

SUMMARY OF PENSION PROTECTION ACT PROVISIONS

DRAFT 3/22/02

The bill includes the following provisions for the Early-Out Program:

- Eligibility is based on combined age and service equal to or greater than 80 years by November 1, 2002 or the retirement effective date, whichever is earlier (or eligible for regular retirement)
- There is no minimum age proposed for this program
- Applicable to current members of the State Employees' Retirement System (SERS) in the Executive, Legislative, and Judicial branches
- Enlisted state police, conservation officers, Corrections officers and Corrections employees who are DB members in covered positions are excluded because of existing special retirement provisions. Covered individuals not eligible for the existing special retirement provisions may be eligible under the proposed Early-Out Program provisions if they are not eligible for the supplemental pension as of their retirement effective date.
- Individuals who left the Department of Mental Health and were placed on lay off status in 1996 would be eligible to participate, even if they are no longer on layoff status.
- The application window would be April 1 through April 30, 2002 - applicants must select a date between July 1 and November 1, 2002 on which they intend to retire. They may revoke their application prior to May 15, 2002
- Retirement allowances would be based on years of credited service times a factor of 1.75 percent of final average compensation rather than the current factor of 1.5 percent
- Qualifying employees include those in either the SERS defined benefit program or those who transferred from the defined benefit to the defined contribution program
- Those employees who transferred from the defined benefit to the defined contribution program would be given a monthly benefit based on credited service times .25 percent of their final average compensation
- Departments may nominate and the Legislature and Judiciary may designate a limited number of essential employees for an extension of their employment for periods not to exceed 15 months from the dates they would otherwise retire. Individuals will have 7 days following denial of the extension to revoke their application.
- Sick leave cannot be used to purchase service credit to qualify for the Early Out, and sick leave will be paid out over 60 months, beginning after October 1, 2002.

- Annual leave payouts will be paid after October 1, 2002, as a lump sum
- Technical changes clarify that payouts of sick and annual leave are not pension benefits and are taxable

In addition, the following provisions are included:

- **Provides Common Pension Protection (All Systems)** – Protects a member or retiree who has earned a public retirement benefit from losing all or a portion of that benefit due to bankruptcy, garnishment, or attachment.
- **Federal Tax Compliance (All Systems)** – A number of minor technical changes need to be made to the statute to keep it consistent with the Internal Revenue Code, including allowing an excess benefit plan under section 415.
- **Advance Funding (SERS and MPSERS)** – This provision works to begin funding retiree health care with employer pension contributions for those years in which the pension benefits are more than 100-percent funded.
- **Disability Application Period (SERS Only)** – This is a technical change to define the window during which an employee can apply for a disability pension. The provision will allow individuals to apply within 12 months of separation, with a possible 12-month extension because of special circumstances.
- **Disability Re-exams (SERS Only)** – This change allows the SERS board to re-exam a disability retiree not more than 1/year until age 60.
- **Regular Retirement Application Period (SERS Only)** – This change allows individuals more flexibility in applying for a regular retirement by removing the current application of 30-90 days prior to the effective date.
- **SERS Beneficiary (SERS Only)** – Unlike the MPSERS plan, if a vested member of the SERS is killed, and if the spouse, if any, is killed at the same time, no survivorship pension can be paid to the children under age 18. This provision corrects this oversight.
- **Board Per-Diem (SERS Only)** – The retirement board's current per diem is locked into the retirement statute. This technical provision would reference the rate set by the legislature for all boards in the budget each year.
- **Detroit Purchases (SERS Only)** – Allows members who transferred from Detroit to SERS on September 1, 1981, to purchase up to 10 years based on their Detroit Service.
- **Actuarial Purchases (SERS Only)** – Clarifies that actuarial purchases should be based on full-time or equated full time compensation.

- **Health Reserve Funding (JRS Only)** -- Because of national health cost inflation, this technical amendment is required to update member contribution rates, ensure potential shortfalls are funded with non-pension dollars, and ensure retirement health benefit funding remains in compliance with the Internal Revenue Code.

What did not pass:

- JRS Early Out
- JRS COLA
- SERS Removal of disability retirees who are no longer disabled
- SERS EO participation of ALL covered members