

**SENATE SUBSTITUTE FOR HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1227**

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 4, 25, 26, 41, 42, 43c, 61, 81, 86, 87, and 91
(MCL 38.1304, 38.1325, 38.1326, 38.1341, 38.1342, 38.1343c,
38.1361, 38.1381, 38.1386, 38.1387, and 38.1391), section 4 as
amended by 2008 PA 354, sections 25 and 26 as amended by 1997 PA
143, section 41 as amended by 2007 PA 15, section 42 as amended by
1996 PA 268, section 43c as amended by 1998 PA 213, section 61 as
amended by 2006 PA 158, section 81 as amended by 1989 PA 194, and
section 91 as amended by 2007 PA 110, and by adding sections 41b,
43e, 81b, 81c, and 92a and article 7.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:



1 Sec. 4. (1) "Compound interest" means interest compounded
2 annually on July 1 on the contributions on account as of the
3 previous July 1 and computed at the rate of investment return
4 determined under section 104a(1) for the last completed state
5 fiscal year.

6 (2) "Contributory service" means credited service other than
7 noncontributory service.

8 (3) "Deferred member" means a member who has ceased to be a
9 public school employee and has satisfied the requirements of
10 section 82 for a deferred vested service retirement allowance.

11 (4) "Department" means the department of **TECHNOLOGY**,
12 management, and budget.

13 (5) "Designated date" means September 30, 2006.

14 (6) "Direct rollover" means a payment by the retirement system
15 to the eligible retirement plan specified by the distributee.

16 (7) "Distributee" includes a member or deferred member.
17 Distributee also includes the member's or deferred member's
18 surviving spouse or the member's or deferred member's spouse or
19 former spouse under an eligible domestic relations order, with
20 regard to the interest of the spouse or former spouse.

21 (8) Beginning January 1, 2002, except as otherwise provided in
22 this subsection, "eligible retirement plan" means 1 or more of the
23 following:

24 (a) An individual retirement account described in section
25 408(a) of the internal revenue code, 26 USC 408.

26 (b) An individual retirement annuity described in section
27 408(b) of the internal revenue code, 26 USC 408.



1 (c) An annuity plan described in section 403(a) of the
2 internal revenue code, 26 USC 403.

3 (d) A qualified trust described in section 401(a) of the
4 internal revenue code, 26 USC 401.

5 (e) An annuity contract described in section 403(b) of the
6 internal revenue code, 26 USC 403.

7 (f) An eligible plan under section 457(b) of the internal
8 revenue code, 26 USC 457, which is maintained by a state, political
9 subdivision of a state, or an agency or instrumentality of a state
10 or political subdivision of a state and which agrees to separately
11 account for amounts transferred into such eligible plan under
12 section 457(b) of the internal revenue code, 26 USC 457, from this
13 retirement system, that accepts the distributee's eligible rollover
14 distribution. However, in the case of an eligible rollover
15 distribution to a surviving spouse, an eligible retirement plan
16 means an individual retirement account or an individual retirement
17 annuity described above.

18 (g) Beginning January 1, 2008, except as otherwise provided in
19 this subsection, "eligible retirement plan" means a Roth individual
20 retirement account as described in section 408A of the internal
21 revenue code, 26 USC 408A.

22 (9) Beginning January 1, 2007, "eligible rollover
23 distribution" means a distribution of all or any portion of the
24 balance to the credit of the distributee. Eligible rollover
25 distribution does not include any of the following:

26 (a) A distribution made for the life or life expectancy of the
27 distributee or the joint lives or joint life expectancies of the



1 distributee and the distributee's designated beneficiary.

2 (b) A distribution for a specified period of 10 years or more.

3 (c) A distribution to the extent that the distribution is
4 required under section 401(a)(9) of the internal revenue code, 26
5 USC 401.

6 (d) The portion of any distribution that is not includable in
7 federal gross income, except to the extent such portion of the
8 distribution is paid to any of the following:

9 (i) An individual retirement account or annuity described in
10 section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

11 (ii) A qualified plan described in section 401(a) of the
12 internal revenue code, 26 USC 401, or an annuity contract described
13 in section 403(b) of the internal revenue code, 26 USC 403, and the
14 plan providers agree to separately account for the amounts paid,
15 including any portion of the distribution that is includable in
16 federal gross income, and the portion of the distribution which is
17 not so includable.

18 (10) "Employee organization professional services leave" or
19 "professional services leave" means a leave of absence that is
20 renewed annually by the reporting unit so that a member may accept
21 a position with a public school employee organization to which he
22 or she belongs and which represents employees of a reporting unit
23 in employment matters. The member shall be included in membership
24 of the retirement system during a professional services leave if
25 all of the conditions of section 71(5) and (6) are satisfied.

26 (11) "Employee organization professional services released
27 time" or "professional services released time" means a portion of



1 the school fiscal year during which a member is released by the
2 reporting unit from his or her regularly assigned duties to engage
3 in employment matters for a public school employee organization to
4 which he or she belongs. The member's compensation received or
5 service rendered, or both, as applicable, by a member while on
6 professional services released time shall be reportable to the
7 retirement system if all of the conditions of section 71(5) and (6)
8 are satisfied.

9 (12) "Final average compensation" means the aggregate amount
10 of a member's compensation earned within the averaging period in
11 which the aggregate amount of compensation was highest divided by
12 the member's number of years, including any fraction of a year, of
13 credited service during the averaging period. The averaging period
14 shall be 36 consecutive calendar months if the member contributes
15 to the member investment plan **EXCEPT FOR A MEMBER WHO CONTRIBUTES**
16 **TO THE MEMBER INVESTMENT PLAN AND FIRST BECAME A MEMBER ON OR AFTER**
17 **JULY 1, 2010**; otherwise, the averaging period shall be 60
18 consecutive calendar months. **A MEMBER WHO CONTRIBUTES TO THE MEMBER**
19 **INVESTMENT PLAN AND FIRST BECAME A MEMBER ON OR AFTER JULY 1, 2010**
20 **SHALL ALSO HAVE AN AVERAGING PERIOD OF 60 CONSECUTIVE CALENDAR**
21 **MONTHS.** If the member has less than 1 year of credited service in
22 the averaging period, the number of consecutive calendar months in
23 the averaging period shall be increased to the lowest number of
24 consecutive calendar months that contains 1 year of credited
25 service.

26 (13) "Health benefits" means hospital, medical-surgical, and
27 sick care benefits and dental, vision, and hearing benefits for



1 retirants, retirement allowance beneficiaries, and health insurance
2 dependents provided pursuant to section 91.

3 (14) "Internal revenue code" means the United States internal
4 revenue code of 1986.

5 (15) "Long-term care insurance" means group insurance that is
6 authorized by the retirement system for retirants, retirement
7 allowance beneficiaries, and health insurance dependents, as that
8 term is defined in section 91, to cover the costs of services
9 provided to retirants, retirement allowance beneficiaries, and
10 health insurance dependents, from nursing homes, assisted living
11 facilities, home health care providers, adult day care providers,
12 and other similar service providers.

13 (16) "Member investment plan" means the program of member
14 contributions described in section 43a.

15 Sec. 25. (1) The board shall have only the rights, authority,
16 and discretion in the proper discharge of its duties provided in
17 this act and former 1945 PA 136.

18 (2) The retirement board may promulgate rules pursuant to the
19 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
20 24.328, for the implementation and administration of this act. **THE**
21 **RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE ESTABLISHMENT,**
22 **IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR**
23 **DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.**

24 Sec. 26. (1) **THIS SECTION DOES NOT APPLY TO TIER 2.**

25 (2) ~~(1)~~The state treasurer shall be treasurer of the
26 retirement system and shall have investment authority, including
27 the custodianship of the funds of the retirement system, and shall



1 have fiduciary responsibility with regard to the investment of
2 funds of the retirement system.

3 (3) ~~(2)~~—The state treasurer shall deposit the funds of the
4 retirement system in the same manner and subject to the law
5 governing the deposit of state funds by the treasurer. Income
6 earned by the retirement system's funds shall be credited to the
7 respective reserves under this act that earned the income.

8 Sec. 41. (1) The annual level percentage of payroll
9 contribution rate to finance benefits being provided and to be
10 provided by the retirement system shall be determined by actuarial
11 valuation pursuant to subsection (2) upon the basis of the risk
12 assumptions that the retirement board and the department adopt
13 after consultation with the state treasurer and an actuary. An
14 annual actuarial valuation shall be made of the retirement system
15 in order to determine the actuarial condition of the retirement
16 system and the required contribution to the retirement system. An
17 annual actuarial gain-loss experience study of the retirement
18 system shall be made in order to determine the financial effect of
19 variations of actual retirement system experience from projected
20 experience.

