

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1040

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending the title and sections 5, 6, 8, 25, 41, 41a, 42, 43a, 43e, 81b, 84, 91, 108, 124, and 131 (MCL 38.1305, 38.1306, 38.1308, 38.1325, 38.1341, 38.1341a, 38.1342, 38.1343a, 38.1343e, 38.1381b, 38.1384, 38.1391, 38.1408, 38.1424, and 38.1431), the title as amended by 1996 PA 488, section 5 as amended by 2001 PA 180, section 6 as amended by 1995 PA 272, section 8 as amended by 1997 PA 143, sections 25, 41, 42, and 91 as amended and sections 43e, 81b, 124, and 131 as added by 2010 PA 75, section 41a as amended by 2007 PA 15, section 43a as amended by 2007 PA 111, section 84 as amended by 1989 PA 194, and section 108 as amended by 2008 PA 354, and by adding sections 43g, 59, 81d, 84b, 91a,

Senate Bill No. 1040 (H-3) as amended June 14, 2012  
92b, 93, 94, and 131a; and to repeal acts and parts of acts.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1 TITLE

2 An act to provide a retirement system for the public school  
3 employees of this state; to create certain funds for this  
4 retirement system; to provide for the creation of a retirement  
5 board; ~~within the department of management and budget;~~ to  
6 prescribe the powers and duties of the retirement board; to  
7 prescribe the powers and duties of certain state departments,  
8 agencies, officials, and employees; **TO AUTHORIZE AND MAKE**  
9 **APPROPRIATIONS FOR THE [RETIREMENT] SYSTEM;** to prescribe penalties  
10 and provide remedies; and to repeal acts and parts of acts.

11 Sec. 5. (1) "Member" means a public school employee, except  
12 that member does not include any of the following:

13 (a) A person enrolled in a neighborhood youth corps program  
14 operated with funds from the federal office of economic  
15 opportunity or a person enrolled in a comparable youth training  
16 program designed to prevent high school dropouts and rehabilitate  
17 high school dropouts operated by an intermediate school district.

18 (b) A person enrolled in a transitional public employment  
19 program and employed by a reporting unit.

20 (c) A person employed by a reporting unit while enrolled as  
21 a full-time student in that same reporting unit.

22 (d) A person who elects to participate in the optional  
23 retirement program under the optional retirement act of 1967,  
24 1967 PA 156, MCL 38.381 to 38.388.

25 (e) A retirant of this retirement system.



1 (f) A person, not regularly employed by a reporting unit,  
2 who is employed by a reporting unit through a summer youth  
3 employment program established pursuant to the Michigan youth  
4 corps act, 1983 PA 69, MCL 409.221 to 409.229.

5 (g) A person, not regularly employed by a reporting unit,  
6 who is employed by a reporting unit to administer a program  
7 described in subdivision (f), (h), (i), (j), or (k).

8 (h) After September 30, 1983, a person, not regularly  
9 employed by a reporting unit, who is employed by a reporting unit  
10 through participation in a program established pursuant to the  
11 former job training partnership act, Public Law 97-300, 96 Stat.  
12 1322 or beginning July 1, 2000, the workforce investment act of  
13 1998, Public Law 105-220, 112 Stat. 936.

14 (i) A person, not regularly employed by a reporting unit,  
15 who is employed by a reporting unit through participation in a  
16 program established pursuant to the work first program under  
17 section 57f of the social welfare act, 1939 PA 280, MCL 400.57f.

18 (j) A person, not regularly employed by a reporting unit,  
19 who is employed by a reporting unit through participation in a  
20 program established pursuant to the Michigan community service  
21 corps program, first established under sections 25 to 35 of 1983  
22 PA 259.

23 (k) A person, not regularly employed by a reporting unit,  
24 who is employed by a reporting unit through participation in a  
25 program established pursuant to the older American community  
26 service employment program under the older American community  
27 service employment act, title V of the older Americans act of

1 1965, Public Law 89-73, 42 ~~U.S.C.~~ **USC** 3056 to 3056i.

2 (l) A person, not regularly employed by a reporting unit, who  
3 is employed by a reporting unit in a temporary, intermittent, or  
4 irregular seasonal or athletic position and who is under the age  
5 of 19 years.

6 (m) A person, not regularly employed by a reporting unit,  
7 who is employed by a reporting unit only in a temporary position  
8 to assist in the conduct of a school election.

9 **(N) A QUALIFIED PARTICIPANT WHO MAKES A VALID ELECTION UNDER**  
10 **SECTION 81D TO NOT BECOME A MEMBER OF TIER 1.**

11 (2) "Membership service" means service performed after June  
12 30, 1945.

13 (3) "Noncontributory plan" means the plan which began  
14 between July 1, 1974 and July 1, 1977, in which the reporting  
15 unit elected to discontinue withholding contributions from  
16 employees' compensation.

17 (4) "Noncontributory service" means credited service  
18 rendered under the noncontributory plan.

19 (5) "Nonteacher" means a person employed by a reporting unit  
20 who is not a teacher as defined in section 8(4).

21 Sec. 6. (1) "Original member" means a member employed in  
22 Michigan public schools before July 1, 1945.

23 (2) "Out of system public education service" means service  
24 performed in public education meeting 1 or more of the following  
25 requirements:

26 (a) Performed in other states in the United States or its  
27 territorial possessions.



1 (b) Performed at the university of Michigan, Michigan state  
2 university, Wayne state university, Grand Valley state  
3 university, Oakland university, or Saginaw Valley university.

4 (c) Service purchased before January 31, 1991 and performed  
5 in a juvenile training school operated by a county in this state.

6 (d) Service purchased before January 31, 1991 and performed  
7 in a community mental health service program operated under  
8 former ~~Act No. 54 of the Public Acts of 1963~~ **1963 PA 54** for the  
9 severely mentally retarded in day care programs, day training  
10 programs, or day care training programs that were transferred to  
11 an intermediate school district by direction of the department of  
12 education.

13 (e) Service purchased before January 31, 1991 and performed  
14 as an elementary or secondary teacher at a United States armed  
15 forces military base in the United States or a foreign country.

16 (f) Service purchased before January 31, 1991 and performed  
17 as a teacher or administrator of American nationals in overseas  
18 public elementary or secondary schools operated by the United  
19 States department of defense.

20 (g) Performed by ~~a person~~ **AN INDIVIDUAL** who first becomes  
21 employed by an institution of higher education described in  
22 section 4, 5, or 6 of article VIII of the state constitution of  
23 1963 on or after January 1, 1996.

24 (3) "Prior service" means service performed before July 1,  
25 1945.

26 (4) **"PUBLIC LOCAL SCHOOL DISTRICT" MEANS A GENERAL POWERS**  
27 **SCHOOL DISTRICT ORGANIZED UNDER THE REVISED SCHOOL CODE, 1976 PA**



1 451, MCL 380.1 TO 380.1852, REGARDLESS OF PREVIOUS  
 2 CLASSIFICATION, OR A SCHOOL DISTRICT OF THE FIRST CLASS UNDER THE  
 3 REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1 TO 380.1852.

4 (5) ~~(4)~~—Except as otherwise provided in this subsection,  
 5 "public school academy" means a public school academy established  
 6 under part 6a ~~or 6b~~ of the **REVISED** school code, ~~of 1976, Act No.~~  
 7 ~~451 of the Public Acts of 1976, being sections 380.501 to 380.507~~  
 8 ~~and 380.511 to 380.518 of the Michigan Compiled Laws 1976 PA 451,~~  
 9 **MCL 380.501 TO 380.507; AN URBAN HIGH SCHOOL ACADEMY ESTABLISHED**  
 10 **UNDER PART 6C OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL**  
 11 **380.521 TO 380.529; A SCHOOL OF EXCELLENCE ESTABLISHED UNDER PART**  
 12 **6E OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.551 TO**  
 13 **380.561; OR A STRICT DISCIPLINE ACADEMY ESTABLISHED UNDER**  
 14 **SECTIONS 1311B TO 1311M OF THE REVISED SCHOOL CODE, 1976 PA 451,**  
 15 **MCL 380.1311B TO 380.1311M.** Public school academy does not  
 16 include any of the following:

17 (a) A public school academy operated by a state public  
 18 university that is not subject to the optional retirement act of  
 19 1967, ~~Act No. 156 of the Public Acts of 1967, being sections~~  
 20 ~~38.381 to 38.388 of the Michigan Compiled Laws 1967 PA 156, MCL~~  
 21 **38.381 TO 38.388.**

22 (b) A public school academy corporation formed by a state  
 23 public university that is not subject to ~~Act No. 156 of the~~  
 24 ~~Public Acts of 1967~~ **THE OPTIONAL RETIREMENT ACT OF 1967, 1967 PA**  
 25 **156, MCL 38.381 TO 38.388.**

26 (6) ~~(5)~~—Except as otherwise provided in this subsection,  
 27 "public school employee" means an employee of a public local



1 school district, intermediate school district, public school  
2 academy, tax supported community or junior college, eastern  
3 Michigan university, central Michigan university, northern  
4 Michigan university, western Michigan university, Ferris state  
5 university, Michigan technological university, Lake Superior  
6 state university, or district library as defined in section 69g  
7 if the conditions in section 69g(1) are met for that employee.  
8 Service at Michigan technological university shall be creditable  
9 only if the amount of the accumulated contributions in the state  
10 employees' retirement system created by the state employees'  
11 retirement act, ~~Act No. 240 of the Public Acts of 1943, being~~  
12 ~~sections 38.1 to 38.48 of the Michigan Compiled Laws 1943 PA 240,~~  
13 **MCL 38.1 TO 38.69**, for service is paid to the retirement system.  
14 Service at Ferris state university shall be creditable as prior  
15 service or membership service only if the employee was employed  
16 at Ferris state university on a full-time basis for 2 or more  
17 years after May 17, 1949. Until January 1, 1988, public school  
18 employee also includes ~~a person~~ **AN INDIVIDUAL** holding a Michigan  
19 teacher certificate and serving as an employee of the Michigan  
20 high school athletic association, other than a person whose  
21 effective date of employment with the Michigan high school  
22 athletic association is on or after December 31, 1986. Public  
23 school employee includes a public school employee on an approved  
24 leave of absence **THAT DOES NOT EXCEED 2 YEARS FROM THE DATE THE**  
25 **EMPLOYEE CEASES TO ACCUMULATE SERVICE CREDIT**. Public school  
26 employee does not include ~~a person~~ **AN INDIVIDUAL** who first  
27 becomes employed by a university described in this subsection on

1 or after January 1, 1996, OR AN EMPLOYEE WHO IS HIRED BUT HAS NOT  
 2 YET PERFORMED SERVICES FOR REMUNERATION UNDER AN EXPRESS OR  
 3 IMPLIED CONTRACT WITH A REPORTING UNIT.

4 Sec. 8. (1) "Service" means personal service performed as a  
 5 public school employee or creditable under this act.

6 (2) "Simple interest" means interest at 1 or more rates per  
 7 annum determined by the retirement board.

8 (3) "State of Michigan service" means service performed as a  
 9 state employee in the classified or unclassified service under  
 10 the state employees' retirement act, 1943 PA 240, MCL 38.1 to  
 11 38.69.

12 (4) "Teacher" means a person employed by a reporting unit  
 13 who is engaged in teaching, who is engaged in administering and  
 14 supervising teaching, or who is under a teacher's contract with a  
 15 reporting unit.

16 (5) "TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER  
 17 UNDER THIS ACT.

18 (6) "TIER 2" MEANS THE STATE OF MICHIGAN 457 PLAN  
 19 ESTABLISHED UNDER SECTION 457 OF THE INTERNAL REVENUE CODE, 26  
 20 USC 457, FOR ELECTIVE EMPLOYEE CONTRIBUTIONS AND THE STATE OF  
 21 MICHIGAN 401(K) PLAN ESTABLISHED UNDER SECTION 401(K) OF THE  
 22 INTERNAL REVENUE CODE, 26 USC 401, FOR EMPLOYER CONTRIBUTIONS.

23 (7) ~~(5)~~ "Transitional public employment program" means  
 24 participation in public service employment programs in the areas  
 25 of environmental quality, health care, education, public safety,  
 26 crime prevention and control, prison rehabilitation,  
 27 transportation, recreation, maintenance of parks, streets, and



1 other public facilities, solid waste removal, pollution control,  
2 housing and neighborhood improvements, rural development,  
3 conservation, beautification, veterans' outreach, and other  
4 fields of human betterment and community improvement as part of a  
5 program of comprehensive manpower services authorized,  
6 undertaken, and financed under the comprehensive employment and  
7 training act of 1973, former Public Law 93-203, 87 Stat. 839.

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

11       (2) The retirement board may promulgate rules pursuant to  
12 the administrative procedures act of 1969, 1969 PA 306, MCL  
13 24.201 to 24.328, for the implementation and administration of  
14 this act. The retirement board shall not promulgate rules for the  
15 establishment, implementation, administration, operation,  
16 investment, or distribution of a Tier 2 retirement plan.

17       (3) **BEGINNING JULY 1, 2012, THE RETIREMENT SYSTEM SHALL**  
18 **COMMENCE A 12-MONTH STUDY PERIOD UNDER THIS SUBSECTION. AS SOON**  
19 **AS POSSIBLE DURING THE STUDY PERIOD, THE RETIREMENT SYSTEM SHALL**  
20 **PROVIDE TO CENTRAL MICHIGAN UNIVERSITY, FERRIS STATE UNIVERSITY,**  
21 **LAKE SUPERIOR STATE UNIVERSITY, MICHIGAN TECHNOLOGICAL**  
22 **UNIVERSITY, NORTHERN MICHIGAN UNIVERSITY, WESTERN MICHIGAN**  
23 **UNIVERSITY, AND EASTERN MICHIGAN UNIVERSITY INFORMATION AND**  
24 **COOPERATION REQUESTED BY THE UNIVERSITIES FOR THE PURPOSE OF**  
25 **ALLOWING THE UNIVERSITIES TO STUDY AND PREPARE FOR THE**  
26 **IMPLEMENTATION OF NEW RETIREE HEALTH CARE COVERAGE BENEFIT DESIGN**  
27 **OPTIONS FOR MEMBERS WHO RETIRE FROM THE UNIVERSITIES. THE**



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1 INFORMATION TO BE PROVIDED BY THE RETIREMENT SYSTEM TO THE  
 2 UNIVERSITIES SHALL ALSO INCLUDE INFORMATION SUFFICIENT TO ALLOW  
 3 THE UNIVERSITIES TO DO ALL OF THE FOLLOWING:

4 (A) REVIEW THE ANNUAL COST TO THE RETIREMENT SYSTEM OVER  
 5 EACH OF THE PAST 5 YEARS OF THE HEALTH CARE COVERAGE BENEFITS  
 6 PROVIDED BY THE RETIREMENT SYSTEM TO THE [ ] RETIRED  
 7 MEMBERS [OF THE UNIVERSITIES], CALCULATED ON A CASH DISBURSEMENT METHOD.

8 (B) COMPARE THE [COST TO THE UNIVERSITIES] UNDER SUBDIVISION (A)  
 WITH  
 9 THAT OF THE AGGREGATE COST OF ALL REPORTING UNITS DURING THE PAST  
 10 5 YEARS, CALCULATED ON A CASH DISBURSEMENT BASIS.

11 (C) PREPARE AND SUBMIT THE RESULTS OF THE STUDY UNDER THIS  
 12 SUBSECTION TO THE RETIREMENT SYSTEM, ALONG WITH ANY PROPOSED  
 13 RECOMMENDATIONS ON POSSIBLE CHANGES TO THE SCOPE AND DESIGN OF  
 14 THE HEALTH BENEFITS AVAILABLE THROUGH THE RETIREMENT SYSTEM TO  
 15 MEMBERS WHO RETIRE FROM THE UNIVERSITIES IDENTIFIED IN THIS  
 16 SUBSECTION. THE RETIREMENT SYSTEM SHALL SUBMIT WRITTEN  
 17 CONFIRMATION TO THE UNIVERSITIES WITHIN 180 DAYS THAT THE  
 18 RETIREMENT SYSTEM HAS RECEIVED THE RESULTS OF THE STUDY AND ANY  
 19 RECOMMENDATIONS UNDER THIS SUBDIVISION, HAS REVIEWED AND  
 20 RESPONDED TO THE STUDY AND ANY RECOMMENDATIONS, AND HAS SUBMITTED  
 21 A COPY OF THE STUDY AND ANY RECOMMENDATIONS TO THE RETIREMENT  
 22 BOARD FOR A DISCUSSION OF THE IMPLEMENTATION OF ANY  
 23 RECOMMENDATIONS.

