiary retirement allowance shall terminate upon
13 marriage or death.

14 Sec. 27a. (1) Beginning with retirement allowance payments
15 due on or after June 1, 2004, retirement allowances granted under
16 section 27 that began before the effective date of the amendatory
17 act that added this section shall be adjusted as provided in this
18 section.

19 (2) Except as otherwise provided in this section, a
20 retirement allowance shall not be less than \$6,000.00 per year.

21 (3) A portion of a retirement allowance payable to a
22 surviving child or parent shall not be less than that portion of
23 a retirement allowance that the child or parent was entitled to
24 receive under section 27 before the effective date of the
25 amendatory act that added this section.

26 Sec. 33. (a) The retirement board may, and upon the
27 ~~retirant's~~ application of anyone retired pursuant to section

1 ~~21, 24, or 67a~~ shall, require ~~any disability retirant~~ **anyone**
2 **retired under section 21, 24, or 67a** who has not attained age 60
3 years to undergo a medical examination. The retirement board
4 shall not require a ~~disability retirant~~ **person retired under**
5 **section 21, 24, or 67a** to undergo more than 1 medical examination
6 in any calendar year. The examination is to be made by or under
7 the direction of the medical advisor at the retirant's place of
8 residence or other place mutually agreed upon. Should ~~any~~
9 ~~disability retirant~~ **anyone retired under section 21, 24, or 67a**
10 who has not attained age 60 years refuse to submit to the medical
11 examination, his or her disability retirement allowance **or**
12 **supplemental benefit provided for in section 67a** may be
13 discontinued until his or her withdrawal of the refusal. If the
14 refusal continues for 1 year, all rights in and to his or her
15 disability retirement allowance **or supplemental benefit provided**
16 **for in section 67a** may be revoked by the retirement board. If
17 upon the medical examination of a ~~disability retirant~~ **person**
18 **retired under section 21, 24, or 67a**, the medical advisor reports
19 and his or her report is concurred in by the retirement board,
20 that the ~~disability retirant~~ **person retired under section 21,**
21 **24, or 67a** is physically ~~able and~~ capable of resuming
22 employment, he or she shall be restored to active service with
23 the state and his or her disability retirement allowance **or**
24 **supplemental benefit provided for in section 67a** shall cease.

25 (b) If the secretary reports and certifies to the retirement
26 board that a ~~disability beneficiary~~ **person retired under**
27 **section 21, 24, or 67a** is engaged in a gainful occupation paying

1 more than the difference between his or her disability retirement
2 allowance and his or her final compensation, and if the
3 retirement board concurs in the report, then ~~the amount of~~ his
4 or her retirement allowance shall be reduced to an amount which
5 together with the amount earned by him or her shall equal his or
6 her final compensation. Should the earnings of the ~~disability~~
7 ~~retirant~~ **person retired under section 21, 24, or 67a** be later
8 changed, the amount of his or her retirement allowance shall be
9 further modified in like manner.

10 Sec. 67a. ~~(1) Upon the application of a qualified~~
11 ~~participant, his or her department head, or the state personnel~~
12 ~~director, a qualified participant who becomes totally~~
13 ~~incapacitated for duty in the service of this state without~~
14 ~~willful negligence on his or her part, by reason of a personal~~
15 ~~injury or disease, which the retirement board finds to have~~
16 ~~occurred as the natural and proximate result of the qualified~~
17 ~~participant's actual performance of duty in the service of this~~
18 ~~state, shall be granted a supplemental benefit equivalent to the~~
19 ~~amount provided for in section 23 as if the former qualified~~
20 ~~participant had retired under section 21, which supplemental~~
21 ~~benefit shall be offset by the value of the distribution of his~~
22 ~~or her accumulated balance upon becoming a former qualified~~
23 ~~participant pursuant to section 67.~~

24 **(1) Except as otherwise provided in section 33, a qualified**
25 **participant who becomes totally incapacitated for duty because of**
26 **a personal injury or disease shall be retired if all of the**
27 **following apply:**

1 (a) Within 1 year after the qualified participant becomes
2 totally incapacitated or at a later date if the later date is
3 approved by the retirement board, the qualified participant, the
4 qualified participant's personal representative or guardian, his
5 or her department head, or the state personnel director files an
6 application on behalf of the member with the retirement board.

7 (b) The retirement board finds that the qualified
8 participant's personal injury or disease is the natural and
9 proximate result of the qualified participant's performance of
10 duty.

11 (c) A medical advisor conducts a medical examination of the
12 qualified participant and certifies in writing that the qualified
13 participant is mentally or physically totally incapacitated for
14 further performance of duty, that the total incapacitation is
15 probably permanent, and that the qualified participant should be
16 retired.