21 ~~(2) The contribution rate for benefits payable in the event of~~
22 ~~the death of a member before retirement or the disability of a~~
23 ~~member shall be computed using a terminal funding method of~~
24 ~~valuation.~~—Except as otherwise provided in this subsection, the
25 contribution rate for ~~other~~ benefits shall be computed using an
26 individual projected benefit entry age normal cost method of
27 valuation. Except as otherwise provided in this section, for the



1 1995-96 state fiscal year and for each subsequent fiscal year, the
2 contribution rate for health benefits provided under section 91
3 shall be computed using a cash disbursement method. For each fiscal
4 year after the fiscal year in which the actuarial accrued liability
5 for health benefits under section 91 is at least 100% funded by the
6 health advance funding subaccount created under section 34(2), the
7 contribution rate for health benefits provided under section 91
8 shall be computed using an individual projected benefit entry age
9 normal cost method of valuation. The contribution rate for service
10 likely to be rendered in the current year, the normal cost
11 contribution rate, shall be equal to the aggregate amount of
12 individual projected benefit entry age normal costs divided by 1%
13 of the aggregate amount of active members' valuation compensation.
14 Except as otherwise provided under this subsection, the
15 contribution rate for unfunded service rendered before the
16 valuation date, the unfunded actuarial accrued liability
17 contribution rate, shall be the aggregate amount of unfunded
18 actuarial accrued liabilities divided by 1% of the actuarial
19 present value over a period not to exceed 50 years of projected
20 valuation compensation, where unfunded actuarial accrued
21 liabilities are equal to the actuarial present value of benefits,
22 reduced by the actuarial present value of future normal cost
23 contributions and the actuarial value of assets on the valuation
24 date. ~~For the 2006-2007 state fiscal year, the contribution rate~~
25 ~~for unfunded service rendered before the valuation date shall be~~
26 ~~equal to 4.5% of the aggregate amount of unfunded actuarial accrued~~
27 ~~liabilities divided by 1% of the actuarial valuation annual~~



1 ~~compensation.~~

2 (3) Before November 1 of each year, the executive secretary of
3 the retirement board shall certify to the director of the
4 department the aggregate compensation estimated to be paid public
5 school employees for the current state fiscal year.

6 (4) On the basis of the estimate under subsection (3), the
7 annual actuarial valuation, and any adjustment required under
8 subsection (6), the director of the department shall compute the
9 sum due and payable to the retirement system and shall certify this
10 amount to the reporting units.

11 (5) The reporting units shall make payment of the amount
12 certified under subsection (4) to the director of the department in
13 12 equal monthly installments.

14 (6) Not later than 90 days after termination of each state
15 fiscal year, the executive secretary of the retirement board shall
16 certify to the director of the department and each reporting unit
17 the actual aggregate compensation paid to public school employees
18 during the preceding state fiscal year. Upon receipt of that
19 certification, the director of the department shall compute any
20 adjustment required to the amount due to a difference between the
21 estimated and the actual aggregate compensation and the estimated
22 and the actual actuarial employer contribution rate. The
23 difference, if any, shall be paid as provided in subsection (9).
24 This subsection does not apply in a fiscal year in which a deposit
25 occurs pursuant to subsection (14).

26 (7) The director of the department may require evidence of
27 correctness and may conduct an audit of the aggregate compensation



1 that the director of the department considers necessary to
2 establish its correctness.

3 (8) A reporting unit shall forward employee and employer
4 social security contributions and reports as required by the
5 federal old-age, survivors, disability, and hospital insurance
6 provisions of title II of the social security act, chapter 531, 49
7 Stat. 620, 42 USC 401 to 405, 406 to 418, 420 to 423, 424a to 426-
8 1, and 427 to 433.

9 (9) For an employer of an employee of a local public school
10 district or an intermediate school district, for differences
11 occurring in fiscal years beginning on or after October 1, 1993, a
12 minimum of 20% of the difference between the estimated and the
13 actual aggregate compensation and the estimated and the actual
14 actuarial employer contribution rate described in subsection (6),
15 if any, shall be paid by that employer in the next succeeding state
16 fiscal year and a minimum of 25% of the remaining difference shall
17 be paid by that employer in each of the following 4 state fiscal
18 years, or until 100% of the remaining difference is submitted,
19 whichever first occurs. For an employer of other public school
20 employees, for differences occurring in fiscal years beginning on
21 or after October 1, 1991, a minimum of 20% of the difference
22 between the estimated and the actual aggregate compensation and the
23 estimated and the actual actuarial employer contribution rate
24 described in subsection (6), if any, shall be paid by that employer
25 in the next succeeding state fiscal year and a minimum of 25% of
26 the remaining difference shall be paid by that employer in each of
27 the following 4 state fiscal years, or until 100% of the remaining



1 difference is submitted, whichever first occurs. In addition,
2 interest shall be included for each year that a portion of the
3 remaining difference is carried forward. The interest rate shall
4 equal the actuarially assumed rate of investment return for the
5 state fiscal year in which payment is made. This subsection does
6 not apply in a fiscal year in which a deposit occurs pursuant to
7 subsection (14).

8 (10) Beginning on the designated date, all assets held by the
9 retirement system shall be reassigned their fair market value, as
10 determined by the state treasurer, as of the designated date, and
11 in calculating any unfunded actuarial accrued liabilities, any
12 market gains or losses incurred before the designated date shall
13 not be considered by the retirement system's actuaries.

14 (11) ~~Beginning~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS**
15 **SUBSECTION, BEGINNING** on the designated date, the actuary used by
16 the retirement board shall assume a rate of return on investments
17 of 8.00% per annum, as of the designated date, which rate may only
18 be changed with the approval of the retirement board and the
19 director of the department. **BEGINNING ON JULY 1, 2010, THE ACTUARY**
20 **USED BY THE RETIREMENT BOARD SHALL ASSUME A RATE OF RETURN ON**
21 **INVESTMENTS OF 7.00% PER ANNUM FOR INVESTMENTS ASSOCIATED WITH**
22 **MEMBERS WHO FIRST BECAME MEMBERS ON AND AFTER JULY 1, 2010, WHICH**
23 **RATE MAY ONLY BE CHANGED WITH THE APPROVAL OF THE RETIREMENT BOARD**
24 **AND THE DIRECTOR OF THE DEPARTMENT.**

25 (12) Beginning on the designated date, the value of assets
26 used shall be based on a method that spreads over a 5-year period
27 the difference between actual and expected return occurring in each



1 year after the designated date and such methodology may only be
2 changed with the approval of the retirement board and the director
3 of the department.

4 (13) Beginning on the designated date, the actuary used by the
5 retirement board shall use a salary increase assumption that
6 projects annual salary increases of 4%. In addition to the 4%, the
7 retirement board shall use an additional percentage based upon an
8 age-related scale to reflect merit, longevity, and promotional
9 salary increase. The actuary shall use this assumption until a
10 change in the assumption is approved in writing by the retirement
11 board and the director of the department.

12 (14) For fiscal years that begin on or after October 1, 2001,
13 if the actuarial valuation prepared pursuant to this section
14 demonstrates that as of the beginning of a fiscal year, and after
15 all credits and transfers required by this act for the previous
16 fiscal year have been made, the sum of the actuarial value of
17 assets and the actuarial present value of future normal cost
18 contributions exceeds the actuarial present value of benefits, the
19 amount based on the annual level percent of payroll contribution
20 rate pursuant to subsections (1) and (2) may be deposited into the
21 health advance funding subaccount created by section 34.

22 (15) Notwithstanding any other provision of this act, if the
23 retirement board establishes an arrangement and fund as described
24 in section 6 of the public employee retirement benefit protection
25 act, the benefits that are required to be paid from that fund shall
26 be paid from a portion of the employer contributions described in
27 this section or other eligible funds. The retirement board shall



1 determine the amount of the employer contributions or other
2 eligible funds that shall be allocated to that fund and deposit
3 that amount in that fund before it deposits any remaining employer
4 contributions or other eligible funds in the pension fund.

5 **SEC. 41B. (1) BEGINNING JULY 1, 2010, THE RETIREMENT SYSTEM**
6 **MAY DETERMINE A SEPARATE EMPLOYER CONTRIBUTION RATE FOR MEMBERS WHO**
7 **FIRST BECAME A MEMBER ON OR AFTER JULY 1, 2010. EXCEPT AS PROVIDED**
8 **IN THIS SECTION, THE RETIREMENT SYSTEM SHALL DETERMINE THE SEPARATE**
9 **EMPLOYER CONTRIBUTION RATE IN THE MANNER PRESCRIBED IN SECTION 41.**

10 **(2) TO THE EXTENT AND UPON APPROVAL BY THE INTERNAL REVENUE**
11 **SERVICE, THE RETIREMENT SYSTEM FOR THE TIER 1 PLAN AND THE PLAN**
12 **ADMINISTRATOR FOR THE TIER 2 PLAN MAY ALSO DETERMINE THE EXTENT TO**
13 **WHICH SOME OR ALL OF THE INDIVIDUALS PERFORMING SERVICES FOR AN**
14 **ENTITY NOT PARTICIPATING IN THE RETIREMENT SYSTEM THAT RECEIVES ANY**
15 **FUNDING FROM THE STATE SCHOOL AID FUND ESTABLISHED IN SECTION 11 OF**
16 **ARTICLE IX OF THE STATE CONSTITUTION OF 1963 MAY PARTICIPATE IN THE**
17 **TIER 1 AND TIER 2 PLANS.**

18 Sec. 42. (1) Beginning with the 1994-95 state fiscal year, a
19 reporting unit shall contribute the entire percentage, determined
20 under section 41(2), of the aggregate annual compensation of all
21 employees who are members under the noncontributory plan as
22 provided by section 63 to the reserve for employer contributions
23 and to the reserve for health benefits. The reporting unit
24 contribution under this subsection is the exclusive obligation of
25 the reporting unit payable out of general budget resources of the
26 reporting unit, including funds available under local millage and
27 other local resources and from the state school aid allocation to



1 the reporting unit, and shall not be a separate obligation by
2 specific reimbursement or otherwise of this state.