24 Sec. 41. (1) The annual level percentage of payroll  
 25 contribution rate OR RATE APPLIED TO CURRENT OPERATING  
 26 EXPENDITURES, AS APPLICABLE, to finance benefits being provided  
 27 and to be provided by the retirement system shall be determined

1 by actuarial valuation pursuant to subsection (2) upon the basis  
2 of the risk assumptions that the retirement board and the  
3 department adopt after consultation with the state treasurer and  
4 an actuary. An annual actuarial valuation shall be made of the  
5 retirement system in order to determine the actuarial condition  
6 of the retirement system and the required contribution to the  
7 retirement system. An annual actuarial gain-loss experience study  
8 of the retirement system shall be made in order to determine the  
9 financial effect of variations of actual retirement system  
10 experience from projected experience.

11 (2) Except as otherwise provided in this subsection, the  
12 contribution rate for benefits shall be computed using an  
13 individual projected benefit entry age normal cost method of  
14 valuation. Except as otherwise provided in this section, for the  
15 1995-96 state fiscal year and for each subsequent fiscal year  
16 **BEFORE THE 2012-2013 STATE FISCAL YEAR**, the contribution rate for  
17 health benefits provided under section 91 shall be computed using  
18 a cash disbursement method. ~~For each fiscal year after the fiscal~~  
19 ~~year in which the actuarial accrued liability for health benefits~~  
20 ~~under section 91 is at least 100% funded by the health advance~~  
21 ~~funding subaccount created under section 34(2), the contribution~~  
22 ~~rate for health benefits provided under section 91 shall be~~  
23 ~~computed using an individual projected benefit entry age normal~~  
24 ~~cost method of valuation.~~ The contribution rate for service  
25 likely to be rendered in the current year, the normal cost  
26 contribution rate, shall be equal to the aggregate amount of  
27 individual projected benefit entry age normal costs divided by 1%

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1 of the aggregate amount of active members' valuation  
2 compensation. Except as otherwise provided under this subsection,  
3 the contribution rate for unfunded service rendered before the  
4 valuation date, the unfunded actuarial accrued liability  
5 contribution rate, shall be the aggregate amount of unfunded  
6 actuarial accrued liabilities divided by 1% of the actuarial  
7 present value over a period not to exceed 50 years of projected  
8 valuation compensation **AND A SEPARATE RATE BASED ON PROJECTED**  
9 **CURRENT OPERATING EXPENDITURES AS CALCULATED FOR THE 2013-2014**  
10 **STATE FISCAL YEAR AND EACH SUBSEQUENT STATE FISCAL YEAR,** where  
11 unfunded actuarial accrued liabilities are equal to the actuarial  
12 present value of benefits, reduced by the actuarial present value  
13 of future normal cost contributions and the actuarial value of  
14 assets on the valuation date. **BEGINNING WITH THE 2013-2014 STATE**  
15 **FISCAL YEAR, THE UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
16 **CONTRIBUTION RATE AND PAYMENT SCHEDULE FOR PUBLIC LOCAL SCHOOL**  
17 **DISTRICTS SHALL BE APPLIED TO CALCULATED CURRENT OPERATING**  
18 **EXPENDITURES. THE UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
19 **CONTRIBUTION RATE CALCULATED AND APPLIED TO CURRENT OPERATING**  
20 **EXPENDITURES SHALL BE CALCULATED AFTER THE UNFUNDED ACTUARIAL**  
21 **ACRUED LIABILITY CONTRIBUTION RATE BASED ON PROJECTED VALUATION**  
22 **COMPENSATION IS CALCULATED AND APPLIED TO PAYROLL OF REPORTING**  
23 **UNITS OTHER THAN PUBLIC LOCAL SCHOOL DISTRICTS, BASED ON PRIOR**  
24 **BASE YEAR DATA [PROJECTED FORWARD 3 YEARS] AND METHODS AS DETERMINED BY**  
25 **THE RETIREMENT SYSTEM**  
26 **AND IN CONSULTATION WITH THE SYSTEM ACTUARY. BEGINNING WITH THE**  
27 **2012-2013 STATE FISCAL YEAR AND FOR EACH SUBSEQUENT FISCAL YEAR,**  
**THE UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE**



1 APPLIED TO CALCULATED CURRENT OPERATING EXPENDITURES SHALL NOT  
2 EXCEED 11.9% AND THE UNFUNDED ACTUARIAL ACCRUED LIABILITY  
3 CONTRIBUTION RATE APPLIED TO PAYROLL SHALL NOT EXCEED 20.96%. ANY  
4 ADDITIONAL UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTIONS AS  
5 DETERMINED UNDER THIS SECTION FOR EACH FISCAL YEAR ARE TO BE PAID  
6 BY APPROPRIATION FROM THE SCHOOL AID FUND ESTABLISHED BY SECTION  
7 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963. EXCEPT AS  
8 OTHERWISE PROVIDED IN SECTION 41A, THE UNFUNDED ACTUARIAL ACCRUED  
9 LIABILITY CONTRIBUTION RATE SHALL BE BASED UPON AND APPLIED TO  
10 THE COMBINED PAYROLLS OF THE EMPLOYEES WHO ARE MEMBERS AND  
11 QUALIFIED PARTICIPANTS.

12 (3) Before November 1 of each year, the executive secretary  
13 of the retirement board shall certify to the director of the  
14 department the aggregate compensation estimated to be paid public  
15 school employees for the current state fiscal year **AND THE**  
16 **ESTIMATED CURRENT OPERATING EXPENDITURES FOR THE CURRENT SCHOOL**  
17 **FISCAL YEAR.**

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

23 (5) The reporting units shall make payment of the amount  
24 certified under subsection (4) to the director of the department  
25 in ~~12~~ equal monthly **PAYROLL CYCLE** installments **FOR UNFUNDED**  
26 **ACTUARIAL ACCRUED LIABILITY CONTRIBUTIONS AND PAYROLL CYCLE**  
27 **INSTALLMENTS FOR NORMAL COST CONTRIBUTIONS.**



1           (6) Not later than 90 days after termination of each state  
2 fiscal year, the executive secretary of the retirement board  
3 shall certify to the director of the department and each  
4 reporting unit the actual aggregate compensation paid to public  
5 school employees during the preceding state fiscal year. Upon  
6 receipt of that certification, the director of the department  
7 shall ~~shall~~ **MAY** compute any adjustment required to the amount due to a  
8 difference between the estimated and the actual aggregate  
9 compensation and the estimated and the actual actuarial employer  
10 contribution rate. The difference, if any, shall be paid as  
11 provided in subsection (9). This subsection does not apply in a  
12 fiscal year in which a deposit occurs pursuant to subsection  
13 (14).

14           (7) The director of the department may require evidence of  
15 correctness and may conduct an audit of the aggregate  
16 compensation that the director of the department considers  
17 necessary to establish its correctness.

18           (8) A reporting unit shall forward employee and employer  
19 social security contributions and reports as required by the  
20 federal old-age, survivors, disability, and hospital insurance  
21 provisions of title II of the social security act, ~~chapter 531,~~  
22 ~~49 Stat. 620, 42 USC 401 to 405, 406 to 418, 420 to 423, 424a to~~  
23 ~~426-1, and 427 to 433.~~ **42 USC 401 TO 434.**

24           (9) For an employer of an employee of a local public school  
25 district or an intermediate school district, for differences  
26 occurring in fiscal years beginning on or after October 1, 1993,  
27 a minimum of 20% of the difference between the estimated and the

1 actual aggregate compensation and the estimated and the actual  
2 actuarial employer contribution rate described in subsection (6),  
3 if any, shall be paid by that employer in the next succeeding  
4 state fiscal year and a minimum of 25% of the remaining  
5 difference shall be paid by that employer in each of the  
6 following 4 state fiscal years, or until 100% of the remaining  
7 difference is submitted, whichever first occurs. For an employer  
8 of other public school employees, for differences occurring in  
9 fiscal years beginning on or after October 1, 1991, a minimum of  
10 20% of the difference between the estimated and the actual  
11 aggregate compensation and the estimated and the actual actuarial  
12 employer contribution rate described in subsection (6), if any,  
13 shall be paid by that employer in the next succeeding state  
14 fiscal year and a minimum of 25% of the remaining difference  
15 shall be paid by that employer in each of the following 4 state  
16 fiscal years, or until 100% of the remaining difference is  
17 submitted, whichever first occurs. In addition, interest shall be  
18 included for each year that a portion of the remaining difference  
19 is carried forward. The interest rate shall equal the actuarially  
20 assumed rate of investment return for the state fiscal year in  
21 which payment is made. This subsection does not apply in a fiscal  
22 year in which a deposit occurs pursuant to subsection (14).

23 (10) Beginning on the designated date, all assets held by  
24 the retirement system shall be reassigned their fair market  
25 value, as determined by the state treasurer, as of the designated  
26 date, and in calculating any unfunded actuarial accrued  
27 liabilities, any market gains or losses incurred before the

1 designated date shall not be considered by the retirement  
2 system's actuaries.

3 (11) Except as otherwise provided in this subsection,  
4 beginning on the designated date, the actuary used by the  
5 retirement board shall assume a rate of return on investments of  
6 8.00% per annum, as of the designated date, which rate may only  
7 be changed with the approval of the retirement board and the  
8 director of the department. Beginning on July 1, 2010, the  
9 actuary used by the retirement board shall assume a rate of  
10 return on investments of 7.00% per annum for investments  
11 associated with members who first became members on and after  
12 July 1, 2010, which rate may only be changed with the approval of  
13 the retirement board and the director of the department.

14 (12) Beginning on the designated date, the value of assets  
15 used shall be based on a method that spreads over a 5-year period  
16 the difference between actual and expected return occurring in  
17 each year after the designated date and such methodology may only  
18 be changed with the approval of the retirement board and the  
19 director of the department.

20 (13) Beginning on the designated date, the actuary used by  
21 the retirement board shall use a salary increase assumption that  
22 projects annual salary increases of 4%. In addition to the 4%,  
23 the retirement board shall use an additional percentage based  
24 upon an age-related scale to reflect merit, longevity, and  
25 promotional salary increase. The actuary shall use this  
26 assumption until a change in the assumption is approved in  
27 writing by the retirement board and the director of the



1 department.

2 (14) For fiscal years that begin on or after October 1,  
3 2001, if the actuarial valuation prepared pursuant to this  
4 section demonstrates that as of the beginning of a fiscal year,  
5 and after all credits and transfers required by this act for the  
6 previous fiscal year have been made, the sum of the actuarial  
7 value of assets and the actuarial present value of future normal  
8 cost contributions exceeds the actuarial present value of  
9 benefits, the amount based on the annual level percent of payroll  
10 contribution rate **OR RATE APPLIED TO CURRENT OPERATING**  
11 **EXPENDITURES, AS APPLICABLE**, pursuant to subsections (1) and (2)  
12 may be deposited into the health advance funding subaccount  
13 created by section 34.

14 (15) Notwithstanding any other provision of this act, if the  
15 retirement board establishes an arrangement and fund as described  
16 in section 6 of the public employee retirement benefit protection  
17 act, **2002 PA 100, MCL 38.1686**, the benefits that are required to  
18 be paid from that fund shall be paid from a portion of the  
19 employer contributions described in this section or other  
20 eligible funds. The retirement board shall determine the amount  
21 of the employer contributions or other eligible funds that shall  
22 be allocated to that fund and deposit that amount in that fund  
23 before it deposits any remaining employer contributions or other  
24 eligible funds in the pension fund.

25 (16) **BEGINNING WITH THE 2012-2013 STATE FISCAL YEAR, THE**  
26 **ACTUARY USED BY THE RETIREMENT BOARD SHALL USE A CURRENT**  
27 **OPERATING EXPENDITURE INCREASE ASSUMPTION THAT PROJECTS ANNUAL**



1 CURRENT OPERATING EXPENDITURE INCREASES OF 3.5%.

2 (17) AS USED IN THIS SECTION, "CURRENT OPERATING  
3 EXPENDITURES" FOR A PUBLIC LOCAL SCHOOL DISTRICT INCLUDES  
4 FUNCTIONS 1XX, 2XX, 45X, AND ALL OBJECT CODES EXCEPT 6XXX, AS  
5 DEFINED IN THE MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL BULLETIN  
6 1022, AND IS EQUAL TO THE TOTAL OF INSTRUCTIONAL AND SUPPORT  
7 SERVICES EXPENDITURES, INCLUDING THE TOTAL GENERAL FUND CHARGES  
8 INCURRED IN THE GENERAL, SPECIAL EDUCATION, AND VOCATIONAL  
9 EDUCATION FUNDS FOR THE BENEFIT OF THE CURRENT FISCAL YEAR,  
10 WHETHER PAID OR UNPAID, AND ALL EXPENDITURES OF THE INSTRUCTIONAL  
11 PROGRAMS PLUS APPLICABLE SUPPORTING SERVICE COSTS REDUCED BY  
12 CAPITAL OUTLAY, DEBT SERVICE, COMMUNITY SERVICES, AND OUTGOING  
13 TRANSFERS AND OTHER TRANSACTIONS. CURRENT OPERATING EXPENDITURES  
14 FOR A PUBLIC LOCAL SCHOOL DISTRICT ALSO INCLUDE OPERATING FUNDS  
15 FOR ANY PUBLIC SCHOOL OR OTHER PUBLIC EDUCATIONAL ENTITY FIRST  
16 AUTHORIZED OR ESTABLISHED BY THE PUBLIC LOCAL SCHOOL DISTRICT ON  
17 OR AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS  
18 SUBSECTION.

19 Sec. 41a. For fiscal years that begin on or after March 28,  
20 1996, the retirement system shall determine a separate  
21 contribution rate for a reporting unit that is a university  
22 listed in **THE DEFINITION OF PUBLIC SCHOOL EMPLOYEE UNDER** section  
23 ~~6(5)~~—6. The retirement system shall determine the separate  
24 contribution rate in the manner prescribed in section 41, except  
25 that the unfunded actuarial accrued liability shall be amortized  
26 over 40 years beginning October 1, 1996 and ending on September  
27 30, 2036, with the payment schedule for universities being based

1 on and applied to the combined payrolls of the universities'  
 2 employees who are members and who were hired before January 1,  
 3 1996 and the universities' employees who would have been members  
 4 on or after January 1, 1996, but for the enactment of 1995 PA  
 5 272. The amount of the unfunded accrued liability on which the  
 6 separate contribution rate is determined shall be that amount  
 7 which a reporting unit that is a university listed in **THE**  
 8 **DEFINITION OF PUBLIC SCHOOL EMPLOYEE UNDER** section ~~6(5)-6~~ is  
 9 legally responsible for and is calculated by actuarial analysis.  
 10 Any reduction in the unfunded liability of the system pursuant to  
 11 governmental action affecting the entire system will be allocated  
 12 to all reporting units including universities as determined by  
 13 the system's actuary. For the 2006-2007 state fiscal year, the  
 14 contribution for unfunded actuarial accrued liability shall be  
 15 equal to 4.5% of the unfunded actuarial accrued liability.

16       Sec. 42. (1) Beginning with the 1994-95 state fiscal year, a  
 17 reporting unit shall contribute the entire ~~percentage,~~ **AMOUNT**  
 18 determined under section ~~41(2),~~ ~~of the aggregate annual~~  
 19 ~~compensation of all employees who are members under the~~  
 20 ~~noncontributory plan as provided by section 63-41~~ to the reserve  
 21 for employer contributions and to the reserve for health  
 22 benefits. The reporting unit contribution under this subsection  
 23 is the exclusive obligation of the reporting unit payable out of  
 24 general budget resources of the reporting unit, including funds  
 25 available under local millage and other local resources and from  
 26 the state school aid allocation to the reporting unit, and shall  
 27 not be a separate obligation by specific reimbursement or

1 otherwise of this state.

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

22 (3) The employer shall deduct from a member's compensation  
23 the contributions for social security provided in 1951 PA 205,  
24 MCL 38.851 to 38.871. Contributions shall be made while the  
25 member remains a public school employee. Each reporting unit  
26 official shall deduct the social security contributions from the  
27 compensation of each member for each payroll period after the



1 date the employee becomes a member. Social security contributions  
2 shall be made notwithstanding that the minimum compensation  
3 provided by law is changed. Each member is considered to have  
4 agreed to the contributions prescribed in this subsection.