17 (d) The retirement board concurs in the recommendation of
18 the medical advisor.

19 (2) If the retirement board grants the application of the
20 qualified participant under subsection (1), the qualified
21 participant shall be granted a supplemental benefit equivalent to
22 the amount provided in section 23 as if the former qualified
23 participant had retired under section 21, which supplemental
24 benefit shall be offset by the value of the distribution of his
25 or her accumulated balance as determined by the retirement system
26 upon becoming a former qualified participant pursuant to section
27 67.

1 **(3)** ~~-(2)-~~ If a qualified participant dies as a result of a
2 personal injury or disease arising out of and in the course of
3 his or her employment with this state, or if a former qualified
4 participant who retired under subsection (1) who dies before
5 becoming age 60 and within 3 years after the former qualified
6 participant's disability retirement from the same causes from
7 which he or she separated, and such death or illness or injuries
8 resulting in death are found by the retirement board to have been
9 the sole and exclusive result of employment with this state, a
10 supplemental benefit shall be granted equivalent to the amount
11 provided for in section 27 had the former qualified participant
12 been considered retired under section 27, which supplemental
13 benefit shall be offset by the value of the distribution of his
14 or her accumulated balance upon becoming a former qualified
15 participant pursuant to section 67.

16 **(4)** ~~-(3)-~~ A qualified participant, former qualified
17 participant, or beneficiary of a deceased participant, which
18 participant is eligible for a duty disability retirement
19 allowance pursuant to subsection (1), ~~or~~ (2), **or (3)**, is
20 eligible for health insurance coverage under section 20d in all
21 respects and under the same terms as would be a retirant and his
22 or her beneficiaries under Tier 1.

23 ~~(4) Upon the application of a qualified participant, his or~~
24 ~~her department head, or the state personnel director, a qualified~~
25 ~~participant who has been a state employee for 10 years or more~~
26 ~~and who becomes totally and permanently incapacitated for duty as~~
27 ~~the result of causes occurring not in the performance of duty to~~

~~1 this state shall be granted a supplemental benefit equivalent to
2 the amount provided for in section 25 as if the former qualified
3 participant had retired under section 24, which supplemental
4 benefit shall be offset by the value of the distribution of his
5 or her accumulated balance upon becoming a former qualified
6 participant pursuant to section 67.~~

7 (5) Except as otherwise provided in section 33, a qualified
8 participant who becomes totally incapacitated for duty because of
9 a personal injury or disease that is not the natural and
10 proximate result of the qualified participant's performance of
11 duty may be retired if all of the following apply:

12 (a) Within 1 year after the qualified participant becomes
13 totally incapacitated or at a later date if the later date is
14 approved by the retirement board, the qualified participant, the
15 qualified participant's personal representative or guardian, the
16 qualified participant's department head, or the state personnel
17 director files an application on behalf of the qualified
18 participant with the retirement board.

19 (b) A medical advisor conducts a medical examination of the
20 qualified participant and certifies in writing that the qualified
21 participant is mentally or physically totally incapacitated for
22 further performance of duty, that the incapacitation is likely to
23 be permanent, and that the qualified participant should be
24 retired.

25 (c) The qualified participant has been a state employee for
26 at least 10 years.

27 (6) If the retirement board grants the application of the

1 qualified participant under subsection (5), the qualified
2 participant shall be granted a supplemental benefit equivalent to
3 the amount provided for in section 25 as if the qualified
4 participant had retired under section 24. The supplemental
5 benefit shall be offset by the value of the distribution of his
6 or her accumulated balance as determined by the retirement system
7 upon becoming a former qualified participant pursuant to section
8 67.

9 (7) ~~-(5)-~~ If a qualified participant who has been a state
10 employee for the number of years necessary to vest under Tier 1
11 dies as a result of causes occurring not in the performance of
12 duty to this state, a supplemental benefit shall be granted
13 equivalent to the amount provided for in section 25 had the
14 former qualified participant been considered retired under
15 section 24, which supplemental benefit shall be offset by the
16 value of the distribution of his or her accumulated balance **as**
17 **determined by the retirement system** upon becoming a former
18 qualified participant pursuant to section 67.

19 (8) ~~-(6)-~~ A qualified participant, former qualified
20 participant, or beneficiary of a deceased participant, which
21 participant is eligible for a disability retirement allowance
22 pursuant to subsection (4) or (5), is eligible for health
23 insurance coverage under section 20d in all respects and under
24 the same terms as would be a retirant and his or her
25 beneficiaries under Tier 1.