3 (2) As authorized by resolution or other enabling act of its
4 governing body, the employer shall pick up all contributions of a
5 member made pursuant to section 43a for all compensation paid on or
6 after January 1, 1987 and reported to the retirement system.
7 Although considered contributions of a member for certain purposes
8 under this act, all contributions picked up shall be treated as
9 paid by the employer in lieu of contributions by the employee.
10 Contributions picked up as provided in this subsection shall be
11 paid from the same source of funds that is used for paying
12 compensation to the member. The employer may pick up these
13 contributions by either a reduction to the member's cash salary, an
14 offset against a future salary increase, or a combination of a
15 reduction in salary and offset against a future salary increase.
16 This subsection does not apply, and the employer shall not deduct,
17 offset, or remit contributions, until the department receives
18 notification from the United States internal revenue service that
19 contributions picked up shall not be included as gross income of
20 the member until they are distributed or made available to the
21 member, retirant, retirement allowance beneficiary, or refund
22 beneficiary.

23 (3) The employer shall deduct from a member's compensation the
24 contributions for social security provided in ~~Act No. 205 of the~~
25 ~~Public Acts of 1951, being sections 38.851 to 38.871 of the~~
26 ~~Michigan Compiled Laws 1951 PA 205, MCL 38.851 TO 38.871.~~
27 Contributions shall be made while the member remains a public



1 school employee. Each reporting unit official shall deduct the
2 social security contributions from the compensation of each member
3 for each payroll period after the date the employee becomes a
4 member. Social security contributions shall be made notwithstanding
5 that the minimum compensation provided by law is changed. Each
6 member is considered to have agreed to the contributions prescribed
7 in this subsection.

8 (4) Each reporting unit official shall forward member
9 ~~investment plan contributions to the retirement system monthly. ON~~
10 **A SCHEDULE AND IN A MANNER DETERMINED BY THE RETIREMENT SYSTEM.**

11 (5) Each reporting unit official shall forward the entire
12 employer contribution required by this act to the retirement system
13 ~~monthly. ON A SCHEDULE AND IN A MANNER DETERMINED BY THE RETIREMENT~~
14 **SYSTEM.**

15 (6) ~~By January 11, April 11, July 11, and October 11 of each~~
16 ~~year, each reporting unit official shall file with the executive~~
17 ~~secretary of the retirement board a quarterly affidavit for the~~
18 ~~preceding 3 months. The affidavit shall certify the aggregate~~
19 ~~compensation that is reportable to the retirement system under~~
20 ~~section 3a, sources of contributions, wages paid from federal~~
21 ~~funds, and contributions required by law. Not later than July 11 of~~
22 ~~each year, a report shall be filed with the executive secretary of~~
23 ~~the retirement board, which shall list the persons employed,~~
24 ~~together with other information, including salary, service, and~~
25 ~~contributions, required for retirement reporting purposes. EACH~~
26 **REPORTING UNIT OFFICIAL SHALL SUBMIT TO THE RETIREMENT SYSTEM A**
27 **REPORT THAT INCLUDES THE INFORMATION FOR RETIREMENT PURPOSES,**



1 INCLUDING, BUT NOT LIMITED TO, PERSONS EMPLOYED, RETIRANTS
2 PERFORMING SERVICES AT A REPORTING UNIT WHO ARE EMPLOYED BY AN
3 ENTITY OTHER THAN THE REPORTING UNIT OR WHO ARE INDEPENDENT
4 CONTRACTORS, WAGES OR AMOUNTS PAID, HOURS, AND CONTRIBUTIONS
5 REQUIRED UNDER THIS ACT. THE REPORT SHALL CONTAIN THE INFORMATION
6 ON A PAY PERIOD BASIS AND SHALL BE SUBMITTED TO THE RETIREMENT
7 SYSTEM ON A SCHEDULE AND IN A MANNER DETERMINED BY THE RETIREMENT
8 SYSTEM. THE SUPERINTENDENT FOR A REPORTING UNIT OR THE CHIEF
9 ADMINISTRATOR FOR A REPORTING UNIT THAT DOES NOT HAVE A
10 SUPERINTENDENT SHALL COMPLETE AN ANNUAL CERTIFICATION THAT GIVES
11 AUTHORIZATION FOR THE EMPLOYEES OF THE REPORTING UNIT TO REPORT THE
12 INFORMATION TO THE RETIREMENT SYSTEM.

13 (7) If a reporting unit fails to submit a report or
14 contributions, or both, according to the schedule established by
15 the retirement board, a late fee shall be paid by the reporting
16 unit. If the remittance of contributions is late, the late fee
17 shall include interest for each day that the remittance of
18 contributions is late. The retirement board periodically may
19 establish the late fee, which shall not be less than \$25.00, and
20 interest charges, which shall not be less than 6% per annum. **IF A**
21 **REPORTING UNIT FAILS TO CORRECT ERRORS ON A REPORT BEFORE THE**
22 **ERRORS ARE DISCOVERED BY THE RETIREMENT SYSTEM OR IF SUCH ERRORS**
23 **ARE INTENTIONAL, THE REPORTING UNIT SHALL PAY THE LATE FEE AND**
24 **INTEREST CHARGES AS DESCRIBED IN THIS SUBSECTION FOR EACH DAY THAT**
25 **THE REPORT IS IN ERROR, UNLESS REASONABLE CAUSE IS SHOWN TO THE**
26 **SATISFACTION OF THE RETIREMENT SYSTEM.**

27 (8) Upon written notice from the retirement board, the



1 superintendent of public instruction and the state treasurer shall
2 withhold payment of state funds, in part or in whole, payable from
3 the state school aid appropriation or higher education
4 appropriations to a reporting unit that fails to comply with this
5 section.

6 Sec. 43c. A member **OTHER THAN A MEMBER WHO FIRST BECAME A**
7 **MEMBER ON OR AFTER JULY 1, 2010** who contributes to the member
8 investment plan, or the retirement allowance beneficiary of that
9 member, shall be entitled to all of the following:

10 (a) A 36-month averaging period for the computation of final
11 average compensation, as provided in section 4.

12 (b) An annual increase in the retirement allowance. The first
13 increase will occur on the first October 1 that is at least 1 full
14 year after the effective date of the retirement allowance.
15 Subsequent annual increases will occur on October 1 of each
16 subsequent year. The amount of the annual increase shall be equal
17 to 3% of the retirement allowance that would be payable as of the
18 date of the increase without application of this subdivision.
19 However, if the retirement allowance is being paid under section
20 85(2), the increase shall be based on the retirement allowance that
21 would have been paid under the payment option selected by the
22 member under section 85(1).

23 (c) The credited service eligibility requirement applicable to
24 the survivor benefits provided in section 89 shall be reduced as
25 follows:

26 (i) The 15 years of credited service requirement shall be 10
27 years.



1 (ii) The 10 years of credited service requirement shall be 5
2 years.

3 SEC. 43E. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,
4 BEGINNING JULY 1, 2010, EACH MEMBER SHALL CONTRIBUTE 3% OF THE
5 MEMBER'S COMPENSATION TO THE APPROPRIATE FUNDING ACCOUNT
6 ESTABLISHED UNDER THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE
7 FUNDING ACT. FOR THE SCHOOL FISCAL YEAR THAT BEGINS JULY 1, 2010,
8 MEMBERS WHO WERE EMPLOYED BY A REPORTING UNIT AND WERE PAID LESS
9 THAN \$18,000.00 IN THE PRIOR SCHOOL FISCAL YEAR AND MEMBERS WHO
10 WERE HIRED ON OR AFTER JULY 1, 2010 WITH A STARTING SALARY LESS
11 THAN \$18,000.00 SHALL CONTRIBUTE 1.5% OF THE MEMBER'S COMPENSATION
12 TO THE APPROPRIATE FUNDING ACCOUNT ESTABLISHED UNDER THE PUBLIC
13 EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT. FOR EACH SCHOOL FISCAL
14 YEAR THAT BEGINS ON OR AFTER JULY 1, 2011, MEMBERS WHOSE YEARLY
15 SALARY IS LESS THAN \$18,000.00 SHALL CONTRIBUTE 3% OF THE MEMBER'S
16 COMPENSATION TO THE APPROPRIATE FUNDING ACCOUNT ESTABLISHED UNDER
17 THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT. THE MEMBER
18 CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AND REMITTED AS
19 EMPLOYER CONTRIBUTIONS IN A MANNER THAT THE RETIREMENT SYSTEM SHALL
20 DETERMINE.

21 (2) AS USED IN THIS ACT, "FUNDING ACCOUNT" MEANS THE
22 APPROPRIATE IRREVOCABLE TRUST CREATED IN THE PUBLIC EMPLOYEE
23 RETIREMENT HEALTH CARE FUNDING ACT FOR THE DEPOSIT OF FUNDS AND THE
24 PAYMENT OF RETIREMENT HEALTH CARE BENEFITS.