5 (4) Each reporting unit official shall forward member  
6 contributions to the retirement system on a schedule and in a  
7 manner determined by the retirement system.

8 (5) Each reporting unit official shall forward the entire  
9 employer contribution required by this act to the retirement  
10 system on a schedule and in a manner determined by the retirement  
11 system.

12 (6) Each reporting unit official shall submit to the  
13 retirement system a report that includes the information for  
14 retirement purposes, including, but not limited to, persons  
15 employed, retirants performing services at a reporting unit who  
16 are employed by an entity other than the reporting unit or who  
17 are independent contractors, wages or amounts paid, hours, and  
18 contributions required under this act. The report shall contain  
19 the information on a pay period basis and shall be submitted to  
20 the retirement system on a schedule and in a manner determined by  
21 the retirement system. The superintendent for a reporting unit or  
22 the chief administrator for a reporting unit that does not have a  
23 superintendent shall complete an annual certification that gives  
24 authorization for the employees of the reporting unit to report  
25 the information to the retirement system.

26 (7) If a reporting unit fails to submit a report or  
27 contributions, or both, according to the schedule established by

1 the retirement board, a late fee shall be paid by the reporting  
2 unit. If the remittance of contributions is late, the late fee  
3 shall include interest for each day that the remittance of  
4 contributions is late. The retirement board periodically may  
5 establish the late fee, which shall not be less than \$25.00, and  
6 interest charges, which shall not be less than 6% per annum. If a  
7 reporting unit fails to correct errors on a report before the  
8 errors are discovered by the retirement system or if such errors  
9 are intentional, the reporting unit shall pay the late fee and  
10 interest charges as described in this subsection for each day  
11 that the report is in error, unless reasonable cause is shown to  
12 the satisfaction of the retirement system.

13 (8) Upon written notice from the retirement board, the  
14 superintendent of public instruction and the state treasurer  
15 shall withhold payment of state funds, in part or in whole,  
16 payable from the state school aid appropriation or higher  
17 education appropriations to a reporting unit that fails to comply  
18 with this section.

19 Sec. 43a. (1) The contributions of a member who contributes  
20 to the member investment plan shall be deducted by the employer  
21 and remitted as employer contributions to the retirement system  
22 pursuant to section 42. A member who contributes to the member  
23 investment plan is entitled to the benefits provided in sections  
24 43b and 43c.

25 (2) ~~Until December 31, 1989~~ **EXCEPT AS OTHERWISE PROVIDED IN**  
26 **SUBSECTION (7)**, a member who first became a member on or before  
27 December 31, 1989, —and who elected or elects on or before

1 December 31, 1989 to contribute to the member investment plan  
 2 ~~shall contribute 4% of the member's compensation to the member~~  
 3 ~~investment plan and beginning January 1, 1990 shall contribute~~  
 4 3.9% of the member's compensation to the member investment plan.  
 5 ~~—— (3) On or before January 1, 1993, a member who first became~~  
 6 ~~a member on or before December 31, 1989, except as otherwise~~  
 7 ~~provided in subsection (4), and who did not elect to make~~  
 8 ~~contributions to the member investment plan, may irrevocably~~  
 9 ~~elect to make the contributions described in subsection (2). In~~  
 10 ~~addition to making the contributions required under subsection~~  
 11 ~~(2), a member who elects to make contributions to the member~~  
 12 ~~investment plan under this subsection shall make a contribution~~  
 13 ~~of 4% of the compensation received on or after January 1, 1987 to~~  
 14 ~~December 31, 1989, and 3.9% of the compensation received on or~~  
 15 ~~after January 1, 1990 to the date of the election, plus an amount~~  
 16 ~~equal to the compound interest that would have accumulated on~~  
 17 ~~those contributions as described in section 33, plus an amount~~  
 18 ~~equal to the net actuarial cost of the additional benefits~~  
 19 ~~attributable to service credited before January 1, 1987, as~~  
 20 ~~determined by the retirement board. The method and timing of~~  
 21 ~~payment by a member under this subsection shall be determined by~~  
 22 ~~the retirement board. The contributions made under this~~  
 23 ~~subsection shall be deposited into the reserve for employee~~  
 24 ~~contributions.~~

25 (3) ~~(4) A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A**  
 26 member who first became a member on or before December 31, 1986  
 27 but did not perform membership service between December 31, 1986

1 and January 1, 1990, and who returns to membership service on or  
 2 after January 1, 1990 and before July 1, 2008, shall make the  
 3 contributions described in subsection ~~(7)~~-(5).

4 ~~(4) (5) A EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A~~  
 5 member who first became a member on or after January 1, 1990 and  
 6 before July 1, 2008 shall make the contributions described in  
 7 subsection ~~(7)~~-(5).

8 ~~—— (6) A member who first became a member on or after January~~  
 9 ~~1, 1987 but before January 1, 1990 shall have 30 days from his or~~  
 10 ~~her first date of employment to irrevocably elect to make the~~  
 11 ~~contributions described in subsection (2).~~

12 ~~(5) (7) A EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A~~  
 13 member who first became a member on or after January 1, 1990 and  
 14 before July 1, 2008 shall contribute the following amounts to the  
 15 member investment plan:

| <u>Member's annual school fiscal</u> | <u>Amount payable to the member</u> |
|--------------------------------------|-------------------------------------|
| <u>year earned compensation</u>      | <u>investment plan</u>              |
| 18 Not over \$5,000.00               | 3% of member's compensation         |
| 19 Over \$5,000.00 but not over      | \$150.00, plus 3.6% of the          |
| 20 \$15,000.00                       | excess over \$5,000.00              |
| 21 Over \$15,000.00                  | \$510.00, plus 4.3% of the          |
| 22                                   | excess over \$15,000.00             |

23 ~~(6) (8) A EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A~~  
 24 member who first became a member on or after July 1, 2008 shall  
 25 contribute the following amounts to the member investment plan:

| <u>Member's annual school</u> | <u>Amount payable to the member</u> |
|-------------------------------|-------------------------------------|
|-------------------------------|-------------------------------------|





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|   |  |                               |
|---|--|-------------------------------|
| 1 | <u>fiscal year earned compensation</u> | <u>investment plan</u>        |
| 2 | Not over \$5,000.00                    | 3% of member's compensation   |
| 3 | Over \$5,000.00 but not over           | \$150.00, plus 3.6% of excess |
| 4 | \$15,000.00                            | over \$5,000.00               |
| 5 | Over \$15,000.00                       | \$510.00, plus 6.4% of the    |
| 6 |  | excess over \$15,000.00       |

7           (7) BEGINNING [NOVEMBER] 1, 2012, A MEMBER DESCRIBED IN  
8 SUBSECTIONS (2) TO (6) WHO MAKES THE ELECTION UNDER SECTION 59(1)  
9 AND WHO DOES NOT MAKE THE ATTAINMENT DATE DESIGNATION UNDER  
10 SECTION 59(1) SHALL CONTRIBUTE THE PERCENTAGE OF THE MEMBER'S  
11 ANNUAL SCHOOL FISCAL YEAR EARNED COMPENSATION TO THE RETIREMENT  
12 SYSTEM AS PRESCRIBED IN SECTION 43G UNTIL TERMINATION OF  
13 EMPLOYMENT. BEGINNING [NOVEMBER] 1, 2012, A MEMBER DESCRIBED IN  
14 SUBSECTIONS (2) TO (6) WHO MAKES THE ELECTION AND ATTAINMENT DATE  
15 DESIGNATION UNDER SECTION 59(1) SHALL CONTRIBUTE THE PERCENTAGE  
16 OF THE MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED COMPENSATION TO  
17 THE RETIREMENT SYSTEM AS PRESCRIBED IN SECTION 43G UNTIL HIS OR  
18 HER ATTAINMENT DATE AND SHALL CONTRIBUTE THE PERCENTAGE OF THE  
19 MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED COMPENSATION TO THE  
20 RETIREMENT SYSTEM AS PRESCRIBED IN THIS SECTION ON AND AFTER HIS  
21 OR HER ATTAINMENT DATE UNTIL TERMINATION OF EMPLOYMENT. BEGINNING  
22 [NOVEMBER] 1, 2012, A MEMBER DESCRIBED IN SUBSECTIONS (2) TO (6) WHO  
23 MAKES OR IS CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION  
24 UNDER SECTION 59(2) (A) SHALL CONTINUE TO CONTRIBUTE THE  
25 PERCENTAGE OF THE MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED  
26 COMPENSATION TO THE RETIREMENT SYSTEM AS PRESCRIBED IN THIS  
27 SECTION UNTIL TERMINATION OF EMPLOYMENT. BEGINNING [NOVEMBER] 1,



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1 2012, A MEMBER DESCRIBED IN SUBSECTIONS (2) TO (6) WHO MAKES THE  
 2 ALTERNATIVE ELECTION UNDER SECTION 59(2)(B) SHALL NOT CONTRIBUTE  
 3 ANY PERCENTAGE OF THE MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED  
 4 COMPENSATION TO THE RETIREMENT SYSTEM UNDER THIS SECTION OR  
 5 SECTION 43G.

6 Sec. 43e. ~~(1)~~—Except as otherwise provided in this section  
 7 OR SECTION 91A, ~~beginning July 1, 2010,~~ each member WHO FIRST  
 8 BECAME A MEMBER BEFORE [AUGUST] 1, 2012 shall contribute 3% of the  
 9 member's compensation to the appropriate funding account  
 10 established under the public employee retirement health care  
 11 funding act, 2010 PA 77, MCL 38.2731 TO 38.2747. ~~For the school~~  
 12 ~~fiscal year that begins July 1, 2010, members who were employed~~  
 13 ~~by a reporting unit and were paid less than \$18,000.00 in the~~  
 14 ~~prior school fiscal year and members who were hired on or after~~  
 15 ~~July 1, 2010 with a starting salary less than \$18,000.00 shall~~  
 16 ~~contribute 1.5% of the member's compensation to the appropriate~~  
 17 ~~funding account established under the public employee retirement~~  
 18 ~~health care funding act. For each school fiscal year that begins~~  
 19 ~~on or after July 1, 2011, members whose yearly salary is less~~  
 20 ~~than \$18,000.00 shall contribute 3% of the member's compensation~~  
 21 ~~to the appropriate funding account established under the public~~  
 22 ~~employee retirement health care funding act. The member~~  
 23 contributions UNDER THIS SECTION shall be deducted by the  
 24 employer and remitted as employer contributions in a manner that  
 25 the retirement system shall determine.  
 26 ———(2)—As used in this act, **SECTION**, "funding account" means  
 27 the appropriate irrevocable trust created in the public employee



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1 retirement health care funding act, 2010 PA 77, MCL 38.2731 TO  
2 38.2747, for the deposit of funds and the payment of retirement  
3 health care benefits.

4 SEC. 43G. (1) BEGINNING WITH THE FIRST PAYROLL DATE AFTER  
5 [NOVEMBER] 1, 2012 AND ENDING UPON THE MEMBER'S TERMINATION OF  
6 EMPLOYMENT OR ATTAINMENT DATE, AS APPLICABLE UNDER SECTION 59(1),  
7 EACH MEMBER WHO MADE THE ELECTION UNDER SECTION 59(1) SHALL  
8 CONTRIBUTE AN AMOUNT EQUAL TO A PERCENTAGE OF HIS OR HER  
9 COMPENSATION TO THE RESERVE FOR EMPLOYEE CONTRIBUTIONS OR TO THE  
10 MEMBER INVESTMENT PLAN AS SET FORTH IN SUBDIVISION (A) OR (B), AS  
11 APPLICABLE, TO PROVIDE FOR THE AMOUNT OF RETIREMENT ALLOWANCE  
12 THAT IS CALCULATED ONLY ON THE CREDITED SERVICE ACCRUED AND  
13 COMPENSATION EARNED BY THAT MEMBER AFTER [OCTOBER 31], 2012.  
14 SUBJECT TO SUBSECTION (2), THE MEMBER SHALL NOT CONTRIBUTE ANY  
15 AMOUNT UNDER THIS SUBSECTION FOR ANY YEARS OF CREDITED SERVICE  
16 ACCRUED OR COMPENSATION EARNED BEFORE [NOVEMBER] 1, 2012. SUBJECT TO  
17 SUBSECTION (2), THE AMOUNT TO BE CONTRIBUTED UNDER THIS  
18 SUBSECTION IS AS FOLLOWS:

19 (A) FOR A MEMBER WHO DOES NOT CONTRIBUTE TO THE MEMBER  
20 INVESTMENT PLAN AS OF [JULY 15], 2012, 4% OF COMPENSATION TO THE  
21 RESERVE FOR EMPLOYEE CONTRIBUTIONS.

22 (B) FOR A MEMBER WHO DOES CONTRIBUTE TO THE MEMBER  
23 INVESTMENT PLAN AS OF [JULY 15], 2012, 7% OF COMPENSATION TO THE  
24 MEMBER INVESTMENT PLAN.

25 (2) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF  
26 DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN THIS SECTION FROM THE  
27 COMPENSATION OF EACH MEMBER FOR EACH PAYROLL AND EACH PAYROLL



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1 PERIOD. THE CONTRIBUTIONS UNDER SUBSECTION (1) SHALL NOT EXCEED  
2 THE TOTAL NORMAL COST CONTRIBUTION RATE.

3 (3) THE EMPLOYER SHALL PICK UP THE MEMBER CONTRIBUTIONS  
4 REQUIRED BY SUBSECTION (1) FOR ALL COMPENSATION EARNED ON OR  
5 AFTER [NOVEMBER] 1, 2012. CONTRIBUTIONS PICKED UP SHALL BE TREATED  
6 AS EMPLOYER CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE  
7 INTERNAL REVENUE CODE. THE EMPLOYER SHALL PAY THESE MEMBER  
8 CONTRIBUTIONS FROM THE SAME SOURCE OF FUNDS THAT IS USED IN  
9 PAYING COMPENSATION TO THE MEMBER.

10 (4) A MEMBER IS ENTITLED TO THE BENEFIT OF ALL CONTRIBUTIONS  
11 MADE UNDER THIS SECTION IN THE SAME MANNER AS PROVIDED UNDER  
12 SECTION 29.

13 SEC. 59. (1) THE RETIREMENT SYSTEM SHALL PERMIT EACH  
14 QUALIFIED MEMBER TO MAKE AN ELECTION WITH THE RETIREMENT SYSTEM  
15 TO CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND  
16 COMPENSATION ON AND AFTER [NOVEMBER] 1, 2012, FOR PURPOSES OF A  
17 CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B. AS PART  
18 OF THE ELECTION UNDER THIS SUBSECTION, THE RETIREMENT SYSTEM  
19 SHALL PERMIT THE QUALIFIED MEMBER TO MAKE A DESIGNATION THAT THE  
20 CONTRIBUTIONS PRESCRIBED IN SECTION 43G SHALL BE PAID ONLY UNTIL  
21 THE MEMBER'S ATTAINMENT DATE. A QUALIFIED MEMBER WHO MAKES THE  
22 ELECTION AND THE ATTAINMENT DATE DESIGNATION UNDER THIS  
23 SUBSECTION SHALL MAKE THE CONTRIBUTIONS PRESCRIBED IN SECTION 43G  
24 ONLY UNTIL THE MEMBER'S ATTAINMENT DATE AND SHALL MAKE THE  
25 CONTRIBUTIONS PRESCRIBED IN SECTION 43A ON AND AFTER HIS OR HER  
26 ATTAINMENT DATE. A QUALIFIED MEMBER WHO MAKES THE ELECTION AND  
27 THE ATTAINMENT DATE DESIGNATION UNDER THIS SUBSECTION SHALL



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1 CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE SERVICE ACCRUED AND  
2 COMPENSATION EARNED AFTER HIS OR HER ATTAINMENT DATE FOR THE  
3 PURPOSE OF THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER  
4 SECTION 84B. A QUALIFIED MEMBER WHO MAKES THE ELECTION UNDER THIS  
5 SUBSECTION AND WHO DOES NOT MAKE THE ATTAINMENT DATE DESIGNATION  
6 OR RESCINDS THE ATTAINMENT DATE DESIGNATION UNDER THIS SUBSECTION  
7 SHALL MAKE THE CONTRIBUTIONS PRESCRIBED IN SECTION 43G UNTIL  
8 TERMINATION OF EMPLOYMENT. A QUALIFIED MEMBER WHO MAKES THE  
9 ELECTION UNDER THIS SUBSECTION AND WHO DOES NOT MAKE THE  
10 ATTAINMENT DATE DESIGNATION UNDER THIS SUBSECTION SHALL RECEIVE  
11 CREDIT FOR ANY FUTURE SERVICE ACCRUED AND COMPENSATION EARNED FOR  
12 THE PURPOSE OF THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER  
13 SECTION 84B.

