

**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 sections 4, 5, 6, 8, 25, 41, 42, 43a, 43e, 81b, 84,
91, 108, 124, and 131 (MCL 38.1304, 38.1305, 38.1306, 38.1308,
38.1325, 38.1341, 38.1342, 38.1343a, 38.1343e, 38.1381b, 38.1384,
38.1391, 38.1408, 38.1424, and 38.1431), sections 4, 25, 41, 42,
and 91 as amended and sections 43e, 81b, 124, and 131 as added by
2010 PA 75, section 5 as amended by 2001 PA 180, section 6 as
amended by 1995 PA 272, section 8 as amended by 1997 PA 143,
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 41c, 43g, 59, 81d, 84b, 91a, 92b, and 131a; and
to repeal acts and parts of acts.



THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

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

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

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

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

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

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



1 (b) An individual retirement annuity described in section
2 408(b) of the internal revenue code, 26 USC 408.

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

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

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

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

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

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

1 (a) A distribution made for the life or life expectancy of
2 the distributee or the joint lives or joint life expectancies of
3 the distributee and the distributee's designated beneficiary.

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

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

9 (d) The portion of any distribution that is not includable
10 in federal gross income, except to the extent ~~such~~**THE** portion of
11 the distribution is paid to any of the following:

12 (i) An individual retirement account or annuity described in
13 section 408(a) or 408(b) of the internal revenue code, 26 USC
14 408.

15 (ii) A qualified plan described in section 401(a) of the
16 internal revenue code, 26 USC 401, or an annuity contract
17 described in section 403(b) of the internal revenue code, 26 USC
18 403, and the plan providers agree to separately account for the
19 amounts paid, including any portion of the distribution that is
20 includable in federal gross income, and the portion of the
21 distribution ~~which~~**THAT** is not so includable.

22 (10) "Employee organization professional services leave" or
23 "professional services leave" means a leave of absence that is
24 renewed annually by the reporting unit so that a member may
25 accept a position with a public school employee organization to
26 which he or she belongs and ~~which~~**THAT** represents employees of a
27 reporting unit in employment matters. The member shall be

1 included in membership of the retirement system during a
2 professional services leave if all of the conditions of section
3 71(5) and (6) are satisfied.

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

14 (12) ~~Final~~**EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION,**
15 **"FINAL** average compensation" means the aggregate amount of a
16 member's compensation earned within the averaging period in which
17 the aggregate amount of compensation was highest divided by the
18 member's number of years, including any fraction of a year, of
19 credited service during the averaging period. The averaging
20 period shall be 36 consecutive calendar months if the member
21 contributes to the member investment plan except for a member who
22 contributes to the member investment plan and first became a
23 member on or after July 1, 2010; otherwise, the averaging period
24 shall be 60 consecutive calendar months. A member who contributes
25 to the member investment plan and first became a member on or
26 after July 1, 2010 shall also have an averaging period of 60
27 consecutive calendar months. If the member has less than 1 year

1 of credited service in the averaging period, the number of
2 consecutive calendar months in the averaging period shall be
3 increased to the lowest number of consecutive calendar months
4 that contains 1 year of credited service. **FOR A MEMBER WHO FIRST**
5 **BECOMES A MEMBER ON OR AFTER JULY 1, 2012, FINAL AVERAGE**
6 **COMPENSATION SHALL NOT INCLUDE COMPENSATION EARNED FROM EACH**
7 **REPORTING UNIT THAT EXCEEDS \$100,000.00 OR THE ADJUSTED AMOUNT**
8 **DETERMINED UNDER THIS SUBSECTION, WHICHEVER IS GREATER FOR THAT**
9 **APPLICABLE YEAR. BEGINNING JANUARY 1, 2014, THE RETIREMENT SYSTEM**
10 **SHALL ANNUALLY ADJUST THE FINAL AVERAGE COMPENSATION LIMITATION**
11 **IN THIS SUBSECTION FOR THE FOLLOWING SCHOOL FISCAL YEAR BY AN**
12 **AMOUNT DETERMINED BY THE RETIREMENT SYSTEM THAT REFLECTS THE**
13 **CUMULATIVE ANNUAL PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX.**
14 **AS USED IN THIS SUBSECTION, "CONSUMER PRICE INDEX" MEANS THE MOST**
15 **COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THIS STATE**
16 **BASED ON THE MOST RECENT 12-MONTH PERIOD FOR WHICH DATA ARE**
17 **AVAILABLE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED**
18 **STATES DEPARTMENT OF LABOR.**

19 (13) "Health benefits" means hospital, medical-surgical, and
20 sick care benefits and dental, vision, and hearing benefits for
21 retirants, retirement allowance beneficiaries, and health
22 insurance dependents provided pursuant to section 91.