25 Sec. 61. (1) Except as otherwise provided in this section, if
26 a retirant is receiving a retirement allowance other than a
27 disability allowance payable under this act or under former 1945 PA



1 136, on account of either age or years of personal service
2 performed, or both, and becomes employed by a reporting unit, the
3 following shall take place:

4 (a) The retirant shall not be entitled to a new final average
5 compensation or additional service credit under this retirement
6 system unless additional service is performed equivalent to 5 or
7 more years of service credit or, if the retirant has contributed to
8 the member investment plan, the equivalent of 3 or more years of
9 service credit. The retirant may elect to have the retirement
10 allowance recomputed based on the added credit or the final average
11 compensation resulting from the added service, or both. A
12 retirement allowance shall not be recomputed until the retirant
13 pays into the retirement system an amount equal to the retirant's
14 new final average compensation multiplied by the percentage
15 determined under section 41(2) for normal cost and unfunded
16 actuarial accrued liabilities, not including the percentage
17 required for the funding of health benefits, multiplied by the
18 total service credit in the period in which the retirant's
19 additional service was performed.

20 (b) The retirant's retirement allowance shall be reduced by
21 the lesser of the amount that the earnings in a calendar year
22 exceed the amount permitted without a reduction of benefits under
23 the social security act, chapter 531, 49 Stat. 620, or 1/3 of the
24 retirant's final average compensation. For purposes of computing
25 allowable earnings under this subdivision, the final average
26 compensation shall be increased by 5% for each full year of
27 retirement.



1 (2) The retirement system may offset retirement benefits
2 payable under this act against amounts owed to the retirement
3 system by a retirant or retirement allowance beneficiary.

4 (3) Subsection (1) does not apply to a retirant if all of the
5 following circumstances exist:

6 (a) The retirant is a former teacher or administrator employed
7 in a teaching or research capacity by a university that is
8 considered a reporting unit for the limited purpose described in
9 section 7(3).

10 (b) The retirant is not eligible to use any service or
11 compensation attributable to the employment described in
12 subdivision (a) for a recomputation of his or her retirement
13 allowance.

14 (c) A university ~~that~~**WHICH** employs a retirant pursuant to
15 this subsection shall report such employment to the retirement
16 system by July 1 of each year. The report to be filed shall include
17 the name of the retirant, the capacity in which the retirant is
18 employed, and the total annual compensation paid to the retirant.

19 (4) Until July 1, 2011, subsection (1) does not apply to a
20 retirant if all of the following circumstances exist:

21 (a) The retirant is employed by a reporting unit that has an
22 approved emergency situation, not including a situation caused by a
23 labor dispute, that necessitates the hiring of a retirant in the
24 capacity of a teacher, principal, stationary engineer,
25 administrator, or other category as determined by the
26 superintendent of public instruction to prevent depriving students
27 of an education. The chief executive officer or superintendent of



1 the school district shall include with the written notification
2 documentation showing that more than 8% of all classes in the
3 district during the 1998-99 school year are taught by full-time
4 substitute teachers who are not certificated in the subjects or
5 grade levels which they teach. Within 30 days after receipt of the
6 notification and documentation under this subdivision, the
7 department of education shall notify the chief executive officer or
8 superintendent and the retirement system of its approval or
9 disapproval of the emergency situation. If disapproved by the
10 department of education, this subsection does not apply.

11 (b) The retirant is employed under an emergency situation
12 described in subdivision (a) for a period not to exceed 6 years.

13 (c) The retirant is not eligible to use any service or
14 compensation attributable to the employment described in
15 subdivision (a) for a recomputation of his or her retirement
16 allowance.

17 (5) ~~On or before July 1, 1999, the~~ **THE** state superintendent of
18 public instruction shall compile a listing of critical shortage
19 disciplines. This listing shall be updated annually.

20 (6) Until July 1, 2011, subsection (1) does not apply to a
21 retirant if all of the following circumstances exist:

22 (a) The retirant is employed by a reporting unit that has a
23 situation, not including a situation caused by a labor dispute,
24 that necessitates the hiring of a retirant in an area that has been
25 identified by the state superintendent of public instruction as a
26 critical shortage discipline pursuant to subsection (5).

27 (b) The retirant is employed under a situation described in



1 subdivision (a) for a period not to exceed 6 years.

2 (c) The retirant is not eligible to use any service or
3 compensation attributable to the employment described in
4 subdivision (a) for a recomputation of his or her retirement
5 allowance.

6 (7) ~~The provisions of subsections (4) and~~ **SUBSECTION** (6) shall
7 only apply for retirants who have been retired for at least 12
8 months before becoming employed under this section.

9 (8) **NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, FOR ANY**
10 **RETIRANT WHO RETIRES ON AND AFTER JULY 1, 2010, AND FOLLOWING A**
11 **BONA FIDE TERMINATION, INCLUDING NOT WORKING IN THE MONTH OF THE**
12 **RETIRANT'S RETIREMENT EFFECTIVE DATE, AND WHO BECOMES EMPLOYED BY A**
13 **REPORTING UNIT AND THE RETIRANT'S AMOUNT OF EARNINGS IN A CALENDAR**
14 **YEAR EXCEEDS 1/3 OF THE RETIRANT'S FINAL AVERAGE COMPENSATION, THE**
15 **RETIRANT SHALL FORFEIT HIS OR HER RETIREMENT ALLOWANCE AND THE**
16 **RETIREMENT SYSTEM SUBSIDY FOR HEALTH CARE BENEFITS FROM THE**
17 **RETIREMENT SYSTEM FOR AS LONG AS THE RETIRANT IS EMPLOYED AT THE**
18 **REPORTING UNIT. ANY RETIRANT WHO HAS FORFEITED THE RETIREMENT**
19 **SYSTEM SUBSIDY FOR HEALTH CARE BENEFITS AND WANTS TO RETAIN HEALTH**
20 **CARE BENEFITS SHALL PAY THE RETIRANT'S AND RETIREMENT SYSTEM'S**
21 **COSTS FOR SUCH HEALTH CARE BENEFITS. UPON TERMINATION OF EMPLOYMENT**
22 **AT THE REPORTING UNIT, THE RETIREMENT ALLOWANCE AND HEALTH CARE**
23 **BENEFITS SHALL RESUME WITHOUT RECALCULATION.**

24 (9) **NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, FOR ANY**
25 **RETIRANT WHO RETIRES ON AND AFTER JULY 1, 2010, WHO PERFORMS CORE**
26 **SERVICES AT A REPORTING UNIT AS DETERMINED BY THE RETIREMENT**
27 **SYSTEM, BUT WHO IS EMPLOYED BY AN ENTITY OTHER THAN THE REPORTING**



1 UNIT OR IS AN INDEPENDENT CONTRACTOR, THE RETIRANT SHALL FORFEIT
 2 HIS OR HER RETIREMENT ALLOWANCE AND THE RETIREMENT SYSTEM SUBSIDY
 3 FOR HEALTH CARE BENEFITS FROM THE RETIREMENT SYSTEM FOR AS LONG AS
 4 THE RETIRANT IS PERFORMING CORE SERVICES AT THE REPORTING UNIT. ANY
 5 RETIRANT WHO HAS FORFEITED THE RETIREMENT SYSTEM SUBSIDY FOR HEALTH
 6 CARE BENEFITS AND WANTS TO RETAIN HEALTH CARE BENEFITS SHALL PAY
 7 THE RETIRANT'S AND RETIREMENT SYSTEM'S COSTS FOR SUCH HEALTH CARE
 8 BENEFITS. UPON TERMINATION OF SERVICES AT THE REPORTING UNIT, THE
 9 RETIREMENT ALLOWANCE AND HEALTH CARE BENEFITS SHALL RESUME WITHOUT
 10 RECALCULATION.

11 Sec. 81. (1) ~~A~~—EXCEPT AS PROVIDED IN SECTION 81C, A member who
 12 no longer is working as a public school employee or in any other
 13 capacity for which service credit performed in this state is
 14 allowed under this act, upon the member's written application to
 15 the retirement system, shall be entitled to a retirement allowance
 16 provided for in section 84 if 1 of the following applies:

17 (a) The member is 55 years of age or older and has 30 or more
 18 years of credited service as provided under this act of which at
 19 least 15 years were served as a public school employee.

20 (b) The member is 60 years of age or older and has accumulated
 21 10 or more years of credited service as a public school employee.

22 (c) The member is 55 years of age or older and has 15 or more
 23 years of credited service, but less than 30 years of credited
 24 service of which the last 5 consecutive years are immediately
 25 preceding the member's retirement allowance effective date.

26 (2) ~~For~~—EXCEPT AS PROVIDED IN SECTION 81C, FOR a member who
 27 contributes to the member investment plan, the eligibility



1 requirements of subsection (1) shall be modified as provided in
2 section 43b.

3 SEC. 81B. (1) NOTWITHSTANDING SECTION 81, A MEMBER MAY RETIRE
4 WITH A RETIREMENT ALLOWANCE COMPUTED ACCORDING TO THIS SECTION IF
5 ALL OF THE FOLLOWING APPLY:

6 (A) THE MEMBER FILES A WRITTEN APPLICATION WITH THE RETIREMENT
7 BOARD WITHIN THE INCENTIVIZED RETIREMENT APPLICATION PERIOD STATING
8 A RETIREMENT ALLOWANCE EFFECTIVE DATE THAT IS ON OR AFTER JULY 1,
9 2010 BUT NOT LATER THAN SEPTEMBER 1, 2010. A MEMBER MAY WITHDRAW A
10 WRITTEN APPLICATION SUBMITTED BY A MEMBER ON OR BEFORE JUNE 11,
11 2010. A WRITTEN APPLICATION SUBMITTED BY A MEMBER AND NOT WITHDRAWN
12 ON OR BEFORE JUNE 11, 2010 IS IRREVOCABLE.