14 (2) THE RETIREMENT SYSTEM SHALL PERMIT EACH QUALIFIED MEMBER  
15 TO MAKE AN ALTERNATIVE ELECTION DESCRIBED IN THIS SUBSECTION WITH  
16 THE RETIREMENT SYSTEM, IF THE QUALIFIED MEMBER DOES NOT MAKE THE  
17 ELECTION OR THE ELECTION AND DESIGNATION UNDER SUBSECTION (1). A  
18 QUALIFIED MEMBER WHO DOES NOT MAKE THE ELECTION OR THE ELECTION  
19 AND DESIGNATION UNDER SUBSECTION (1) AND WHO DOES NOT MAKE AN  
20 ALTERNATIVE ELECTION DESCRIBED IN THIS SUBSECTION IS CONSIDERED  
21 TO HAVE MADE THE ALTERNATIVE ELECTION DESCRIBED IN SUBDIVISION  
22 (A). A QUALIFIED MEMBER WHO DOES NOT MAKE THE ELECTION OR THE  
23 ELECTION AND DESIGNATION UNDER SUBSECTION (1) SHALL BE PERMITTED  
24 TO MAKE 1 OF THE FOLLOWING ALTERNATIVE ELECTIONS:

25 (A) TO CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND  
26 COMPENSATION ON AND AFTER [NOVEMBER] 1, 2012, FOR THE PURPOSE OF THE  
27 CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B. A



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1 QUALIFIED MEMBER WHO MAKES OR IS CONSIDERED TO HAVE MADE THE  
2 ALTERNATIVE ELECTION IN THIS SUBDIVISION SHALL CONTINUE TO MAKE  
3 THE EMPLOYEE CONTRIBUTIONS AS PROVIDED IN SECTION 43A AND SHALL  
4 NOT MAKE THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43G.

5 (B) TO FREEZE ALL SERVICE AND COMPENSATION ACCRUED TO THAT  
6 MEMBER AS OF [OCTOBER 31], 2012 FOR THE PURPOSE OF THE  
7 CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B AND,  
8 BEGINNING [NOVEMBER] 1, 2012, TO BE ELIGIBLE FOR THE EMPLOYER  
9 CONTRIBUTION TO THE MEMBER'S TIER 2 ACCOUNT AS PROVIDED IN  
10 SECTION 84B. BEGINNING [NOVEMBER] 1, 2012, A QUALIFIED MEMBER WHO  
11 MAKES THE ALTERNATIVE ELECTION IN THIS SUBDIVISION SHALL NOT MAKE  
12 THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43A OR 43G.

13 (3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF  
14 ACCEPTING QUALIFIED MEMBER ELECTIONS, DESIGNATIONS, AND  
15 ALTERNATIVE ELECTIONS UNDER THIS SECTION. THE RETIREMENT SYSTEM  
16 SHALL ACCEPT ELECTIONS, DESIGNATIONS, AND ALTERNATIVE ELECTIONS  
17 UNDER THIS SECTION FROM QUALIFIED MEMBERS DURING AN ELECTION  
18 PERIOD THAT BEGINS ON JULY [16], 2012 AND ENDS AT 5 P.M. EASTERN  
19 DAYLIGHT TIME ON [SEPTEMBER 28], 2012. A QUALIFIED MEMBER MAY RESCIND  
20 AN ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION BEFORE THE  
21 CLOSE OF THE ELECTION PERIOD. AN ELECTION, DESIGNATION, OR  
22 ALTERNATIVE ELECTION MADE BY A QUALIFIED MEMBER AND NOT RESCINDED  
23 BEFORE THE CLOSE OF THE ELECTION PERIOD SHALL NOT BE RESCINDED.

24 (4) A QUALIFIED MEMBER WHO DOES NOT MAKE OR WHO RESCINDS THE  
25 ELECTION UNDER SUBSECTION (1) ON OR BEFORE THE CLOSE OF THE  
26 ELECTION PERIOD AND WHO MAKES OR IS CONSIDERED TO HAVE MADE THE  
27 ALTERNATIVE ELECTION UNDER SUBSECTION (2) (A) IS SUBJECT TO ALL OF



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1 THE FOLLOWING:

2 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE  
3 SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A  
4 RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12  
5 MIDNIGHT ON [OCTOBER 31], 2012.

6 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE  
7 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON [NOVEMBER] 1,  
8 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE.

9 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE  
10 CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED  
11 SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(1) AND (2).  
12 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH  
13 INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR  
14 SERVICE PROVIDED UNDER SECTION 84B(7).

15 (5) A QUALIFIED MEMBER WHO DOES NOT MAKE OR WHO RESCINDS AN  
16 ELECTION UNDER SUBSECTION (1) AND WHO MAKES THE ALTERNATIVE  
17 ELECTION UNDER SUBSECTION (2) (B) ON OR BEFORE THE CLOSE OF THE  
18 ELECTION PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE  
19 FOLLOWING:

20 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE  
21 SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A  
22 RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12  
23 MIDNIGHT ON [OCTOBER 31], 2012.

24 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE  
25 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON [NOVEMBER] 1,  
26 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE AND  
27 ELIGIBILITY FOR THE EMPLOYER CONTRIBUTION TO THE MEMBER'S TIER 2



1 ACCOUNT.

2 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE  
3 CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED  
4 SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(3) AND (4).  
5 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH  
6 INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR  
7 SERVICE PROVIDED UNDER SECTION 84B(7).

8 (6) A QUALIFIED MEMBER WHO MAKES THE ELECTION AND THE  
9 ATTAINMENT DATE DESIGNATION UNDER SUBSECTION (1) AND WHO DOES NOT  
10 RESCIND THE ELECTION AND DESIGNATION ON OR BEFORE THE CLOSE OF  
11 THE ELECTION PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE  
12 FOLLOWING:

13 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE  
14 SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A  
15 RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12  
16 MIDNIGHT ON THE MEMBER'S ATTAINMENT DATE.

17 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE  
18 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON THE DAY AFTER  
19 THE ATTAINMENT DATE IF HE OR SHE REMAINS EMPLOYED BY AN EMPLOYER.

20 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE  
21 CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED  
22 SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(5) AND (6).  
23 THIS SUBDIVISION DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH  
24 INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR  
25 SERVICE PROVIDED UNDER SECTION 84B(7).

26 (7) AN INDIVIDUAL WHO IS NOT A QUALIFIED MEMBER, WHO WAS A  
27 MEMBER BEFORE JULY 1, 2010, WHO IS A DEFERRED MEMBER OR FORMER





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1 NONVESTED MEMBER ON [JULY 15], 2012, AND WHO IS REEMPLOYED ON OR  
2 AFTER JULY [16,] 2012 SHALL BE TREATED IN THE SAME MANNER AS A  
3 MEMBER DESCRIBED IN SUBSECTION (4) AND SHALL BECOME SUBJECT TO  
4 SECTION 84B FOR ANY FUTURE SERVICE AND COMPENSATION.

5 (8) ANY MEMBER WHO IS REEMPLOYED ON OR AFTER JULY [16,] 2012  
6 AND WHO, WHILE A MEMBER, MADE AN ELECTION, DESIGNATION, OR  
7 ALTERNATIVE ELECTION OR IS CONSIDERED TO HAVE MADE AN ALTERNATIVE  
8 ELECTION UNDER THIS SECTION SHALL BE TREATED AS RETAINING THAT  
9 ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION ON HIS OR HER DATE  
10 OF REEMPLOYMENT.

11 (9) AS USED IN THIS SECTION:

12 (A) "ATTAINMENT DATE" MEANS THAT TERM AS DEFINED IN SECTION  
13 84B.

14 (B) "QUALIFIED MEMBER" MEANS A MEMBER WHO MEETS ALL OF THE  
15 FOLLOWING REQUIREMENTS:

16 (i) HE OR SHE FIRST BECAME A MEMBER BEFORE JULY 1, 2010.

17 (ii) HE OR SHE HAS EARNED SERVICE CREDIT IN THE 12 MONTHS  
18 ENDING [JULY 15], 2012 OR WAS ON AN APPROVED PROFESSIONAL SERVICES  
19 OR MILITARY LEAVE OF ABSENCE ON [JULY 15], 2012.

20 Sec. 81b. (1) Notwithstanding section 81, a member may  
21 retire with a retirement allowance computed according to this  
22 section if all of the following apply:

23 (a) The member files a written application with the  
24 retirement board within the incentivized retirement application  
25 period stating a retirement allowance effective date that is on  
26 or after July 1, 2010 but not later than September 1, 2010. A  
27 member may withdraw a written application submitted by a member



1 on or before June 11, 2010. A written application submitted by a  
2 member and not withdrawn on or before June 11, 2010 is  
3 irrevocable.

4 (b) On the last day of the month immediately preceding the  
5 retirement allowance effective date stated in the application,  
6 the member's combined age and length of credited service is equal  
7 to or greater than 80 years or the member is eligible to retire  
8 under section 81 with a retirement allowance that is not subject  
9 to reduction under section 84(2).

10 (c) The member was employed as a public school employee for  
11 the 6-month period ending May 1, 2010. A member who has worked in  
12 the 6-month period ending May 1, 2010 and is on layoff or on an  
13 approved leave of absence status from reporting unit employment  
14 is considered to have met the employment requirement of this  
15 subdivision.

16 (2) Upon his or her retirement as provided in this section,  
17 a member who retires with a retirement effective date on or  
18 before September 1, 2010 shall receive a retirement allowance  
19 equal to the member's number of years and fraction of a year of  
20 credited service multiplied by 1.6% of the member's final average  
21 compensation if the final average compensation is \$90,000.00 or  
22 less and the member is eligible to retire under section 81 with a  
23 retirement allowance that is not subject to reduction under  
24 section 84(2). If the member is eligible to retire under section  
25 81 with a retirement allowance that is not subject to reduction  
26 under section 84(2) and has a final average compensation that is  
27 greater than \$90,000.00, the retirement allowance shall be equal

1 to the member's number of years and fraction of a year of  
2 credited service multiplied by 1.6% of his or her final average  
3 compensation up to a final average compensation of \$90,000.00 and  
4 the remaining portion of the retirement allowance shall be equal  
5 to the member's number of years and fraction of a year of  
6 credited service multiplied by 1.5% of the portion of final  
7 average compensation over \$90,000.00. For members eligible under  
8 this section because the member's combined age and length of  
9 credited service is equal to or greater than 80 years, upon his  
10 or her retirement as provided in this section, a member who  
11 retires with a retirement effective date on or before September  
12 1, 2010 shall receive a retirement allowance equal to the  
13 member's number of years and fraction of a year of credited  
14 service multiplied by 1.55% of the member's final average  
15 compensation if the final average compensation is \$90,000.00 or  
16 less. For members eligible to retire under this section because  
17 the member's combined age and length of credited service is equal  
18 to or greater than 80 years whose final average compensation is  
19 greater than \$90,000.00, the retirement allowance shall be  
20 calculated so that the member receives a portion of his or her  
21 retirement allowance equal to the member's number of years and  
22 fraction of a year of credited service multiplied by 1.55% of his  
23 or her final average compensation up to a final average  
24 compensation of \$90,000.00 and the remaining portion of the  
25 retirement allowance shall be calculated as equal to the member's  
26 number of years and fraction of a year of credited service  
27 multiplied by 1.5% of the portion of final average compensation



1 over \$90,000.00.

2 (3) Except as otherwise provided in this subsection, the  
3 superintendent for a reporting unit or the chief administrator  
4 for a reporting unit that does not have a superintendent may  
5 extend the effective date of retirement under subsection (1) of a  
6 member employed by that reporting unit to a date not later than  
7 September 1, 2011. Each reporting unit having a member who elects  
8 to retire under this section may extend the retirement effective  
9 date of 1 member under this section. Up to an additional 2,500  
10 extensions shall be allotted to reporting units using a pro-rata  
11 methodology determined by the retirement system. The retirement  
12 system shall notify reporting units of any additional extension  
13 allotments by May 22, 2010. To make an extension under this  
14 subsection, the superintendent or chief administrator shall  
15 submit to the retirement system notification of members whose  
16 retirement dates the superintendent or chief administrator will  
17 extend along with the written concurrence of the member on or  
18 before June 15, 2010. The superintendent or chief administrator  
19 shall not request, and the retirement system shall not implement,  
20 the extension of a member that exceeds the number of extensions  
21 allotted to his or her reporting unit.

22 (4) For purposes of this section, "incentivized retirement  
23 application period" means the period beginning on ~~the effective~~  
24 ~~date of the amendatory act that added this section~~ **MAY 19, 2010**  
25 and ending on June 11, 2010.

26 (5) Any additional costs to the retirement system as a  
27 result of the retirement allowance calculations under this



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1 section shall be amortized over a ~~5-year~~ 10-YEAR period.

2 SEC. 81D. (1) THE RETIREMENT SYSTEM SHALL PERMIT EACH  
3 QUALIFIED PARTICIPANT WHO FIRST BECOMES A QUALIFIED PARTICIPANT  
4 AND FIRST WORKS FOR A REPORTING UNIT ON OR AFTER [AUGUST] 1, 2012 TO  
5 MAKE AN ELECTION TO NOT BECOME A MEMBER OF TIER 1 AND BECOME ONLY  
6 A QUALIFIED PARTICIPANT IN TIER 2.

7 (2) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF  
8 ACCEPTING ELECTIONS UNDER SUBSECTION (1) AND REPORTING UNITS  
9 SHALL SECURE THOSE ELECTIONS DURING THE PERIOD BEGINNING ON THE  
10 DATE OF THE INDIVIDUAL'S EMPLOYMENT AND ENDING UPON THE  
11 EXPIRATION OF 75 DAYS FROM THE INDIVIDUAL'S FIRST PAYROLL DATE.  
12 AN ELECTION UNDER SUBSECTION (1) IS IRREVOCABLE.

13 (3) AN INDIVIDUAL WHO DOES NOT MAKE AN ELECTION FOR ANY  
14 REASON ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD IS  
15 CONSIDERED TO HAVE MADE AN ELECTION TO BECOME A MEMBER OF TIER 1  
16 AND IS SUBJECT TO ALL OF THE FOLLOWING AS OF THE DATE OF HIS OR  
17 HER EMPLOYMENT:

18 (A) HE OR SHE IS ELIGIBLE TO ACCRUE ANY SERVICE CREDIT OR  
19 QUALIFY FOR ANY RETIREMENT ALLOWANCE UNDER TIER 1 UNDER THE TERMS  
20 AS PROVIDED IN SECTION 81C.

21 (B) HE OR SHE IS ALSO A QUALIFIED PARTICIPANT UNDER TIER 2.

22 (4) AN INDIVIDUAL WHO MAKES THE ELECTION UNDER SUBSECTION  
23 (1) ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD IS CONSIDERED  
24 TO HAVE MADE AN ELECTION TO NOT BECOME A MEMBER OF TIER 1 AND IS  
25 SUBJECT TO ALL OF THE FOLLOWING AS OF THE DATE OF HIS OR HER  
26 EMPLOYMENT:

27 (A) HE OR SHE IS NOT ELIGIBLE TO ACCRUE ANY SERVICE CREDIT



1 OR QUALIFY FOR ANY RETIREMENT ALLOWANCE UNDER TIER 1 UNDER THE  
2 TERMS AS PROVIDED IN SECTION 81C.

3 (B) HE OR SHE IS ONLY A QUALIFIED PARTICIPANT UNDER TIER 2.