23 (14) "Internal revenue code" means the United States
24 internal revenue code of 1986.

25 (15) "Long-term care insurance" means group insurance that
26 is authorized by the retirement system for retirants, retirement
27 allowance beneficiaries, and health insurance dependents, as that



1 term is defined in section 91, to cover the costs of services
2 provided to retirants, retirement allowance beneficiaries, and
3 health insurance dependents, from nursing homes, assisted living
4 facilities, home health care providers, adult day care providers,
5 and other similar service providers.

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

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

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

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

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

19 (d) A person who elects to participate in the optional
20 retirement program under the optional retirement act of 1967,
21 1967 PA 156, MCL 38.381 to 38.388.

22 (e) A retirant of this retirement system.

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

27 (g) A person, not regularly employed by a reporting unit,

1 who is employed by a reporting unit to administer a program
2 described in subdivision (f), (h), (i), (j), or (k).

3 (h) After September 30, 1983, a person, not regularly
4 employed by a reporting unit, who is employed by a reporting unit
5 through participation in a program established pursuant to the
6 former job training partnership act, Public Law 97-300, 96 Stat.
7 1322 or beginning July 1, 2000, the workforce investment act of
8 1998, Public Law 105-220, 112 Stat. 936.

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

13 (j) A person, not regularly employed by a reporting unit,
14 who is employed by a reporting unit through participation in a
15 program established pursuant to the Michigan community service
16 corps program, first established under sections 25 to 35 of 1983
17 PA 259.

18 (k) 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 older American community
21 service employment program under the older American community
22 service employment act, title V of the older Americans act of
23 1965, Public Law 89-73, 42 ~~U.S.C.~~ **USC** 3056 to 3056i.

24 (l) A person, not regularly employed by a reporting unit, who
25 is employed by a reporting unit in a temporary, intermittent, or
26 irregular seasonal or athletic position and who is under the age
27 of 19 years.



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

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

6 (2) "Membership service" means service performed after June
7 30, 1945.

8 (3) "Noncontributory plan" means the plan which began
9 between July 1, 1974 and July 1, 1977, in which the reporting
10 unit elected to discontinue withholding contributions from
11 employees' compensation.

12 (4) "Noncontributory service" means credited service
13 rendered under the noncontributory plan.

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

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

18 (2) "Out of system public education service" means service
19 performed in public education meeting 1 or more of the following
20 requirements:

21 (a) Performed in other states in the United States or its
22 territorial possessions.

23 (b) Performed at the university of Michigan, Michigan state
24 university, Wayne state university, Grand Valley state
25 university, Oakland university, or Saginaw Valley university.

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



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

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

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

15 (g) Performed by a ~~person~~ **AN INDIVIDUAL** who first becomes
16 employed by an institution of higher education described in
17 section 4, 5, or 6 of article VIII of the state constitution of
18 1963 on or after January 1, 1996.

19 (3) "Prior service" means service performed before July 1,
20 1945.

21 (4) Except as otherwise provided in this subsection, "public
22 school academy" means a public school academy established under
23 part 6a ~~or 6b~~ of the **REVISED** school code, ~~of 1976, Act No. 451 of~~
24 ~~the Public Acts of 1976, being sections 380.501 to 380.507 and~~
25 ~~380.511 to 380.518 of the Michigan Compiled Laws 1976 PA 451, MCL~~
26 **380.501 TO 380.507**. Public school academy does not include any of
27 the following:



1 (a) A public school academy operated by a state public
 2 university that is not subject to the optional retirement act of
 3 1967, ~~Act No. 156 of the Public Acts of 1967, being sections~~
 4 ~~38.381 to 38.388 of the Michigan Compiled Laws 1967 PA 156, MCL~~
 5 **38.381 TO 38.388.**

6 (b) A public school academy corporation formed by a state
 7 public university that is not subject to ~~Act No. 156 of the~~
 8 ~~Public Acts of 1967~~ **THE OPTIONAL RETIREMENT ACT OF 1967, 1967 PA**
 9 **156, MCL 38.381 TO 38.388.**