13 (B) ON THE LAST DAY OF THE MONTH IMMEDIATELY PRECEDING THE
14 RETIREMENT ALLOWANCE EFFECTIVE DATE STATED IN THE APPLICATION, THE
15 MEMBER'S COMBINED AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR
16 GREATER THAN 80 YEARS OR THE MEMBER IS ELIGIBLE TO RETIRE UNDER
17 SECTION 81 WITH A RETIREMENT ALLOWANCE THAT IS NOT SUBJECT TO
18 REDUCTION UNDER SECTION 84(2).

19 (C) THE MEMBER WAS EMPLOYED AS A PUBLIC SCHOOL EMPLOYEE FOR
20 THE 6-MONTH PERIOD ENDING MAY 1, 2010. A MEMBER WHO HAS WORKED IN
21 THE 6-MONTH PERIOD ENDING MAY 1, 2010 AND IS ON LAYOFF OR ON AN
22 APPROVED LEAVE OF ABSENCE STATUS FROM REPORTING UNIT EMPLOYMENT IS
23 CONSIDERED TO HAVE MET THE EMPLOYMENT REQUIREMENT OF THIS
24 SUBDIVISION.

25 (2) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION, A
26 MEMBER WHO RETIRES WITH A RETIREMENT EFFECTIVE DATE ON OR BEFORE
27 SEPTEMBER 1, 2010 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE



1 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
2 MULTIPLIED BY 1.6% OF THE MEMBER'S FINAL AVERAGE COMPENSATION IF
3 THE FINAL AVERAGE COMPENSATION IS \$90,000.00 OR LESS AND THE MEMBER
4 IS ELIGIBLE TO RETIRE UNDER SECTION 81 WITH A RETIREMENT ALLOWANCE
5 THAT IS NOT SUBJECT TO REDUCTION UNDER SECTION 84(2). IF THE MEMBER
6 IS ELIGIBLE TO RETIRE UNDER SECTION 81 WITH A RETIREMENT ALLOWANCE
7 THAT IS NOT SUBJECT TO REDUCTION UNDER SECTION 84(2) AND HAS A
8 FINAL AVERAGE COMPENSATION THAT IS GREATER THAN \$90,000.00, THE
9 RETIREMENT ALLOWANCE SHALL BE EQUAL TO THE MEMBER'S NUMBER OF YEARS
10 AND FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.6% OF
11 HIS OR HER FINAL AVERAGE COMPENSATION UP TO A FINAL AVERAGE
12 COMPENSATION OF \$90,000.00 AND THE REMAINING PORTION OF THE
13 RETIREMENT ALLOWANCE SHALL BE EQUAL TO THE MEMBER'S NUMBER OF YEARS
14 AND FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.5% OF
15 THE PORTION OF FINAL AVERAGE COMPENSATION OVER \$90,000.00. FOR
16 MEMBERS ELIGIBLE UNDER THIS SECTION BECAUSE THE MEMBER'S COMBINED
17 AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER THAN 80
18 YEARS, UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION, A
19 MEMBER WHO RETIRES WITH A RETIREMENT EFFECTIVE DATE ON OR BEFORE
20 SEPTEMBER 1, 2010 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE
21 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
22 MULTIPLIED BY 1.55% OF THE MEMBER'S FINAL AVERAGE COMPENSATION IF
23 THE FINAL AVERAGE COMPENSATION IS \$90,000.00 OR LESS. FOR MEMBERS
24 ELIGIBLE TO RETIRE UNDER THIS SECTION BECAUSE THE MEMBER'S COMBINED
25 AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER THAN 80
26 YEARS WHOSE FINAL AVERAGE COMPENSATION IS GREATER THAN \$90,000.00,
27 THE RETIREMENT ALLOWANCE SHALL BE CALCULATED SO THAT THE MEMBER



1 RECEIVES A PORTION OF HIS OR HER RETIREMENT ALLOWANCE EQUAL TO THE
2 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
3 MULTIPLIED BY 1.55% OF HIS OR HER FINAL AVERAGE COMPENSATION UP TO
4 A FINAL AVERAGE COMPENSATION OF \$90,000.00 AND THE REMAINING
5 PORTION OF THE RETIREMENT ALLOWANCE SHALL BE CALCULATED AS EQUAL TO
6 THE MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED
7 SERVICE MULTIPLIED BY 1.5% OF THE PORTION OF FINAL AVERAGE
8 COMPENSATION OVER \$90,000.00.

9 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE
10 SUPERINTENDENT FOR A REPORTING UNIT OR THE CHIEF ADMINISTRATOR FOR
11 A REPORTING UNIT THAT DOES NOT HAVE A SUPERINTENDENT MAY EXTEND THE
12 EFFECTIVE DATE OF RETIREMENT UNDER SUBSECTION (1) OF A MEMBER
13 EMPLOYED BY THAT REPORTING UNIT TO A DATE NOT LATER THAN SEPTEMBER
14 1, 2011. EACH REPORTING UNIT HAVING A MEMBER WHO ELECTS TO RETIRE
15 UNDER THIS SECTION MAY EXTEND THE RETIREMENT EFFECTIVE DATE OF 1
16 MEMBER UNDER THIS SECTION. UP TO AN ADDITIONAL 2,500 EXTENSIONS
17 SHALL BE ALLOTTED TO REPORTING UNITS USING A PRO-RATA METHODOLOGY
18 DETERMINED BY THE RETIREMENT SYSTEM. THE RETIREMENT SYSTEM SHALL
19 NOTIFY REPORTING UNITS OF ANY ADDITIONAL EXTENSION ALLOTMENTS BY
20 MAY 22, 2010. TO MAKE AN EXTENSION UNDER THIS SUBSECTION, THE
21 SUPERINTENDENT OR CHIEF ADMINISTRATOR SHALL SUBMIT TO THE
22 RETIREMENT SYSTEM NOTIFICATION OF MEMBERS WHOSE RETIREMENT DATES
23 THE SUPERINTENDENT OR CHIEF ADMINISTRATOR WILL EXTEND ALONG WITH
24 THE WRITTEN CONCURRENCE OF THE MEMBER ON OR BEFORE JUNE 15, 2010.
25 THE SUPERINTENDENT OR CHIEF ADMINISTRATOR SHALL NOT REQUEST, AND
26 THE RETIREMENT SYSTEM SHALL NOT IMPLEMENT, THE EXTENSION OF A
27 MEMBER THAT EXCEEDS THE NUMBER OF EXTENSIONS ALLOTTED TO HIS OR HER



1 REPORTING UNIT.

2 (4) FOR PURPOSES OF THIS SECTION, "INCENTIVIZED RETIREMENT
3 APPLICATION PERIOD" MEANS THE PERIOD BEGINNING ON THE EFFECTIVE
4 DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION AND ENDING ON
5 JUNE 11, 2010.

6 (5) ANY ADDITIONAL COSTS TO THE RETIREMENT SYSTEM AS A RESULT
7 OF THE RETIREMENT ALLOWANCE CALCULATIONS UNDER THIS SECTION SHALL
8 BE AMORTIZED OVER A 5-YEAR PERIOD.

9 SEC. 81C. (1) A MEMBER WHO FIRST BECOMES A MEMBER ON OR AFTER
10 JULY 1, 2010 WHO NO LONGER IS WORKING AS A PUBLIC SCHOOL EMPLOYEE
11 OR IN ANY OTHER CAPACITY FOR WHICH SERVICE CREDIT PERFORMED IN THIS
12 STATE IS ALLOWED UNDER THIS ACT, UPON THE MEMBER'S WRITTEN
13 APPLICATION TO THE RETIREMENT SYSTEM, SHALL BE ENTITLED TO A
14 RETIREMENT ALLOWANCE PROVIDED FOR IN SECTION 84(1) IF THE MEMBER IS
15 60 YEARS OF AGE OR OLDER AND HAS ACCUMULATED 10 OR MORE YEARS OF
16 CREDITED SERVICE PURSUANT TO SECTION 68 AS A PUBLIC SCHOOL
17 EMPLOYEE.

18 (2) THE ELIGIBILITY REQUIREMENTS OF SUBSECTION (1) SHALL NOT
19 BE MODIFIED AS PROVIDED IN SECTION 43B.

20 (3) THE REDUCTION PROVIDED FOR IN SECTION 84(2) SHALL NOT
21 APPLY TO A PERSON WHO RETIRES PURSUANT TO THIS SECTION.

22 (4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A MEMBER
23 WHO FIRST BECOMES A MEMBER ON OR AFTER JULY 1, 2010 SHALL NOT
24 PURCHASE OR TRANSFER SERVICE CREDIT UNDER ARTICLE 4 AND SHALL NOT
25 HAVE ANY PURCHASED OR TRANSFERRED SERVICE CREDIT INCLUDED IN THE
26 CALCULATION OF A RETIREMENT ALLOWANCE UPON RETIREMENT.