4 (5) THE RETIREMENT SYSTEM SHALL COLLECT FROM THE INDIVIDUAL  
5 ALL AMOUNTS REQUIRED UNDER SECTIONS 43A AND 131(2) AND SHALL  
6 COLLECT ALL REQUIRED EMPLOYER CONTRIBUTIONS REQUIRED UNDER TIER 1  
7 FROM HIS OR HER DATE OF EMPLOYMENT. IF AN INDIVIDUAL MAKES A  
8 VALID ELECTION UNDER SUBSECTION (1) TO NOT BECOME A MEMBER OF  
9 TIER 1, THE RETIREMENT SYSTEM SHALL DETERMINE AND IMPLEMENT A  
10 METHOD TO RECONCILE EMPLOYER AND EMPLOYEE CONTRIBUTIONS TO BE  
11 DEPOSITED TO TIER 2, AND ANY SUCH EMPLOYEE CONTRIBUTIONS WILL BE  
12 CONSIDERED TO BE ELECTIVE CONTRIBUTIONS UNDER SECTION 131.

13 Sec. 84. (1) ~~Except~~ SUBJECT TO SECTION 84B AND EXCEPT as  
14 provided in subsection (2), upon the member's retirement from  
15 service as provided in section 81, a member shall receive a  
16 retirement allowance that equals the product of the member's  
17 total years, and fraction of a year, of credited service  
18 multiplied by 1.5% of the member's final average compensation. A  
19 member shall not be allowed to use more than 15 years of out of  
20 system public education service, or more out of system public  
21 education service than service performed under this act or former  
22 ~~Act No. 136 of the Public Acts of 1945~~ 1945 PA 136 unless, before  
23 July 1, 1974, the member applied for out of system public  
24 education service credit based upon payment of contributions for  
25 the service as required under section 69, or former acts, in  
26 which case the total out of system public education service  
27 credited, not to exceed 15 years, shall be used to compute the



1 member's retirement allowance if the minimum service requirements  
2 performed under this act or former acts or as a state employee  
3 under the state employees' retirement act, ~~Act No. 240 of the~~  
4 ~~Public Acts of 1943, as amended, 1943 PA 240, MCL 38.1 TO 38.69,~~  
5 are met. Credit for state of Michigan service shall be on the  
6 same basis for eligibility for retirement provided in this act as  
7 if the service were performed under this act, former ~~Act No. 136~~  
8 ~~of the Public Acts of 1945, former Act No. 56 of the Public Acts~~  
9 ~~of 1941, or former Act No. 184 of the Public Acts of 1937.~~**1945 PA**  
10 **136, FORMER 1941 PA 56, OR FORMER 1937 PA 184.**

11 (2) If a member having less than 30 years credited service  
12 retires before the member's sixtieth birthday as provided in  
13 section 81, the member's retirement allowance provided in  
14 subsection (1) shall be reduced 1/2 of 1% for each month, and  
15 fraction of a month, within the period from the effective date of  
16 the member's retirement to the date of the member's sixtieth  
17 birthday, and shall continue at that same percentage after  
18 becoming 60 years of age.

19 (3) The reduction of 1/2 of 1% for each month and fraction  
20 of a month from the member's retirement allowance effective date  
21 to the date of the member's sixtieth birthday provided for in  
22 ~~former Act No. 136 of the Public Acts of 1945, 1945 PA 136,~~  
23 applicable to a member who retired before July 1, 1974 and before  
24 attainment of age 60, shall not apply to a member who retired  
25 before that date, at age 55 or more, having 30 or more years of  
26 credited service. The retirement allowance shall be recalculated  
27 disregarding the reduction and the person receiving the



1 retirement allowance shall be eligible to receive an adjusted  
2 retirement allowance based on the recalculation beginning January  
3 1, 1986, but shall not be eligible to receive the adjusted amount  
4 attributable to any month beginning before January 1, 1986.

5 (4) The reduction provided for in subsection (2) shall not  
6 apply to a member who retires under either section 86 or 87, or  
7 to a retirement allowance beneficiary who is granted an allowance  
8 under section 43c(c), 89, or 90.

9 (5) The retirement allowance of a person who satisfies the  
10 requirements of this subsection shall be recalculated based on  
11 1.5% of final average compensation times years of credited  
12 service. The person receiving the retirement allowance shall be  
13 eligible to receive an adjusted retirement allowance based on the  
14 recalculation beginning January 1, 1986, but shall not be  
15 eligible to receive the adjusted amount attributable to any month  
16 beginning before January 1, 1986. A retirement allowance shall be  
17 recalculated under this subsection if 1 of the following applies:

18 (a) The retirement allowance was payable to a retirant or  
19 retirement allowance beneficiary under chapter II of former ~~Act~~  
20 ~~No. 136 of the Public Acts of 1945~~ **PA 136** and the retirement  
21 allowance effective date was on or after July 1, 1956 but before  
22 July 1, 1974.

23 (b) The retirement allowance was payable to a plan II  
24 retirant or retirement allowance beneficiary under chapter I of  
25 former ~~Act No. 136 of the Public Acts of 1945~~ **PA 136** and the  
26 retirement allowance effective date was before July 1, 1974.

27 (6) A member retiring pursuant to section 81 who acquires at



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1 least 5 years of combined credited service under this act or  
 2 under former Act No. 136 of the Public Acts of 1945, 1945 PA 136,  
 3 and who is already in receipt of a retirement allowance under  
 4 chapter II of former Act No. 136 of the Public Acts of 1945, 1945  
 5 PA 136, may elect to return to the retirement system any  
 6 retirement allowance payments received, and receive a single  
 7 retirement allowance computed on the combined years of service  
 8 credited under this act and any former act.

9 SEC. 84B. (1) BEGINNING [NOVEMBER] 1, 2012, THE CALCULATION OF  
 10 A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT  
 11 MAKE THE ELECTION UNDER SECTION 59(1) AND WHO MADE OR IS  
 12 CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION UNDER SECTION  
 13 59(2) (A) SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED  
 14 SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE  
 15 COMPENSATION AS PROVIDED IN SECTION 84:

16 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
 17 ACCRUED TO THAT MEMBER BEFORE [NOVEMBER] 1, 2012.

18 (B) SERVICE CREDIT THAT WAS PURCHASED BEFORE [NOVEMBER] 1,  
 19 2012.

20 (C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN  
 21 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF [OCTOBER 31], 2012.

22 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND  
 23 108(10).

24 (2) BEGINNING [NOVEMBER] 1, 2012, THE CALCULATION OF A  
 25 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN  
 26 SUBSECTION (1) SHALL ALSO INCLUDE THE FOLLOWING ITEMS OF CREDITED  
 27 SERVICE, AS APPLICABLE, MULTIPLIED BY 1.25% OF FINAL AVERAGE



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1 COMPENSATION:

2 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
3 ACCRUED TO THAT MEMBER ON AND AFTER [NOVEMBER] 1, 2012.

4 (B) SERVICE CREDIT THAT WAS PURCHASED ON AND AFTER [NOVEMBER]  
5 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (1) (C).

6 (3) BEGINNING [NOVEMBER] 1, 2012, THE CALCULATION OF A  
7 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE  
8 THE ELECTION UNDER SECTION 59(1) AND WHO MADE THE ALTERNATIVE  
9 ELECTION UNDER SECTION 59(2) (B) SHALL INCLUDE ONLY THE FOLLOWING  
10 ITEMS OF CREDITED SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF  
11 FINAL AVERAGE COMPENSATION AS PROVIDED IN SECTION 84:

12 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
13 ACCRUED TO THAT MEMBER BEFORE [NOVEMBER] 1, 2012.

14 (B) SERVICE CREDIT THAT WAS PURCHASED BEFORE [NOVEMBER] 1,  
15 2012.

16 (C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN  
17 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF [OCTOBER 31], 2012.

18 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND  
19 108(10).

20 (4) BEGINNING [NOVEMBER] 1, 2012, THE CALCULATION OF A  
21 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN  
22 SUBSECTION (3) SHALL NOT INCLUDE ANY YEAR OR FRACTION OF A YEAR  
23 OF SERVICE PERFORMED BY THAT MEMBER ON AND AFTER [NOVEMBER] 1, 2012  
24 OR ANY SERVICE CREDIT THAT IS PURCHASED BY THAT MEMBER AFTER  
25 [NOVEMBER] 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (3) (C).  
26 BEGINNING WITH THE FIRST PAYROLL DATE AFTER [NOVEMBER] 1, 2012, AND  
27 ENDING UPON THE MEMBER'S TERMINATION OF SERVICE, THE EMPLOYER OF



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1 A MEMBER DESCRIBED IN SUBSECTION (3) SHALL CONTRIBUTE 4% OF THE  
2 MEMBER'S COMPENSATION AS DEFINED IN SECTION 122(2) TO THE  
3 MEMBER'S TIER 2 ACCOUNT. A MEMBER IS VESTED IN EMPLOYER  
4 CONTRIBUTIONS MADE UNDER THIS SUBSECTION ACCORDING TO THE VESTING  
5 PROVISIONS UNDER SECTION 132. A MEMBER SHALL BE CREDITED WITH  
6 YEARS OF SERVICE ACCRUED UNDER TIER 1 AS OF [NOVEMBER] 1, 2012 FOR  
7 PURPOSES OF MEETING THE APPLICABLE VESTING REQUIREMENTS.

8 (5) BEGINNING [NOVEMBER] 1, 2012, THE CALCULATION OF A  
9 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE  
10 ELECTION AND ATTAINMENT DATE DESIGNATION UNDER SECTION 59(1)  
11 SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED SERVICE, AS  
12 APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS  
13 PROVIDED IN SECTION 84:

14 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
15 ACCRUED TO THAT MEMBER ON OR BEFORE THE ATTAINMENT DATE.

16 (B) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE  
17 ATTAINMENT DATE.

18 (C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN  
19 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF THE ATTAINMENT  
20 DATE.

21 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND  
22 108(10).

23 (6) BEGINNING [NOVEMBER] 1, 2012, THE CALCULATION OF A  
24 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN  
25 SUBSECTION (5) SHALL ALSO INCLUDE THE FOLLOWING ITEMS OF CREDITED  
26 SERVICE, AS APPLICABLE, MULTIPLIED BY 1.25% OF FINAL AVERAGE  
27 COMPENSATION:



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1 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
2 ACCRUED TO THAT MEMBER ON AND AFTER THE ATTAINMENT DATE.

3 (B) SERVICE CREDIT THAT WAS PURCHASED ON AND AFTER THE  
4 ATTAINMENT DATE, EXCEPT AS PROVIDED IN SUBSECTION (5) (C).

5 (7) BEGINNING [NOVEMBER] 1, 2012, A MEMBER DESCRIBED IN  
6 SUBSECTION (1), (3), OR (5) SHALL CONTINUE TO ACCUMULATE YEARS OF  
7 SERVICE CREDIT AS NECESSARY FOR THE PURPOSE OF VESTING IN A  
8 RETIREMENT ALLOWANCE AND TO DETERMINE WHEN A RETIREMENT ALLOWANCE  
9 MAY BEGIN UNDER THIS ACT, REGARDLESS OF WHEN THE SERVICE CREDIT  
10 WAS ACCRUED, EXCEPT AS OTHERWISE PROVIDED IN SECTION 59(8). A  
11 MEMBER DESCRIBED IN SUBSECTION (1), (3), OR (5) SHALL CONTINUE TO  
12 BE TREATED AS A MEMBER FOR ALL PURPOSES, EXCEPT AS OTHERWISE  
13 PROVIDED IN SECTION 59(8) AND EXCEPT FOR THE LIMITATIONS ON  
14 CREDITED SERVICE AND CALCULATION OF A RETIREMENT ALLOWANCE AS  
15 PROVIDED IN SUBSECTIONS (1) THROUGH (6).

16 (8) THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT  
17 FOR A MEMBER WHO MAKES THE ELECTION UNDER SECTION 59(1) BUT WHO  
18 DOES NOT MAKE THE ATTAINMENT DATE DESIGNATION UNDER SECTION 59(1)  
19 SHALL INCLUDE ALL ITEMS OF CREDITED SERVICE ACCRUED TO THAT  
20 MEMBER, REGARDLESS OF WHEN THE SERVICE CREDIT WAS ACCRUED, WHICH  
21 SHALL BE MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS  
22 PROVIDED IN SECTION 84.

23 (9) AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THE  
24 FINAL DAY OF THE PAY PERIOD IN WHICH THE MEMBER ATTAINS 30 YEARS  
25 OF CREDITED SERVICE.

26 Sec. 91. (1) Except as otherwise provided in this section,  
27 the retirement system shall pay the entire monthly premium or



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1 membership or subscription fee for hospital, medical-surgical,  
 2 and sick care benefits for the benefit of a retirant or  
 3 retirement allowance beneficiary who elects coverage in the plan  
 4 authorized by the retirement board and the department. **EXCEPT AS**  
 5 **OTHERWISE PROVIDED IN THIS SECTION, BEGINNING JANUARY 1, 2013,**  
 6 **THE RETIREMENT SYSTEM SHALL PAY 80% OF THE ENTIRE MONTHLY PREMIUM**  
 7 **OR MEMBERSHIP OR SUBSCRIPTION FEE FOR HOSPITAL, MEDICAL-SURGICAL,**  
 8 **AND SICK CARE BENEFITS FOR THE BENEFIT OF A RETIRANT OR**  
 9 **RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN THE PLAN**  
 10 **AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.**

11 **[EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (7) TO (15), FOR A**  
 12 **RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY WHO IS ENROLLED IN THE**  
 13 **HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE BENEFITS PLAN ON JANUARY 1,**  
 14 **2013 AND WHO IS ELIGIBLE FOR MEDICARE ]**

15 **ON THAT DATE, THE RETIREMENT SYSTEM SHALL PAY 90% OF THE ENTIRE**  
 16 **MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR HOSPITAL,**  
 17 **MEDICAL-SURGICAL, AND SICK CARE BENEFITS FOR THE BENEFIT OF A**  
 18 **RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE**  
 19 **IN THE PLAN AUTHORIZED BY THE RETIREMENT BOARD AND THE**  
 20 **DEPARTMENT.** Except as otherwise provided in subsection (8), this  
 21 subsection does not apply to a retirant who first becomes a  
 22 member after June 30, 2008.

23 (2) The retirement system may pay up to the maximum of the  
 24 amount payable under subsection (1) toward the monthly premium  
 25 for hospital, medical-surgical, and sick care benefits for the  
 26 benefit of a retirant or retirement allowance beneficiary  
 27 enrolled in a group health insurance or prepaid service plan not



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1 authorized by the retirement board and the department, if  
 2 enrolled before June 1, 1975, for whom the retirement system on  
 3 July 18, 1983 was making a payment towards his or her monthly  
 4 premium.

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

10 (4) ~~The~~ **UNTIL DECEMBER 31, 2012, THE** retirement system shall  
 11 pay 90% of the monthly premium or membership or subscription fee  
 12 for dental [ **AND VISION** ] benefits for the benefit of a  
 13 retirant or retirement allowance beneficiary who elects coverage  
 14 in the plan authorized by the retirement board and the  
 15 department. **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,**  
 16 **BEGINNING JANUARY 1, 2013, THE RETIREMENT SYSTEM SHALL PAY 80% OF**  
 17 **THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR DENTAL [**  
 18 **AND VISION** ] **BENEFITS FOR THE BENEFIT OF A RETIRANT OR**  
 19 **RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN THE PLAN**  
 20 **AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.**  
 21 **[EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (7) TO (15), FOR A RETIRANT**  
 22 **OR RETIREMENT ALLOWANCE BENEFICIARY WHO IS ENROLLED IN THE DENTAL AND**  
 23 **VISION PLAN ON JANUARY 1, 2013 AND WHO IS**  
 24  **] 65 YEARS OF AGE OR OLDER**  
 25 **ON THAT DATE, THE RETIREMENT SYSTEM SHALL PAY 90% OF THE ENTIRE**  
 26 **MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR [DENTAL**  
 27 **AND VISION** ] **BENEFITS FOR THE BENEFIT OF A**



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1 RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE  
 2 IN THE PLAN AUTHORIZED BY THE RETIREMENT BOARD AND THE  
 3 DEPARTMENT. Payments shall begin under this subsection upon  
 4 approval by the retirement board and the department of plan  
 5 coverage and a plan provider. Except as otherwise provided in  
 6 subsection (8), this subsection does not apply to a retirant who  
 7 first becomes a member after June 30, 2008.