27 Sec. 86. (1) A member whom the retirement board finds to have



1 become totally and permanently disabled for purposes of employment
2 by his or her reporting unit by reason of personal injury or mental
3 or physical illness before termination of reporting unit service
4 and employment shall receive a disability allowance if all of the
5 following requirements are met:

6 (a) The member has not met age and service requirements of
7 section ~~81(a)~~**81(1)(A)** or (b) **OR, IF THE MEMBER FIRST BECAME A**
8 **MEMBER ON OR AFTER JULY 1, 2010, THE MEMBER HAS NOT MET AGE AND**
9 **SERVICE REQUIREMENTS OF SECTION 81C(1).**

10 (b) The member has at least 10 years of credited service in
11 effect before termination of employment.

12 (c) The member or reporting unit makes written application to
13 the retirement board not more than 12 months after the date the
14 member terminated public school employment.

15 (d) The person undergoes an examination by 1 or more
16 practicing physicians or medical officers designated by the
17 retirement board who certify to the retirement board that the
18 member is totally and permanently disabled for performing the
19 duties for the member's position or similar position for which the
20 member is qualified by reason of training, experience, or both.

21 (2) The retirement board may extend the application time limit
22 provided in subsection (1) not more than 24 months for a member or
23 deferred member who satisfies the other requirements of subsection
24 (1), if evidence of extenuating circumstances is presented to the
25 satisfaction of the retirement board.

26 (3) The member's disability retirement allowance shall be
27 computed pursuant to section 84. The effective date of the



1 disability retirant's allowance shall be determined pursuant to
2 section 83.

3 Sec. 87. (1) A member whom the retirement board finds to have
4 become totally and permanently disabled from any gainful employment
5 by reason of personal injury or mental or physical illness while
6 serving as an employee of that reporting unit shall receive a duty
7 disability retirement allowance if all of the following
8 requirements are met:

9 (a) The member has not met age and service requirements of
10 section ~~81(a)~~**81(1)(A)** or (b) **OR, IF THE MEMBER FIRST BECAME A**
11 **MEMBER ON OR AFTER JULY 1, 2010, THE MEMBER HAS NOT MET AGE AND**
12 **SERVICE REQUIREMENTS OF SECTION 81C(1).**

13 (b) The member is in receipt of weekly worker's disability
14 compensation on account of employment by a reporting unit.

15 (c) The member or reporting unit makes written application to
16 the retirement board not more than 12 months after the date the
17 member terminated public school employment.

18 (d) The member undergoes an examination by 1 or more
19 practicing physicians or medical officers designated by the
20 retirement board who certify to the retirement board that the
21 member is totally and permanently disabled for performing the
22 duties for the member's position for which the member is qualified
23 by reason of training, or experience, or both.

24 (2) The member's duty disability retirement allowance shall be
25 computed pursuant to section 84. The effective date of the duty
26 disability retirant's allowance shall be the first of the month
27 following the month in which the member terminates employment and



1 is in receipt of weekly worker's disability compensation. The years
2 of service credit used in computing the retirant's duty disability
3 retirement allowance shall not be less than 10 years. If the member
4 has less than 5 consecutive years of credited service, the average
5 of the member's annual compensation shall be used.

6 (3) Upon recovery and return to reporting unit service or upon
7 termination of the statutory period for the payment of a disability
8 retirant's worker's disability compensation, if any, arising on
9 account of the retirant's reporting unit service, the retirant
10 shall be given service credit for the period and the retirant's
11 disability retirement allowance shall be adjusted to include the
12 additional credit.

13 Sec. 91. (1) Except as otherwise provided in this section, the
14 retirement system shall pay the entire monthly premium or
15 membership or subscription fee for hospital, medical-surgical, and
16 sick care benefits for the benefit of a retirant or retirement
17 allowance beneficiary who elects coverage in the plan authorized by
18 the retirement board and the department. Except as otherwise
19 provided in subsection (8), this subsection does not apply to a
20 retirant who first becomes a member after June 30, 2008.

21 (2) The retirement system may pay up to the maximum of the
22 amount payable under subsection (1) toward the monthly premium for
23 hospital, medical-surgical, and sick care benefits for the benefit
24 of a retirant or retirement allowance beneficiary enrolled in a
25 group health insurance or prepaid service plan not authorized by
26 the retirement board and the department, if enrolled before June 1,
27 1975, for whom the retirement system on July 18, 1983 was making a



1 payment towards his or her monthly premium.

2 (3) A retirant or retirement allowance beneficiary receiving
3 hospital, medical-surgical, and sick care benefits coverage under
4 subsection (1) or (2), until eligible for medicare, shall have an
5 amount equal to the cost chargeable to a medicare recipient for
6 part B of medicare deducted from his or her retirement allowance.

7 (4) The retirement system shall pay 90% of the monthly premium
8 or membership or subscription fee for dental, vision, and hearing
9 benefits for the benefit of a retirant or retirement allowance
10 beneficiary who elects coverage in the plan authorized by the
11 retirement board and the department. Payments shall begin under
12 this subsection upon approval by the retirement board and the
13 department of plan coverage and a plan provider. Except as
14 otherwise provided in subsection (8), this subsection does not
15 apply to a retirant who first becomes a member after June 30, 2008.

16 (5) The retirement system shall pay up to 90% of the maximum
17 of the amount payable under subsection (1) toward the monthly
18 premium or membership or subscription fee for hospital, medical-
19 surgical, and sick care benefits coverage described in subsections
20 (1) and (2) for each health insurance dependent of a retirant
21 receiving benefits under subsection (1) or (2). Payment shall not
22 exceed 90% of the actual monthly premium or membership or
23 subscription fee. The retirement system shall pay 90% of the
24 monthly premium or membership or subscription fee for dental,
25 vision, and hearing benefits described in subsection (4) for the
26 benefit of each health insurance dependent of a retirant receiving
27 benefits under subsection (4). Payment for health benefits coverage



1 for a health insurance dependent of a retirant shall not be made
2 after the retirant's death, unless the retirant designated a
3 retirement allowance beneficiary as provided in section 85 and the
4 dependent was covered or eligible for coverage as a health
5 insurance dependent of the retirant on the retirant's date of
6 death. Payment for health benefits coverage shall not be made for a
7 health insurance dependent after the later of the retirant's death
8 or the retirement allowance beneficiary's death. Payment under this
9 subsection and subsection (6) began October 1, 1985 for health
10 insurance dependents who on July 10, 1985 were covered by the
11 hospital, medical-surgical, and sick care benefits plan authorized
12 by the retirement board and the department. Payment under this
13 subsection and subsection (6) for other health insurance dependents
14 shall not begin before January 1, 1986. Except as otherwise
15 provided in subsection (8), this subsection does not apply to a
16 retirant who first becomes a member after June 30, 2008.

17 (6) The payment described in subsection (5) shall also be made
18 for each health insurance dependent of a deceased member or
19 deceased duty disability retirant if a retirement allowance is
20 being paid to a retirement allowance beneficiary because of the
21 death of the member or duty disability retirant as provided in
22 section 43c(c), 89, or 90. Payment for health benefits coverage for
23 a health insurance dependent shall not be made after the retirement
24 allowance beneficiary's death.

25 (7) The payments provided by this section shall not be made on
26 behalf of a retiring section 82 deferred member or health insurance
27 dependent of a deferred member having less than 21 full years of



1 attained credited service or the retiring deferred member's
2 retirement allowance beneficiary, and shall not be made on behalf
3 of a retirement allowance beneficiary of a deferred member who dies
4 before retiring. The retirement system shall pay, on behalf of a
5 retiring section 82 deferred member or health insurance dependent
6 of a deferred member or a retirement allowance beneficiary of a
7 deceased deferred member, either of whose allowance is based upon
8 not less than 21 years of attained credited service, 10% of the
9 payments provided by this section, increased by 10% for each
10 attained full year of credited service beyond 21 years, not to
11 exceed 100%. This subsection applies to any member who first became
12 a member on or before June 30, 2008 and attains deferred status
13 under section 82 after October 31, 1980.

14 (8) For a member or deferred member who first becomes a member
15 after June 30, 2008, the retirement system shall pay up to 90% of
16 the monthly premium or membership or subscription fee for the
17 hospital, medical-surgical, and sick care benefits plan, the dental
18 plan, vision plan, and hearing plan, or any combination of the
19 plans for the benefit of the retirant and his or her retirement
20 allowance beneficiary and health insurance dependents, or for the
21 benefit of the deceased member's retirement allowance beneficiary
22 if the retirant or deceased member has 25 years or more of service
23 credit under this act, and the retirant, deceased retirant, or
24 deceased member was at least 60 years of age at the time of
25 application for benefits under this section. If the retirant or
26 deceased member is less than 60 years of age at the time of
27 application for benefits under this section, the retirement system



1 shall pay 90% of the monthly premium or membership or subscription
2 fee for the hospital, medical-surgical, and sick care benefits
3 plan, the dental plan, vision plan, and hearing plan, or any
4 combination of the plans for the benefit of the retirant and his or
5 her retirement allowance beneficiary and the retirant's health
6 insurance dependents, or for the benefit of the deceased member's
7 retirement allowance beneficiary if the retirant or deceased member
8 has 25 or more years of service credit granted under section 68. If
9 a retirant, deceased retirant, or deceased member described in this
10 subsection has 10 or more but less than 25 years of service credit
11 under this act and the retirant was at least 60 years of age at the
12 time of application for benefits under this section, the retirement
13 system shall pay a portion of the monthly premium or membership or
14 subscription fee for the plans or combination of plans equal to the
15 product of 3% and the retirant's, deceased retirant's, or deceased
16 member's years of service for the first 10 years and 4% for each
17 year after the first 10 years. This subsection does not apply to a
18 member who receives a disability retirement allowance under section
19 86 or 87 or to a deceased member's retirement allowance beneficiary
20 under section 90.

21 (9) The retirement system shall not pay the premiums or
22 membership or subscription fees under subsection (8) until the
23 retirant or retirement allowance beneficiary requests enrollment in
24 the plans or combination of plans in writing in the manner
25 prescribed by the retirement system. Not more than 1 year's service
26 credit shall be counted for purposes of subsection (8) and this
27 subsection in any school fiscal year.



1 (10) A member who retires under section 43b or 81 and who
2 elects to purchase service credit on or after July 1, 2008 is not
3 eligible for payments under this section for the hospital, medical-
4 surgical, and sick care benefits plan, the dental plan, vision
5 plan, or hearing plan, or any combination of the plans described in
6 this section until the first date that the member would have been
7 eligible to retire under section 43b or 81 if he or she had not
8 purchased the service credit and had accrued a sufficient amount of
9 service credit under section 68. A member who first becomes a
10 member on or after July 1, 2008 shall not be eligible for health
11 benefits under this subsection until at least the time of
12 application under subsection (8). The retirement system shall apply
13 a method that enables it to make the determination under this
14 subsection.

15 (11) Except for a member who retires under section 86 or 87 or
16 a member who meets the requirements under subsection (7) or (8),
17 the retirement system shall not pay the benefits provided in
18 subsection (1) or (4) unless the member was employed and has
19 received a minimum total of 1/2 of a year of service credit granted
20 pursuant to section 68 during the 2 school fiscal years immediately
21 preceding the member's retirement allowance effective date or the
22 member has received a minimum of 1/10 of a year of service credit
23 granted pursuant to section 68 during each of the 5 school fiscal
24 years immediately preceding the member's retirement allowance
25 effective date. **THIS SUBSECTION DOES NOT APPLY TO A MEMBER WHO IS**
26 **UNABLE TO MEET THE SERVICE CREDIT REQUIREMENTS OF THIS SUBSECTION**
27 **BECAUSE OF 1 OR MORE PERIODS OF UNPAID LEAVES OF ABSENCE APPROVED**



1 BY THE REPORTING UNIT DURING THE PERIOD OF LEAVE OF ABSENCE, AS A
2 RESULT OF A MENTAL OR PHYSICAL DISABILITY SUPPORTED BY THE MEMBER'S
3 DOCTOR DURING THE PERIOD OF LEAVE OF ABSENCE.

4 (12) Any retirant or retirement allowance beneficiary excluded
5 from payments under this section may participate in the hospital,
6 medical-surgical, and sick care benefits plan, the dental plan,
7 vision plan, or hearing plan, or any combination of the plans
8 described in this section in the manner prescribed by the
9 retirement system at his or her own cost.

10 (13) The hospital, medical-surgical, and sick care benefits
11 plan, dental plan, vision plan, and hearing plan that covers
12 retirants, retirement allowance beneficiaries, and health insurance
13 dependents pursuant to this section shall contain a coordination of
14 benefits provision that provides all of the following:

15 (a) If the person covered under the hospital, medical-
16 surgical, and sick care benefits plan is also eligible for medicare
17 or medicaid, or both, then the benefits under medicare or medicaid,
18 or both, shall be determined before the benefits of the hospital,
19 medical-surgical, and sick care benefits plan provided pursuant to
20 this section.

21 (b) If the person covered under any of the plans provided by
22 this section is also covered under another plan that contains a
23 coordination of benefits provision, the benefits shall be
24 coordinated as provided by the coordination of benefits act, 1984
25 PA 64, MCL 550.251 to 550.255.

26 (c) If the person covered under any of the plans provided by
27 this section is also covered under another plan that does not



1 contain a coordination of benefits provision, the benefits under
2 the other plan shall be determined before the benefits of the plan
3 provided pursuant to this section.

4 (14) Beginning January 1, 2009, upon the death of the
5 retirant, a retirement allowance beneficiary who became a
6 retirement allowance beneficiary under section 85(8) or (9) is not
7 a health insurance dependent and is not entitled to health benefits
8 under this section except as provided in this subsection. Beginning
9 January 1, 2009, a surviving spouse selected as a retirement
10 allowance beneficiary under section 85(8) or (9) may elect the
11 insurance coverages provided in this section provided that payment
12 for the elected coverages is the responsibility of the surviving
13 spouse and is paid in a manner prescribed by the retirement system.

14 (15) For purposes of this section:

15 (a) "Health insurance dependent" means any of the following:

16 (i) Except as provided in subsection (14), the spouse of the
17 retirant or the surviving spouse to whom the retirant or deceased
18 member was married at the time of the retirant's or deceased
19 member's death.

20 (ii) An unmarried child, by birth or adoption, of the retirant
21 or deceased member, until December 31 of the calendar year in which
22 the child becomes 19 years of age.

23 (iii) An unmarried child, by birth or adoption, of the retirant
24 or deceased member, until December 31 of the calendar year in which
25 the child becomes 25 years of age, who is enrolled as a full-time
26 student, and who is or was at the time of the retirant's or
27 deceased member's death a dependent of the retirant or deceased



1 member as defined in section 152 of the internal revenue code.

2 (iv) An unmarried child, by birth or adoption, of the retirant
3 or deceased member who is incapable of self-sustaining employment
4 because of mental or physical disability, and who is or was at the
5 time of the retirant's or deceased member's death a dependent of
6 the retirant or deceased member as defined in section 152 of the
7 internal revenue code.

8 (v) The parents of the retirant or deceased member, or the
9 parents of his or her spouse, who are residing in the household of
10 the retirant or retirement allowance beneficiary.

11 (vi) An unmarried child who is not the child by birth or
12 adoption of the retirant or deceased member but who otherwise
13 qualifies to be a health insurance dependent under subparagraph
14 (ii), (iii), or (iv), if the retirant or deceased member is the legal
15 guardian of the unmarried child.

16 (b) "Medicaid" means benefits under the federal medicaid
17 program established under title XIX of the social security act, 42
18 USC 1396 to 1396v.

19 (c) "Medicare" means benefits under the federal medicare
20 program established under title XVIII of the social security act,
21 42 USC 1395 to 1395hhh.

22 **SEC. 92A. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING**
23 **SEPTEMBER 30, 2010, \$4,500,000.00 TO THE OFFICE OF RETIREMENT**
24 **SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET**
25 **FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT**
26 **ADDED THIS SECTION.**

27 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK



1 PROJECT APPROPRIATION AND ANY UNENCUMBERED OR UNALLOTTED FUNDS ARE
2 CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING IS IN
3 COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND BUDGET ACT,
4 1984 PA 431, MCL 18.1451A:

5 (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES UNDER
6 THE AMENDATORY ACT THAT ADDED THIS SECTION.

7 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN
8 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

9 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
10 \$4,500,000.00.

11 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS
12 SEPTEMBER 30, 2011.

13 ARTICLE 7

14 SEC. 120. NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, THE
15 TIER 2 PLAN UNDER THIS ARTICLE WILL BE IMPLEMENTED BY THE
16 DEPARTMENT AS SOON AS ADMINISTRATIVELY FEASIBLE BUT NOT LATER THAN
17 JANUARY 1, 2011.

18 SEC. 121. (1) FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND
19 PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED
20 TO THEM IN THOSE SECTIONS.

21 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, THE TIER
22 2 PLAN UNDER THIS ARTICLE SHALL BE IMPLEMENTED BY THE DEPARTMENT AS
23 SOON AS ADMINISTRATIVELY FEASIBLE BUT NOT LATER THAN JANUARY 1,
24 2011.

25 SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN
26 A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR
27 REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.



1 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A PARTICIPANT
2 ON ACCOUNT OF THE PARTICIPANT'S SERVICES RENDERED TO HIS OR HER
3 EMPLOYER EQUAL TO THE SUM OF THE FOLLOWING:

4 (A) A PARTICIPANT'S W-2 EARNINGS FOR SERVICES PERFORMED FOR
5 THE EMPLOYER.

6 (B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF THE
7 PARTICIPANT WHICH IS EXCLUDED FROM GROSS INCOME UNDER SECTION 125,
8 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE CODE, 26
9 USC 125, 132, 401, 403, AND 457.

10 SEC. 123. (1) "EMPLOYER" MEANS A REPORTING UNIT.

11 (2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO WAS
12 A QUALIFIED PARTICIPANT AND WHO TERMINATES THE EMPLOYMENT UPON
13 WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

14 SEC. 124. (1) "PLAN DOCUMENT" MEANS THE DOCUMENT THAT CONTAINS
15 THE PROVISIONS AND PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT
16 AND THE INTERNAL REVENUE CODE.

17 (2) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO IS A
18 PARTICIPANT OF TIER 2 AND WHO IS FIRST EMPLOYED AND ENTERED UPON
19 THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2010, AND
20 WHO ALSO QUALIFIES TO BE A MEMBER OF TIER 1.