8 (5) ~~The~~ UNTIL DECEMBER 31, 2012, THE retirement system shall  
 9 pay up to 90% of the maximum of the amount payable under  
 10 subsection (1) toward the monthly premium or membership or  
 11 subscription fee for hospital, medical-surgical, and sick care  
 12 benefits coverage described in subsections (1) and (2) for each  
 13 health insurance dependent of a retirant receiving benefits under  
 14 subsection (1) or (2). ~~Payment~~ UNTIL DECEMBER 31, 2012, PAYMENT  
 15 shall not exceed 90% of the actual monthly premium or membership  
 16 or subscription fee. [EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (7)  
 THROUGH (15), FOR A HEALTH INSURANCE DEPENDENT WHO IS ENROLLED IN THE  
 HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE BENEFIT PLAN ON JANUARY 1, 2013  
 AND WHO IS ELIGIBLE FOR MEDICARE ON THAT DATE, THE RETIREMENT SYSTEM  
 SHALL PAY 90% OF THE ENTIRE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION  
 FEE FOR HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE BENEFITS FOR THE  
 BENEFIT OF EACH HEALTH INSURANCE DEPENDENT OF A RETIRANT RECEIVING  
 BENEFITS UNDER SUBSECTION (1) OR (2).] ~~The~~ UNTIL DECEMBER 31, 2012, THE  
 retirement  
 17 system shall pay 90% of the monthly premium or membership or  
 18 subscription fee for dental [~~vision, and hearing~~ AND VISION] benefits  
 19 described in subsection (4) for the benefit of each health  
 20 insurance dependent of a retirant receiving benefits under  
 21 subsection (4). BEGINNING JANUARY 1, 2013, ANY PAYMENT DESCRIBED  
 22 IN THIS SUBSECTION SHALL NOT EXCEED 80% OF THE ACTUAL MONTHLY  
 23 PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE. [EXCEPT AS OTHERWISE  
 24 PROVIDED IN SUBSECTIONS (7) TO (15), FOR A HEALTH INSURANCE  
 25 DEPENDENT OF A RETIRANT WHO IS ENROLLED IN THE DENTAL AND VISION  
 26 PLAN ON JANUARY 1, 2013 AND WHO IS

] 65 YEARS OF AGE OR OLDER ON THAT DATE, THE

Senate Bill No. 1040 (H-3) as amended June 14, 2012

1 RETIREMENT SYSTEM SHALL PAY 90% OF THE ENTIRE MONTHLY PREMIUM OR  
2 MEMBERSHIP OR SUBSCRIPTION FEE FOR DENTAL [AND VISION ]  
3 BENEFITS FOR THE BENEFIT OF EACH HEALTH INSURANCE DEPENDENT OF  
4 THE RETIRANT RECEIVING BENEFITS UNDER SUBSECTION (4). Payment  
5 for health benefits coverage for a health insurance dependent of  
6 a retirant shall not be made after the retirant's death, unless  
7 the retirant designated a retirement allowance beneficiary as  
8 provided in section 85 and the dependent was covered or eligible  
9 for coverage as a health insurance dependent of the retirant on  
10 the retirant's date of death. Payment for health benefits  
11 coverage shall not be made for a health insurance dependent after  
12 the later of the retirant's death or the retirement allowance  
13 beneficiary's death. Payment under this subsection and subsection  
14 (6) began October 1, 1985 for health insurance dependents who on  
15 July 10, 1985 were covered by the hospital, medical-surgical, and  
16 sick care benefits plan authorized by the retirement board and  
17 the department. Payment under this subsection and subsection (6)  
18 for other health insurance dependents shall not begin before  
19 January 1, 1986. Except as otherwise provided in subsection (8),  
20 this subsection does not apply to a retirant who first becomes a  
21 member after June 30, 2008.

22 (6) The payment described in subsection (5) shall also be  
23 made for each health insurance dependent of a deceased member or  
24 deceased duty disability retirant if a retirement allowance is  
25 being paid to a retirement allowance beneficiary because of the  
26 death of the member or duty disability retirant as provided in  
27 section 43c(c), 89, or 90. Payment for health benefits coverage





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1 for a health insurance dependent shall not be made after the  
2 retirement allowance beneficiary's death.

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

20 (8) For a member or deferred member who first becomes a  
21 member after June 30, 2008 **AND BEFORE [AUGUST] 1, 2012**, the  
22 retirement system shall pay up to ~~90%~~ **80%** of the monthly premium  
23 or membership or subscription fee for the hospital, medical-  
24 surgical, and sick care benefits plan, the dental plan, **[AND]** vision  
25 plan, ~~[and hearing plan,]~~ or any combination of the plans for the  
26 benefit of the retirant and his or her retirement allowance  
27 beneficiary and health insurance dependents, or for the benefit



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1 of the deceased member's retirement allowance beneficiary if the  
2 retirant or deceased member has 25 years or more of service  
3 credit under this act, and the retirant, deceased retirant, or  
4 deceased member was at least 60 years of age at the time of  
5 application for benefits under this section. If the retirant or  
6 deceased member is less than 60 years of age at the time of  
7 application for benefits under this section, the retirement  
8 system shall pay ~~90%~~ 80% of the monthly premium or membership or  
9 subscription fee for the hospital, medical-surgical, and sick  
10 care benefits plan, the dental plan, [AND] vision plan, [~~and hearing~~  
11 ~~plan,~~] or any combination of the plans for the benefit of the  
12 retirant and his or her retirement allowance beneficiary and the  
13 retirant's health insurance dependents, or for the benefit of the  
14 deceased member's retirement allowance beneficiary if the  
15 retirant or deceased member has 25 or more years of service  
16 credit granted under section 68. If a retirant, deceased  
17 retirant, or deceased member described in this subsection has 10  
18 or more but less than 25 years of service credit under this act  
19 and the retirant was at least 60 years of age at the time of  
20 application for benefits under this section, the retirement  
21 system shall pay a portion of the monthly premium or membership  
22 or subscription fee for the plans or combination of plans equal  
23 to the product of 3% and the retirant's, deceased retirant's, or  
24 deceased member's years of service for the first 10 years and 4%  
25 for each year after the first 10 years, **UP TO 80%**. This  
26 subsection does not apply to a member who receives a disability  
27 retirement allowance under section 86 or 87 or to a deceased



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1 member's retirement allowance beneficiary under section 90.

2 (9) The retirement system shall not pay the premiums or  
3 membership or subscription fees under subsection (8) until the  
4 retirant or retirement allowance beneficiary requests enrollment  
5 in the plans or combination of plans in writing in the manner  
6 prescribed by the retirement system. Not more than 1 ~~year's~~ **YEAR**  
7 **OF** service credit shall be counted for purposes of **THIS**  
8 subsection ~~(8)~~ and ~~this~~ subsection **(8)** in any school fiscal year.

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

23 (11) Except for a member who retires under section 86 or 87  
24 or a member who meets the requirements under subsection (7) or  
25 (8), the retirement system shall not pay the benefits provided in  
26 subsection (1) or (4) unless the member was employed and has  
27 received a minimum total of 1/2 of a year of service credit



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1 granted pursuant to section 68 during the 2 school fiscal years  
2 immediately preceding the member's retirement allowance effective  
3 date or the member has received a minimum of 1/10 of a year of  
4 service credit granted pursuant to section 68 during each of the  
5 5 school fiscal years immediately preceding the member's  
6 retirement allowance effective date. This subsection does not  
7 apply to a member who is unable to meet the service credit  
8 requirements of this subsection because of 1 or more periods of  
9 unpaid leaves of absence approved by the reporting unit during  
10 the period of leave of absence, as a result of a mental or  
11 physical disability supported by the member's doctor during the  
12 period of leave of absence.

13 (12) Any retirant or retirement allowance beneficiary  
14 excluded from payments under this section may participate in the  
15 hospital, medical-surgical, and sick care benefits plan, the  
16 dental plan, [OR] vision plan, [~~or hearing plan,~~] or any combination of  
17 the plans described in this section in the manner prescribed by  
18 the retirement system at his or her own cost.

19 (13) The hospital, medical-surgical, and sick care benefits  
20 plan, dental plan, [AND] vision plan, [~~and hearing plan~~] that covers  
21 retirants, retirement allowance beneficiaries, and health  
22 insurance dependents pursuant to this section shall contain a  
23 coordination of benefits provision that provides all of the  
24 following:

25 (a) If the person covered under the hospital, medical-  
26 surgical, and sick care benefits plan is also eligible for  
27 medicare or medicaid, or both, then the benefits under medicare

1 or medicaid, or both, shall be determined before the benefits of  
2 the hospital, medical-surgical, and sick care benefits plan  
3 provided pursuant to this section.

4 (b) If the person covered under any of the plans provided by  
5 this section is also covered under another plan that contains a  
6 coordination of benefits provision, the benefits shall be  
7 coordinated as provided by the coordination of benefits act, 1984  
8 PA 64, MCL 550.251 to 550.255.

9 (c) If the person covered under any of the plans provided by  
10 this section is also covered under another plan that does not  
11 contain a coordination of benefits provision, the benefits under  
12 the other plan shall be determined before the benefits of the  
13 plan provided pursuant to this section.

14 (14) Beginning January 1, 2009, upon the death of the  
15 retirant, a retirement allowance beneficiary who became a  
16 retirement allowance beneficiary under section 85(8) or (9) is  
17 not a health insurance dependent and is not entitled to health  
18 benefits under this section except as provided in this  
19 subsection. Beginning January 1, 2009, a surviving spouse  
20 selected as a retirement allowance beneficiary under section  
21 85(8) or (9) may elect the insurance coverages provided in this  
22 section ~~provided that~~ **IF** payment for the elected coverages is the  
23 responsibility of the surviving spouse and is paid in a manner  
24 prescribed by the retirement system.

25 **(15) THIS SECTION DOES NOT APPLY TO A RETIRANT OR A HEALTH**  
26 **INSURANCE DEPENDENT OF THAT RETIRANT UNDER EITHER OF THE**  
27 **FOLLOWING CIRCUMSTANCES:**



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1 (A) THE INDIVIDUAL FIRST BECAME A MEMBER OR QUALIFIED  
2 PARTICIPANT ON OR AFTER [AUGUST] 1, 2012.

3 (B) THE MEMBER MADE THE ELECTION TO OPT OUT OF HEALTH  
4 INSURANCE COVERAGE OR RECEIVES A SEPARATE RETIREMENT ALLOWANCE  
5 UNDER SECTION 91A.

6 (16) ~~(15)~~—For purposes of this section:

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

8 (i) Except as provided in subsection (14), the spouse of the  
9 retirant or the surviving spouse to whom the retirant or deceased  
10 member was married at the time of the retirant's or deceased  
11 member's death.

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

15 (iii) An unmarried child, by birth or adoption, of the  
16 retirant or deceased member, until December 31 of the calendar  
17 year in which the child becomes 25 years of age, who is enrolled  
18 as a full-time student, and who is or was at the time of the  
19 retirant's or deceased member's death a dependent of the retirant  
20 or deceased member as defined in section 152 of the internal  
21 revenue code, **26 USC 152**.

22 (iv) An unmarried child, by birth or adoption, of the  
23 retirant or deceased member who is incapable of self-sustaining  
24 employment because of mental or physical disability, and who is  
25 or was at the time of the retirant's or deceased member's death a  
26 dependent of the retirant or deceased member as defined in  
27 section 152 of the internal revenue code, **26 USC 152**.



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

4 (vi) An unmarried child who is not the child by birth or  
 5 adoption of the retirant or deceased member but who otherwise  
 6 qualifies to be a health insurance dependent under subparagraph  
 7 (ii), (iii), or (iv), if the retirant or deceased member is the legal  
 8 guardian of the unmarried child.

9 (b) "Medicaid" means benefits under the federal medicaid  
 10 program established under title XIX of the social security act,  
 11 42 USC 1396 to ~~1396v~~-1396W-5.

12 (c) "Medicare" means benefits under the federal medicare  
 13 program established under title XVIII of the social security act,  
 14 42 USC 1395 to ~~1395hhh~~-1395KKK.

15 **SEC. 91A. (1) AN INDIVIDUAL WHO FIRST BECAME A MEMBER OR**  
 16 **QUALIFIED PARTICIPANT ON OR AFTER [AUGUST] 1, 2012 OR WHO MADE THE**  
 17 **ELECTION UNDER SUBSECTION (5) SHALL NOT RECEIVE ANY HEALTH**  
 18 **INSURANCE COVERAGE PREMIUM FROM THE RETIREMENT SYSTEM FOR ANY**  
 19 **BENEFITS UNDER SECTION 91 OR AS A RESULT OF BENEFITS PROVIDED**  
 20 **UNDER SECTION 86, 87, OR 89. IN LIEU OF ANY OF THESE BENEFITS**  
 21 **THAT MIGHT HAVE BEEN PAID BY THE RETIREMENT SYSTEM, A MEMBER'S OR**  
 22 **QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A MATCHING**  
 23 **CONTRIBUTION UP TO 2% OF THE MEMBER'S OR QUALIFIED PARTICIPANT'S**  
 24 **COMPENSATION TO TIER 2 FOR EACH MEMBER WHO FIRST BECAME A MEMBER**  
 25 **OR QUALIFIED PARTICIPANT ON OR AFTER [AUGUST] 1, 2012 OR WHO MADE THE**  
 26 **ELECTION UNDER SUBSECTION (5). A MATCHING CONTRIBUTION UNDER THIS**  
 27 **SUBSECTION SHALL NOT BE USED AS THE BASIS FOR A LOAN FROM AN**



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1 EMPLOYEE'S TIER 2 ACCOUNT. [IF THE DEPARTMENT OR RETIREMENT SYSTEM OFFERS  
A HEALTH EXPENDITURE ACCOUNT OR SIMILAR ACCOUNT FOR THE PURPOSE OF  
MANAGING A MEMBER'S HEALTH CARE FUNDS UNDER THIS SECTION, AS PERMITTED  
BY STATE OR FEDERAL LAW, THE DEPARTMENT OR RETIREMENT SYSTEM SHALL ISSUE  
A REQUEST FOR PROPOSALS BEFORE IMPLEMENTATION OF THAT HEALTH EXPENDITURE  
ACCOUNT OR SIMILAR ACCOUNT.]

2 (2) AN INDIVIDUAL WHO FIRST BECAME A MEMBER OR QUALIFIED  
3 PARTICIPANT ON OR AFTER [AUGUST] 1, 2012 OR WHO MADE THE ELECTION  
4 UNDER SUBSECTION (5) MAY MAKE A CONTRIBUTION UP TO 2% OF THE  
5 MEMBER'S OR QUALIFIED PARTICIPANT'S COMPENSATION TO A TIER 2  
6 ACCOUNT. A MEMBER OR QUALIFIED PARTICIPANT DESCRIBED IN THIS  
7 SUBSECTION MAY MAKE ADDITIONAL CONTRIBUTIONS TO HIS OR HER TIER 2  
8 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE  
9 CODE.

10 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A  
11 MEMBER OR QUALIFIED PARTICIPANT IS VESTED IN CONTRIBUTIONS MADE  
12 TO HIS OR HER TIER 2 ACCOUNT UNDER SUBSECTIONS (1) AND (2)  
13 ACCORDING TO THE VESTING PROVISIONS UNDER SECTION 132. A MEMBER  
14 WHO IS ELIGIBLE FOR THE PAYMENT OF HEALTH INSURANCE COVERAGE  
15 PREMIUMS BY THE RETIREMENT SYSTEM AS A RESULT OF BENEFITS  
16 PROVIDED UNDER SECTION 90 IS NOT VESTED IN ANY EMPLOYER  
17 CONTRIBUTIONS UNDER SUBSECTION (1) AND FORFEITS THE EMPLOYER  
18 CONTRIBUTIONS AND EARNINGS ON THOSE CONTRIBUTIONS.

19 (4) THE CONTRIBUTIONS DESCRIBED IN THIS SECTION SHALL BEGIN  
20 WITH THE FIRST PAYROLL DATE AFTER THE MEMBER OR QUALIFIED  
21 PARTICIPANT IS EMPLOYED OR ON OR AFTER [NOVEMBER] 1, 2012 FOR A  
22 MEMBER WHO MAKES THE ELECTION UNDER SUBSECTION (5) AND END UPON  
23 HIS OR HER TERMINATION OF EMPLOYMENT.