21 (3) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A
22 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER
23 SECTION 134 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S
24 ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 135.

25 (4) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

26 SEC. 125. (1) THE DEPARTMENT SHALL ADMINISTER TIER 2 AND SHALL
27 BE THE FIDUCIARY AND TRUSTEE OF TIER 2. THE DEPARTMENT MAY APPOINT



1 AN ADVISORY BOARD TO ASSIST THE DEPARTMENT IN CARRYING OUT ITS
2 DUTIES AS FIDUCIARY AND TRUSTEE. THE DEPARTMENT AND THE STATE
3 TREASURER SHALL COMPLY WITH EXECUTIVE REORGANIZATION ORDER NO.
4 1999-5, MCL 38.2721, IN THE ADMINISTRATION OF TIER 2.

5 (2) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND
6 PROCEDURES OF TIER 2 AND THE PLAN DOCUMENT IN CONFORMITY WITH THIS
7 ACT AND THE INTERNAL REVENUE CODE.

8 (3) THE DEPARTMENT HAS THE EXCLUSIVE AUTHORITY AND
9 RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR
10 SERVICES THAT THE DEPARTMENT DETERMINES NECESSARY FOR THE PROPER
11 ADMINISTRATION OF AND INVESTMENT OF ASSETS OF TIER 2, INCLUDING,
12 BUT NOT LIMITED TO, MANAGERIAL, PROFESSIONAL, LEGAL, CLERICAL,
13 TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR SERVICES.

14 (4) EACH EMPLOYER SHALL BE DEEMED TO HAVE ADOPTED AND SHALL
15 COMPLY WITH THE PROVISIONS AND PROCEDURES OF TIER 2 AND THE PLAN
16 DOCUMENT.

17 SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED
18 PARTICIPANT, OR REFUND BENEFICIARY MAY REQUEST A HEARING ON A CLAIM
19 INVOLVING HIS OR HER RIGHTS UNDER TIER 2. UPON WRITTEN REQUEST, THE
20 DEPARTMENT SHALL PROVIDE FOR A HEARING THAT SHALL BE CONDUCTED
21 PURSUANT TO CHAPTER 4 OF THE ADMINISTRATIVE PROCEDURES ACT OF 1969,
22 1969 PA 306, MCL 24.271 TO 24.287. AN INDIVIDUAL MAY BE REPRESENTED
23 BY COUNSEL OR OTHER AUTHORIZED AGENT AT A HEARING CONDUCTED UNDER
24 THIS SECTION.

25 (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES ACT
26 OF 1969, 1969 PA 306, MCL 24.224 TO 24.264 AND 24.291 TO 24.292, DO
27 NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION,



1 OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 2.

2 SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED
3 PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF
4 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS
5 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE
6 CATEGORIES OF INVESTMENT PROVIDED BY THE DEPARTMENT. THE
7 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS
8 PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT,
9 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 2.

10 SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID
11 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND
12 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER
13 DETERMINED BY THE DEPARTMENT.

14 SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN ANY
15 OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS
16 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS
17 OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION
18 DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A
19 RETIREMENT PLAN ESTABLISHED BY THIS STATE OR OTHER PUBLIC SECTOR
20 EMPLOYER UNDER THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS
21 SECTION, "PUBLIC SECTOR EMPLOYER" INCLUDES, BUT IS NOT LIMITED TO,
22 A REPORTING UNIT.

23 SEC. 131. (1) THIS SECTION IS SUBJECT TO THE VESTING
24 REQUIREMENTS OF SECTION 132.

25 (2) UNLESS THE QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION
26 124(2) AFFIRMATIVELY ELECTS NOT TO CONTRIBUTE OR ELECTS TO
27 CONTRIBUTE A LESSER AMOUNT, THE QUALIFIED PARTICIPANT SHALL



1 CONTRIBUTE 2% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2
2 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A
3 CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT IN AN
4 AMOUNT EQUAL TO 50% OF THE FIRST 2% OF COMPENSATION CONTRIBUTION
5 MADE BY THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

6 (3) A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION 124(2) MAY
7 MAKE CONTRIBUTIONS IN ADDITION TO CONTRIBUTIONS MADE UNDER
8 SUBSECTION (2) TO HIS OR HER TIER 2 ACCOUNT AS PERMITTED BY THE
9 DEPARTMENT AND THE INTERNAL REVENUE CODE.

10 (4) UPON THE WRITTEN DETERMINATION OF THE DIRECTOR OF THE
11 OFFICE OF RETIREMENT SERVICES, AN EMPLOYEE OF AN EMPLOYER THAT IS
12 NOT A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION 124(2) MAY
13 ELECT TO MAKE CONTRIBUTIONS TO A TIER 2 ACCOUNT AS PERMITTED BY THE
14 DEPARTMENT AND THE INTERNAL REVENUE CODE. AN EMPLOYEE AS DESCRIBED
15 IN THIS SUBSECTION SHALL BE TREATED AS A QUALIFIED PARTICIPANT
16 UNDER THIS ARTICLE FOR THE LIMITED PURPOSES OF HIS OR HER TIER 2
17 ACCOUNT.

18 (5) UPON THE WRITTEN DETERMINATION OF THE DIRECTOR OF THE
19 OFFICE OF RETIREMENT SERVICES, AN EMPLOYER MAY ANNUALLY ELECT TO
20 MAKE ADDITIONAL MATCHING CONTRIBUTIONS, INCLUDING THOSE IN ADDITION
21 TO MATCHING CONTRIBUTIONS MADE UNDER SUBSECTION (2), TO AN
22 EMPLOYEE'S TIER 2 ACCOUNT AS PERMITTED BY THE PLAN DOCUMENT AND THE
23 INTERNAL REVENUE CODE. MATCHING CONTRIBUTIONS UNDER THIS SUBSECTION
24 SHALL BE MADE IN AMOUNTS EQUAL TO 50% OF THE CONTRIBUTIONS MADE BY
25 THE EMPLOYEE NOT TO EXCEED THE FIRST 4% OF CONTRIBUTIONS MADE IN
26 WHOLE PERCENTAGES ONLY, FOR ANY EMPLOYEE IN ADDITION TO AMOUNTS
27 THAT ARE ALREADY MATCHED UNDER THIS SECTION, IF ANY.



1 SEC. 132. A QUALIFIED PARTICIPANT IS IMMEDIATELY 100% VESTED
2 IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED PARTICIPANT
3 SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS OR HER BEHALF
4 TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

5 (A) UPON COMPLETION OF 2 YEARS OF SERVICE, 50%.

6 (B) UPON COMPLETION OF 3 YEARS OF SERVICE, 75%.

7 (C) UPON COMPLETION OF 4 YEARS OF SERVICE, 100%.

8 SEC. 134. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED
9 PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND
10 BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE
11 DEPARTMENT. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED
12 PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE
13 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF THE
14 ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINATION IS
15 SIGNED BY THE PARTICIPANT'S SPOUSE IF THE SIGNATURE OF THE
16 PARTICIPANT'S SPOUSE IS REQUIRED BY THE PLAN DOCUMENT. HOWEVER, THE
17 DEPARTMENT MAY WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE
18 CANNOT BE OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES.

19 SEC. 135. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE
20 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON
21 BECOMING A FORMER QUALIFIED PARTICIPANT.

22 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER
23 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED
24 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF
25 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF REFUND
26 BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE DEPARTMENT, IN
27 A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE ACCUMULATED BALANCE



1 IN ACCORDANCE WITH THE PLAN DOCUMENT.

2 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY
3 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF
4 DISTRIBUTION OF THE ACCUMULATED BALANCE:

5 (A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

6 (B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO
7 THE EXTENT ALLOWED BY FEDERAL LAW.

8 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE DEPARTMENT.

9 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED
10 BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED
11 PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF
12 DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED
13 BY FEDERAL LAW.

14 SEC. 137. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE
15 PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYER
16 CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE
17 PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYEE
18 CONTRIBUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY, MUNICIPAL, OR
19 OTHER LOCAL TAX. DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE
20 PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYER
21 CONTRIBUTIONS AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE
22 PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYEE
23 CONTRIBUTIONS ARE SUBJECT TO THE PUBLIC EMPLOYEE RETIREMENT BENEFIT
24 PROTECTION ACT, 2002 PA 100, MCL 38.1681 TO 38.1689.

25 (2) THE DEPARTMENT HAS THE RIGHT OF SETOFF TO RECOVER
26 OVERPAYMENTS MADE UNDER THIS ACT AND TO SATISFY ANY CLAIMS ARISING
27 FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED PARTICIPANT,



1 FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR OTHER PERSON
2 WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT FROM TIER 2.

3 (3) THE DEPARTMENT SHALL CORRECT ERRORS IN THE RECORDS AND
4 ACTIONS IN TIER 2 UNDER THIS ACT, AND SHALL SEEK TO RECOVER
5 OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

6 Enacting section 1. If any section or part of a section of
7 this act is for any reason held to be invalid or unconstitutional,
8 the holding does not affect the validity of the remaining sections
9 of this act or the act in its entirety.

10 Enacting section 2. This amendatory act does not take effect
11 unless House Bill No. 4073 of the 95th Legislature is enacted into
12 law.