24 (5) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, BEGINNING  
25 JULY [16,] 2012 AND ENDING AT 5 P.M. EASTERN DAYLIGHT TIME ON [SEPTEMBER  
26 28], 2012, THE RETIREMENT SYSTEM SHALL PERMIT EACH QUALIFIED  
27 MEMBER TO MAKE AN ELECTION TO OPT OUT OF HEALTH INSURANCE



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1 COVERAGE PREMIUMS THAT WOULD HAVE BEEN PAID BY THE RETIREMENT  
2 SYSTEM UNDER SECTION 91 AND OPT INTO THE TIER 2 ACCOUNT  
3 PROVISIONS OF THIS SECTION EFFECTIVE [NOVEMBER] 1, 2012. A QUALIFIED  
4 MEMBER WHO MAKES THE ELECTION UNDER THIS SUBSECTION SHALL CEASE  
5 ACCRUING YEARS OF SERVICE CREDIT FOR PURPOSES OF CALCULATING A  
6 PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUMS THAT WOULD HAVE  
7 BEEN PAID BY THE RETIREMENT SYSTEM UNDER SECTION 91 AS IF THAT  
8 SECTION CONTINUED TO APPLY.

9 (6) A QUALIFIED MEMBER WHO DOES NOT MAKE THE ELECTION UNDER  
10 SUBSECTION (5) CONTINUES TO BE ELIGIBLE FOR THE PAYMENT OF HEALTH  
11 INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM UNDER  
12 SECTION 91 AND IS NOT ELIGIBLE FOR THE TIER 2 ACCOUNT PROVISIONS  
13 OF THIS SECTION. AN INDIVIDUAL WHO IS NOT A QUALIFIED MEMBER, WHO  
14 IS A FORMER MEMBER ON [JULY 15], 2012, AND WHO IS REEMPLOYED BY AN  
15 EMPLOYER ON OR AFTER JULY [16,] 2012 SHALL BE TREATED IN THE SAME  
16 MANNER AS A MEMBER DESCRIBED IN THIS SUBSECTION WHO DID NOT MAKE  
17 THE ELECTION UNDER SUBSECTION (5).

18 (7) THE RETIREMENT SYSTEM SHALL CALCULATE AN AMOUNT TO BE  
19 CREDITED TO A TIER 2 ACCOUNT FOR EACH MEMBER WHO MAKES THE  
20 ELECTION UNDER SUBSECTION (5). THE AMOUNT DESCRIBED IN THIS  
21 SUBSECTION SHALL BE AN AMOUNT EQUAL TO THE CONTRIBUTIONS MADE BY  
22 THE MEMBER UNDER SECTION 43E. A MEMBER WHO MAKES THE ELECTION  
23 UNDER SUBSECTION (5) SHALL CEASE MAKING CONTRIBUTIONS UNDER  
24 SECTION 43E AS DETERMINED BY THE RETIREMENT SYSTEM, BUT NO LATER  
25 THAN THE FIRST PAYROLL DATE AFTER [NOVEMBER] 1, 2012. THE AMOUNT  
26 CALCULATED UNDER THIS SUBSECTION SHALL BE DEPOSITED INTO THE  
27 MEMBER'S TIER 2 ACCOUNT AS DETERMINED BY THE RETIREMENT SYSTEM,



1 BUT NO LATER THAN THE FIRST PAYROLL DATE AFTER JANUARY 1, 2013. A  
2 MEMBER IS IMMEDIATELY 100% VESTED IN AMOUNTS DEPOSITED TO HIS OR  
3 HER TIER 2 ACCOUNT UNDER THIS SUBSECTION.

4 (8) A MEMBER OR FORMER MEMBER WHO DOES NOT MAKE THE ELECTION  
5 UNDER SUBSECTION (5), WHO IS 60 YEARS OF AGE OR OLDER, WHO DOES  
6 NOT QUALIFY FOR THE PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS  
7 BY THE RETIREMENT SYSTEM UNDER SECTION 91, AND WHO FILES AN  
8 APPLICATION WITH THE RETIREMENT SYSTEM ON OR AFTER TERMINATION OF  
9 EMPLOYMENT SHALL RECEIVE A SEPARATE RETIREMENT ALLOWANCE AS  
10 CALCULATED UNDER THIS SUBSECTION. EXCEPT AS OTHERWISE PROVIDED  
11 UNDER THIS SUBSECTION, THE SEPARATE RETIREMENT ALLOWANCE UNDER  
12 THIS SUBSECTION SHALL BE PAID FOR 60 MONTHS AND SHALL BE EQUAL TO  
13 1/60 OF THE AMOUNT EQUAL TO THE CONTRIBUTIONS MADE BY THE MEMBER  
14 UNDER SECTION 43E. THE RETIREMENT SYSTEM MAY PAY OUT DE MINIMUS  
15 AMOUNTS AS A LUMP SUM AS DETERMINED BY THE RETIREMENT SYSTEM AND  
16 AS PERMITTED BY THE INTERNAL REVENUE CODE. A MEMBER RECEIVING A  
17 SEPARATE RETIREMENT ALLOWANCE UNDER THIS SUBSECTION SHALL NOT  
18 SUBSEQUENTLY RECEIVE THE PAYMENT OF HEALTH INSURANCE COVERAGE  
19 PREMIUMS BY THE RETIREMENT SYSTEM UNDER SECTION 91. A MEMBER WHO  
20 DIES BEFORE QUALIFYING FOR THE PAYMENT OF HEALTH INSURANCE  
21 COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM UNDER SECTION 91 SHALL  
22 HAVE A SEPARATE RETIREMENT ALLOWANCE AS PROVIDED IN THIS  
23 SUBSECTION PAID TO THE MEMBER'S BENEFICIARY UPON APPLICATION TO  
24 THE RETIREMENT SYSTEM. A MEMBER WHO QUALIFIES FOR THE PAYMENT OF  
25 HEALTH INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM UNDER  
26 SECTION 91 BUT WHO DIES BEFORE THE PAYMENT OF HEALTH INSURANCE  
27 COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM IN AN AMOUNT EQUAL TO

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1 OR GREATER THAN THE AMOUNTS CONTRIBUTED UNDER SECTION 43E SHALL  
 2 HAVE A SEPARATE RETIREMENT ALLOWANCE AS PROVIDED IN THIS  
 3 SUBSECTION PAID TO THE MEMBER'S BENEFICIARY [FOLLOWING THE CESSATION  
 OF HEALTH INSURANCE COVERAGE PREMIUMS PAID BY THE RETIREMENT SYSTEM] IN  
 AN AMOUNT EQUAL TO  
 4 THE DIFFERENCE BETWEEN THE HEALTH INSURANCE COVERAGE PREMIUMS  
 5 PAID BY THE RETIREMENT SYSTEM UNDER SECTION 91 AND CONTRIBUTIONS  
 6 MADE BY THE MEMBER UNDER SECTION 43E. THE AMOUNT OF THE SEPARATE  
 7 RETIREMENT ALLOWANCE AS DETERMINED UNDER THIS SUBSECTION SHALL BE  
 8 INCREASED IN A MANNER AS DETERMINED BY THE RETIREMENT SYSTEM BY A  
 9 PERCENTAGE EQUAL TO 1.5% MULTIPLIED BY THE TOTAL NUMBER OF YEARS  
 10 THAT MEMBER MADE CONTRIBUTIONS UNDER SECTION 43E.

11 (9) A MEMBER OR FORMER MEMBER WHO HAS A BREAK IN SERVICE AND  
 12 IS REEMPLOYED RETAINS THE SAME ELECTION THAT THE MEMBER MADE  
 13 UNDER THIS SECTION BEFORE THE BREAK IN SERVICE. IF THE MEMBER  
 14 MADE THE ELECTION UNDER SUBSECTION (5), THE MEMBER SHALL CONTINUE  
 15 TO RECEIVE THE TIER 2 ACCOUNT CONTRIBUTIONS AS PROVIDED IN  
 16 SUBSECTIONS (1) AND (2). IF THE MEMBER DID NOT MAKE THE ELECTION  
 17 UNDER SUBSECTION (5), THE MEMBER SHALL CONTINUE TO MAKE THE  
 18 CONTRIBUTIONS AS PROVIDED UNDER SECTION 43E AND IS SUBJECT TO  
 19 SUBSECTION (8), IF APPLICABLE.

20 (10) IN LIEU OF ANY OTHER HEALTH INSURANCE COVERAGE PREMIUM  
 21 THAT MIGHT HAVE BEEN PAID BY THE RETIREMENT SYSTEM UNDER SECTION  
 22 91, A CREDIT TO A HEALTH REIMBURSEMENT ACCOUNT WITHIN THE TRUST  
 23 CREATED UNDER THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING  
 24 ACT, 2010 PA 77, MCL 38.2731 TO 38.2747, SHALL BE MADE BY THE  
 25 RETIREMENT SYSTEM IN THE AMOUNTS AND TO THE MEMBERS OR QUALIFIED  
 26 PARTICIPANTS AS FOLLOWS:

27 (A) TWO THOUSAND DOLLARS TO AN INDIVIDUAL WHO FIRST BECAME A



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1 MEMBER OR QUALIFIED PARTICIPANT ON OR AFTER [AUGUST] 1, 2012, WHO IS  
2 60 YEARS OF AGE OR OLDER, AND WHO HAS AT LEAST 10 YEARS OF  
3 SERVICE AT HIS OR HER FIRST TERMINATION OF EMPLOYMENT.

4 (B) ONE THOUSAND DOLLARS TO AN INDIVIDUAL WHO FIRST BECAME A  
5 MEMBER OR QUALIFIED PARTICIPANT ON OR AFTER [AUGUST] 1, 2012, WHO IS  
6 LESS THAN 60 YEARS OF AGE, AND WHO HAS AT LEAST 10 YEARS OF  
7 SERVICE AT HIS OR HER FIRST TERMINATION OF EMPLOYMENT.

8 (11) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD TO  
9 IMPLEMENT SUBSECTIONS (5) TO (10), INCLUDING A METHOD FOR  
10 CREDITING THE AMOUNTS IN THOSE SUBSECTIONS TO COMPLY WITH ANY  
11 RESTRICTIONS IMPOSED BY THE INTERNAL REVENUE CODE.

12 NOTWITHSTANDING ANY PROVISION OF THIS ACT TO THE CONTRARY, THE  
13 TIER 2 PLAN PROVISIONS OF THIS SECTION SHALL BE IMPLEMENTED BY  
14 THE DEPARTMENT AS SOON AS FEASIBLE BUT NOT LATER THAN JANUARY 1,  
15 2013.

16 (12) SUBSECTIONS (5) TO (10) DO NOT APPLY TO A MEMBER WHO IS  
17 ELIGIBLE FOR THE PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS BY  
18 THE RETIREMENT SYSTEM AS A RESULT OF BENEFITS PROVIDED UNDER  
19 SECTION [90 ].

20 (13) ON OR BEFORE JULY 1, 2017, THE RETIREMENT SYSTEM SHALL  
21 PROVIDE A REPORT TO THE CHAIRS OF THE HOUSE AND SENATE  
22 APPROPRIATIONS COMMITTEES THAT PROVIDES THE PROJECTED IMPACT OF  
23 SUBSECTION (10) AS IT APPLIES TO MEMBERS FIRST EMPLOYED AND  
24 ENTERED UPON THE PAYROLL OF REPORTING UNITS ON OR AFTER JULY 1,  
25 2017 WITH REGARD TO THE ANNUAL REQUIRED CONTRIBUTION AS USED BY  
26 THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND FOR PURPOSES OF  
27 THE ANNUAL FINANCIAL STATEMENTS PREPARED UNDER SECTION 28(1).



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1 (14) AS USED IN THIS SECTION:

2 (A) "COMPENSATION" MEANS THAT TERM AS DEFINED IN SECTION  
3 122(2).

4 (B) "QUALIFIED MEMBER" MEANS A MEMBER WHO MEETS ALL OF THE  
5 FOLLOWING REQUIREMENTS:

6 (i) HE OR SHE FIRST BECAME A MEMBER BEFORE [AUGUST] 1, 2012.

7 (ii) HE OR SHE HAS EARNED SERVICE CREDIT IN THE 12 MONTHS  
8 ENDING [JULY 15], 2012 OR WAS ON AN APPROVED PROFESSIONAL SERVICES  
9 OR MILITARY LEAVE OF ABSENCE ON [JULY 15], 2012.

10 SEC. 92B. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR  
11 ENDING SEPTEMBER 30, 2012, \$4,700,000.00 TO THE OFFICE OF  
12 RETIREMENT SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT,  
13 AND BUDGET FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY  
14 ACT THAT ADDED THIS SECTION.

15 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK  
16 PROJECT APPROPRIATION AND ANY UNENCUMBERED OR UNALLOTTED FUNDS  
17 ARE CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING  
18 IS IN COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND  
19 BUDGET ACT, 1984 PA 431, MCL 18.1451A:

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

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

24 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT  
25 IS \$4,700,000.00.

26 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS  
27 SEPTEMBER 30, 2013.



1           SEC. 93. (1) THE DIRECTOR OF THE DEPARTMENT, SENATE MAJORITY  
2 LEADER, AND SPEAKER OF THE HOUSE OF REPRESENTATIVES SHALL  
3 COMMISSION AN INDEPENDENT THIRD PARTY AT A COST OF NO MORE THAN  
4 \$100,000.00 TO CONDUCT A STUDY AND PREPARE A REPORT ANALYZING THE  
5 CURRENT RETIREMENT SYSTEM AND DEVELOP A PROPOSED PLAN TO ENSURE  
6 THE LONG-TERM SUSTAINABILITY OF THE RETIREMENT SYSTEM. THE OFFICE  
7 OF RETIREMENT SERVICES ON BEHALF OF THE DEPARTMENT SHALL ASSIST  
8 WITH THE STUDY. INPUT SHALL BE SOLICITED FROM THE RETIREMENT  
9 SYSTEM MEMBERSHIP CONSTITUENCY ORGANIZATIONS.

10           (2) ON OR BEFORE DECEMBER 31, 2012, THE STUDY REQUIRED UNDER  
11 SUBSECTION (1) SHALL BE DELIVERED TO THE SENATE MAJORITY LEADER,  
12 SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE SENATE AND HOUSE OF  
13 REPRESENTATIVES APPROPRIATIONS COMMITTEES, AND THE SENATE AND  
14 HOUSE OF REPRESENTATIVES FISCAL AGENCIES. THE STUDY SHALL INCLUDE  
15 PRIMARY AND ALTERNATIVE RECOMMENDATIONS CONSIDERED NECESSARY.

16           (3) THE STUDY REQUIRED UNDER SUBSECTION (1) SHALL REVIEW THE  
17 ADVANTAGES AND DISADVANTAGES OF IMPLEMENTING BENEFIT DESIGN  
18 CHANGES AND SHALL INCLUDE, BUT IS NOT LIMITED TO, A REVIEW OF THE  
19 ADEQUACY OF THE BENEFITS, LONG-TERM RETENTION OF EMPLOYEES,  
20 INVESTMENT RETURN AND OTHER RISK, AND THE ECONOMIC IMPACT OF  
21 IMPLEMENTING THE FOLLOWING:

22           (A) DEFINED CONTRIBUTION, HYBRID DEFINED CONTRIBUTION, AND  
23 OTHER DEFINED CONTRIBUTION PLAN OPTIONS AS OPPOSED TO DEFINED  
24 BENEFIT PLAN OPTIONS.

25           (B) PLAN DESIGN, FUNDING METHODS, BENEFITS PROVIDED, AND  
26 OTHER FEATURES ORIGINALLY ENACTED OR AMENDED IN OTHER PUBLIC  
27 STATE SCHOOL EMPLOYEE PLANS AND PRIVATE RETIREMENT PLANS COVERING



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1 COMPARABLE EMPLOYEES.

2 (C) FUNDING OR NOT FUNDING THE ANNUAL REQUIRED CONTRIBUTION  
3 AS USED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD OR OTHER  
4 ANNUAL FUNDING REQUIREMENTS TO MEET ANY UNFUNDED LIABILITIES OF  
5 THE RETIREMENT SYSTEM.

6 (D) AMENDMENTS TO THE RETIREMENT SYSTEM FEATURES, SUCH AS  
7 REPORTING UNIT AND MEMBER CONTRIBUTIONS, VESTING, SERVICE CREDIT  
8 PURCHASES, RETIREMENT ALLOWANCE CALCULATIONS, COST OF LIVING  
9 ALLOWANCES, AND OTHER SIMILAR FEATURES.

10 (E) A CHANGE IN THE FUNDING METHOD OF HEALTH BENEFITS  
11 PROVIDED UNDER SECTION 91 FROM A CASH DISBURSEMENT METHOD TO AN  
12 INDIVIDUAL PROJECTED BENEFIT ENTRY AGE NORMAL COST METHOD OF  
13 VALUATION.

14 (4) THE STUDY REQUIRED UNDER SUBSECTION (1) SHALL REVIEW AND  
15 IDENTIFY THE NORMAL COSTS AND TRANSITION COSTS OF CLOSING TO ALL  
16 NEW MEMBERS AND QUALIFIED PARTICIPANTS THE TIER 1 AND TIER 2  
17 PLANS IN EFFECT ON THE EFFECTIVE DATE OF THIS SECTION AND  
18 IMPLEMENTING A TIER 3 PLAN THAT IS IDENTICAL TO THE RETIREMENT  
19 PLAN ESTABLISHED PURSUANT TO SECTION 401(K) OF THE INTERNAL  
20 REVENUE CODE, 26 USC 401, AND THAT IS AVAILABLE TO QUALIFIED  
21 PARTICIPANTS UNDER SECTIONS 50 TO 69 OF THE STATE EMPLOYEES'  
22 RETIREMENT ACT, 1943 PA 240, MCL 38.50 TO 38.69.

23 SEC. 94. THE OFFICE OF RETIREMENT SERVICES SHALL CONDUCT A  
24 STUDY REGARDING THE DEGREE TO WHICH [CURRENT OPERATION EXPENDITURES ARE]  
A  
25 STABLE, GROWING, AND EQUITABLE BASE FOR CHARGING UNFUNDED ACCRUED  
26 LIABILITY COSTS TO PUBLIC LOCAL SCHOOL DISTRICTS, AS COMPARED TO  
27 ALTERNATE MEASURES OF DISTRICT FINANCIAL ACTIVITY. [THE STUDY SHALL  
INCLUDE AN ANALYSIS OF THE DEGREE TO WHICH CURRENT UNFUNDED ACCRUED  
LIABILITIES ARE THE RESULT OF STRANDED COST FACTORS.] THE OFFICE OF



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1 RETIREMENT SERVICES SHALL DELIVER A REPORT REGARDING THE FINDINGS  
2 OF THE STUDY AND RECOMMENDATIONS REGARDING THE USE OF [CURRENT  
3 OPERATING EXPENDITURES] OR AN ALTERNATE MEASURE AS THE BASIS FOR  
4 CHARGING  
5 UNFUNDED ACCRUED LIABILITY COSTS TO PUBLIC LOCAL SCHOOL DISTRICTS  
6 TO THE SENATE MAJORITY LEADER, THE SPEAKER OF THE HOUSE OF  
7 REPRESENTATIVES, THE SENATE AND HOUSE OF REPRESENTATIVES  
8 REPRESENTATIVES, THE SENATE AND HOUSE OF REPRESENTATIVES  
9 REPRESENTATIVES FISCAL AGENCIES ON OR BEFORE DECEMBER 31, 2012.

9 Sec. 108. (1) This section is enacted pursuant to federal  
10 law that imposes certain administrative requirements and benefit  
11 limitations for qualified governmental plans. This state intends  
12 that the retirement system be a qualified pension plan created in  
13 trust under section 401 of the internal revenue code, 26 USC 401,  
14 and that the trust be an exempt organization under section 501 of  
15 the internal revenue code, 26 USC 501. The department shall  
16 administer the retirement system to fulfill this intent.

17 (2) The retirement system shall be administered in  
18 compliance with the provisions of section 415 of the internal  
19 revenue code, 26 USC 415, and regulations under that section that  
20 are applicable to governmental plans and beginning January 1,  
21 2010, applicable provisions of the final regulations issued by  
22 the internal revenue service on April 5, 2007. Employer-financed  
23 benefits provided by the retirement system under this act shall  
24 not exceed the applicable limitations set forth in section 415 of  
25 the internal revenue code, 26 USC 415, as adjusted by the  
26 commissioner of internal revenue under section 415(d) of the  
27 internal revenue code, 26 USC 415, to reflect cost-of-living



1 increases, and the retirement system shall adjust the benefits,  
2 including benefits payable to retirants and retirement allowance  
3 beneficiaries, subject to the limitation each calendar year to  
4 conform with the adjusted limitation. For purposes of section  
5 415(b) of the internal revenue code, 26 USC 415, the applicable  
6 limitation shall apply to aggregated benefits received from all  
7 qualified pension plans for which the office of retirement  
8 services coordinates administration of that limitation. If there  
9 is a conflict between this section and another section of this  
10 act, this section prevails.

11 (3) The assets of the retirement system shall be held in  
12 trust and invested for the sole purpose of meeting the legitimate  
13 obligations of the retirement system and shall not be used for  
14 any other purpose. The assets shall not be used for or diverted  
15 to a purpose other than for the exclusive benefit of the members,  
16 deferred members, retirants, and retirement allowance  
17 beneficiaries.

18 (4) The retirement system shall return post-tax member  
19 contributions made by a member and received by the retirement  
20 system to a member upon retirement, pursuant to internal revenue  
21 service regulations and approved internal revenue service  
22 exclusion ratio tables.

23 (5) The required beginning date for retirement allowances  
24 and other distributions shall not be later than April 1 of the  
25 calendar year following the calendar year in which the employee  
26 attains age 70-1/2 or April 1 of the calendar year following the  
27 calendar year in which the employee retires. The required minimum



1 distribution requirements imposed by section 401(a)(9) of the  
2 internal revenue code, 26 USC 401, shall apply to this act and be  
3 administered in accordance with a reasonable and good faith  
4 interpretation of the required minimum distribution requirements  
5 for all years to which the required minimum distribution  
6 requirements apply to the act.

7 (6) If the retirement system is terminated, the interest of  
8 the members, deferred members, retirants, and retirement  
9 allowance beneficiaries in the retirement system is  
10 nonforfeitable to the extent funded as described in section  
11 411(d)(3) of the internal revenue code, 26 USC 411, and the  
12 related internal revenue service regulations applicable to  
13 governmental plans.

14 (7) Notwithstanding any other provision of this act to the  
15 contrary that would limit a distributee's election under this  
16 act, a distributee may elect, at the time and in the manner  
17 prescribed by the retirement board, to have any portion of an  
18 eligible rollover distribution paid directly to an eligible  
19 retirement plan specified by the distributee in a direct  
20 rollover. This subsection applies to distributions made on or  
21 after January 1, 1993. **BEGINNING OCTOBER 1, 2010, A NONSPOUSE**  
22 **BENEFICIARY MAY ELECT TO HAVE ANY PORTION OF AN AMOUNT PAYABLE**  
23 **UNDER THIS ACT THAT IS AN ELIGIBLE ROLLOVER DISTRIBUTION TREATED**  
24 **AS A DIRECT ROLLOVER THAT WILL BE PAID IN A DIRECT TRUSTEE-TO-**  
25 **TRUSTEE TRANSFER TO AN INDIVIDUAL RETIREMENT ACCOUNT OR**  
26 **INDIVIDUAL RETIREMENT ANNUITY DESCRIBED IN SECTION 408(A) OR (B)**  
27 **OF THE INTERNAL REVENUE CODE, 26 USC 408, THAT IS ESTABLISHED FOR**



1 THE PURPOSE OF RECEIVING A DISTRIBUTION ON BEHALF OF THE  
2 BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL  
3 RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY PURSUANT TO  
4 SECTION 402(C)(11) OF THE INTERNAL REVENUE CODE, 26 USC 402.

5 (8) For purposes of determining actuarial equivalent  
6 retirement allowances under sections 45 and 85(1)(b), (1)(c),  
7 (1)(d), and (2), the actuarially assumed interest rate shall be  
8 8% with utilization of the 1983 group annuity and mortality  
9 table.

10 (9) Notwithstanding any other provision of this act, the  
11 compensation of a member of the retirement system shall be taken  
12 into account for any year under the retirement system only to the  
13 extent that it does not exceed the compensation limit established  
14 in section 401(a)(17) of the internal revenue code, 26 USC 401,  
15 as adjusted by the commissioner of internal revenue. This  
16 subsection applies to any person who first becomes a member of  
17 the retirement system on or after October 1, 1996.

18 (10) Notwithstanding any other provision of this act,  
19 contributions, benefits, and service credit with respect to  
20 qualified military service will be provided under the retirement  
21 system in accordance with section 414(u) of the internal revenue  
22 code, **26 USC 414**. This subsection applies to all qualified  
23 military service on or after December 12, 1994. Effective January  
24 1, 2007, in accordance with section 401(a)(37) of the internal  
25 revenue code, 26 USC 401, if a member dies while performing  
26 qualified military service, for purposes of determining any death  
27 benefits payable under this act, the member shall be treated as



1 having resumed and then terminated employment on account of  
2 death.

3       Sec. 124. (1) "Plan document" means the document that  
4 contains the provisions and procedures of Tier 2 in conformity  
5 with this act and the internal revenue code.

6       (2) "Qualified participant" means an individual who is a  
7 participant of Tier 2 and who is first employed and entered upon  
8 the payroll of his or her employer on or after July 1, 2010, and  
9 who also ~~qualifies to be a member of Tier 1.~~ **WAS NOT EMPLOYED BY**  
10 **ANY EMPLOYER BEFORE JULY 1, 2010.**

11       (3) "Refund beneficiary" means an individual nominated by a  
12 qualified participant or a former qualified participant under  
13 section 134 to receive a distribution of the participant's  
14 accumulated balance in the manner prescribed in section 135.

15       (4) "State treasurer" means the treasurer of this state.

16       Sec. 131. (1) This section is subject to the vesting  
17 requirements of section 132.

18       (2) Unless ~~the~~ **A** qualified participant ~~as described in~~  
19 ~~section 124(2)~~ **WHO IS ALSO A MEMBER OF TIER 1** affirmatively  
20 elects not to contribute or elects to contribute a lesser amount,  
21 the qualified participant **WHO IS ALSO A MEMBER OF TIER 1** shall  
22 contribute 2% of his or her compensation to his or her Tier 2  
23 account. The qualified participant's employer shall make a  
24 contribution to the qualified participant's Tier 2 account in an  
25 amount equal to 50% of the first 2% of compensation ~~contribution~~  
26 ~~made~~ **CONTRIBUTED** by the qualified participant under this  
27 subsection.

1 (3) A qualified participant ~~as described in section 124(2)~~  
 2 may make contributions in addition to contributions made under  
 3 subsection (2) to his or her Tier 2 account as permitted by the  
 4 department and the internal revenue code.

5 (4) Upon the written determination of the director of the  
 6 office of retirement services, an employee of an employer that is  
 7 not a qualified participant ~~as described in section 124(2)~~ may  
 8 elect to make contributions to a Tier 2 account as permitted by  
 9 the department and the internal revenue code. An employee as  
 10 described in this subsection shall be treated as a qualified  
 11 participant under this article for the limited purposes of his or  
 12 her Tier 2 account.

13 (5) Upon the written determination of the director of the  
 14 office of retirement services, an employer may annually elect to  
 15 make additional matching contributions, including those in  
 16 addition to matching contributions made under ~~subsection~~  
 17 **SUBSECTIONS (2) AND (6)**, to an employee's Tier 2 account as  
 18 permitted by the plan document and the internal revenue code.  
 19 Matching contributions under this subsection shall be made in  
 20 amounts equal to 50% of the contributions made by the employee  
 21 not to exceed the first 4% of contributions made in whole  
 22 percentages only, for any employee in addition to amounts that  
 23 are already matched under this section, if any.

24 (6) **EXCEPT AS OTHERWISE PROVIDED IN SECTION 81D, UNLESS A**  
 25 **QUALIFIED PARTICIPANT WHO IS ONLY A TIER 2 QUALIFIED PARTICIPANT**  
 26 **DUE TO AN ELECTION MADE UNDER SECTION 81D(1) AFFIRMATIVELY ELECTS**  
 27 **NOT TO CONTRIBUTE OR ELECTS TO CONTRIBUTE A LESSER AMOUNT, THE**

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1 QUALIFIED PARTICIPANT SHALL CONTRIBUTE 6% OF HIS OR HER  
2 COMPENSATION TO HIS OR HER TIER 2 ACCOUNT. THE QUALIFIED  
3 PARTICIPANT'S EMPLOYER SHALL MAKE A CONTRIBUTION TO THE QUALIFIED  
4 PARTICIPANT'S TIER 2 ACCOUNT IN AN AMOUNT EQUAL TO 50% OF THE  
5 FIRST 6% OF COMPENSATION CONTRIBUTED BY THE QUALIFIED PARTICIPANT  
6 UNDER THIS SUBSECTION.

7 SEC. 131A. TIER 2 ACCOUNTS ARE SUBJECT TO THE FOLLOWING  
8 TERMS AND CONDITIONS:

9 (A) ON OR BEFORE [AUGUST] 1, 2012, THE RETIREMENT SYSTEM SHALL  
10 DESIGN AN AUTOMATIC ENROLLMENT FEATURE THAT PROVIDES THAT UNLESS  
11 A QUALIFIED PARTICIPANT WHO MAKES CONTRIBUTIONS UNDER THIS ACT  
12 ELECTS TO CONTRIBUTE A LESSER AMOUNT, THE QUALIFIED PARTICIPANT  
13 SHALL CONTRIBUTE THE AMOUNT REQUIRED TO QUALIFY FOR ALL ELIGIBLE  
14 MATCHING CONTRIBUTIONS UNDER THIS ACT. THE RETIREMENT SYSTEM  
15 SHALL IMPLEMENT THIS AUTOMATIC ENROLLMENT FEATURE ON OR AFTER  
16 [AUGUST] 1, 2012, AS DETERMINED BY THE RETIREMENT SYSTEM.

17 (B) EMPLOYER MATCHING CONTRIBUTIONS DO NOT HAVE TO BE MADE  
18 TO THE SAME PLAN OR ACCOUNT TO WHICH THE ELECTIVE EMPLOYEE  
19 CONTRIBUTIONS WERE CONTRIBUTED AS THE BASIS FOR THE MATCHING  
20 CONTRIBUTIONS.

21 (C) ELECTIVE EMPLOYEE CONTRIBUTIONS SHALL NOT BE USED AS THE  
22 BASIS FOR MORE THAN AN EQUIVALENT AMOUNT OF EMPLOYER MATCHING  
23 CONTRIBUTIONS OR, IN THE CASE OF MATCHING CONTRIBUTIONS UNDER  
24 SECTION 131(2) AND (6), 50% OF THE EMPLOYER MATCHING  
25 CONTRIBUTIONS.

26 (D) THE RETIREMENT SYSTEM SHALL DESIGN AND IMPLEMENT A  
27 METHOD TO DETERMINE THE PROPER ALLOCATION OF EMPLOYER MATCHING



1 CONTRIBUTIONS BASED ON ELECTIVE EMPLOYEE CONTRIBUTIONS AS  
2 PROVIDED IN THIS SECTION.

3 (E) THE RETIREMENT SYSTEM WITHIN THE DEPARTMENT HAS THE  
4 EXCLUSIVE AUTHORITY AND RESPONSIBILITY TO EMPLOY OR CONTRACT WITH  
5 PERSONNEL AND FOR SERVICES THAT THE RETIREMENT SYSTEM DETERMINES  
6 NECESSARY FOR THE PROPER ADMINISTRATION OF AND INVESTMENT OF  
7 ASSETS OF TIER 2, INCLUDING, BUT NOT LIMITED TO, MANAGERIAL,  
8 PROFESSIONAL, LEGAL, CLERICAL, TECHNICAL, AND ADMINISTRATIVE  
9 PERSONNEL OR SERVICES.

10 Enacting section 1. Section 43d of the public school  
11 employees retirement act of 1979, 1980 PA 300, MCL 38.1343d, is  
12 repealed.

13 Enacting section 2. (1) If the office of retirement services  
14 in the department of technology, management, and budget receives  
15 notification from the United States internal revenue service that  
16 any section or any portion of a section of this amendatory act  
17 will cause the retirement system to be disqualified for tax  
18 purposes under the internal revenue code, then the portion that  
19 will cause the disqualification does not apply.

20 (2) The provisions of this amendatory act are severable. If  
21 any part of this amendatory act is declared invalid or  
22 unconstitutional, that declaration shall not affect the remaining  
23 part of this amendatory act.