10 (5) Except as otherwise provided in this subsection, "public
 11 school employee" means an employee ~~of~~ **WHO PERFORMS SERVICE FOR**
 12 **WAGES UNDER AN EXPRESS OR IMPLIED CONTRACT DIRECTLY WITH** a public
 13 local school district, intermediate school district, public
 14 school academy, tax supported community or junior college,
 15 eastern Michigan university, central Michigan university,
 16 northern Michigan university, western Michigan university, Ferris
 17 state university, Michigan technological university, Lake
 18 Superior state university, or district library as defined in
 19 section 69g if the conditions in section 69g(1) are met for that
 20 employee. Service at Michigan technological university shall be
 21 creditable only if the amount of the accumulated contributions in
 22 the state employees' retirement system created by the state
 23 employees' retirement act, ~~Act No. 240 of the Public Acts of~~
 24 ~~1943, being sections 38.1 to 38.48 of the Michigan Compiled Laws~~
 25 **1943 PA 240, MCL 38.1 TO 38.69,** for service is paid to the
 26 retirement system. Service at Ferris state university shall be
 27 creditable as prior service or membership service only if the

1 employee was employed at Ferris state university on a full-time
2 basis for 2 or more years after May 17, 1949. Until January 1,
3 1988, public school employee also includes ~~a person~~ **AN INDIVIDUAL**
4 holding a Michigan teacher certificate and serving as an employee
5 of the Michigan high school athletic association, other than a
6 person whose effective date of employment with the Michigan high
7 school athletic association is on or after December 31, 1986.
8 Public school employee includes a public school employee on an
9 approved leave of absence **THAT DOES NOT EXCEED 2 YEARS FROM THE**
10 **DATE THE EMPLOYEE CEASES TO ACCUMULATE SERVICE CREDIT.** Public
11 school employee does not include ~~a person~~ **AN INDIVIDUAL** who first
12 becomes employed by a university described in this subsection on
13 or after January 1, 1996.

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

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

18 (3) "State of Michigan service" means service performed as a
19 state employee in the classified or unclassified service under
20 the state employees' retirement act, 1943 PA 240, MCL 38.1 to
21 38.69.

22 (4) "Teacher" means a person employed by a reporting unit
23 who is engaged in teaching, who is engaged in administering and
24 supervising teaching, or who is under a teacher's contract with a
25 reporting unit.

26 (5) **"TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER**
27 **UNDER THIS ACT.**



1 (6) "TIER 2" MEANS THE STATE OF MICHIGAN 457 PLAN
 2 ESTABLISHED UNDER SECTION 457 OF THE INTERNAL REVENUE CODE, 26
 3 USC 457, FOR ELECTIVE EMPLOYEE CONTRIBUTIONS AND THE STATE OF
 4 MICHIGAN 401(K) PLAN ESTABLISHED UNDER SECTION 401(K) OF THE
 5 INTERNAL REVENUE CODE, 26 USC 401, FOR EMPLOYER CONTRIBUTIONS.

6 (7) ~~(5)~~—"Transitional public employment program" means
 7 participation in public service employment programs in the areas
 8 of environmental quality, health care, education, public safety,
 9 crime prevention and control, prison rehabilitation,
 10 transportation, recreation, maintenance of parks, streets, and
 11 other public facilities, solid waste removal, pollution control,
 12 housing and neighborhood improvements, rural development,
 13 conservation, beautification, veterans' outreach, and other
 14 fields of human betterment and community improvement as part of a
 15 program of comprehensive manpower services authorized,
 16 undertaken, and financed under the comprehensive employment and
 17 training act of 1973, former Public Law 93-203, 87 Stat. 839.

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

21 (2) The retirement board may promulgate rules pursuant to
 22 the administrative procedures act of 1969, 1969 PA 306, MCL
 23 24.201 to 24.328, for the implementation and administration of
 24 this act. The retirement board shall not promulgate rules for the
 25 establishment, implementation, administration, operation,
 26 investment, or distribution of a Tier 2 retirement plan.

27 (3) BEGINNING JULY 1, 2012, THE RETIREMENT SYSTEM SHALL

1 COMMENCE A 12-MONTH STUDY PERIOD UNDER THIS SUBSECTION. AS SOON
2 AS POSSIBLE DURING THE STUDY PERIOD, THE RETIREMENT SYSTEM SHALL
3 PROVIDE TO CENTRAL MICHIGAN UNIVERSITY, FERRIS STATE UNIVERSITY,
4 LAKE SUPERIOR STATE UNIVERSITY, MICHIGAN TECHNOLOGICAL
5 UNIVERSITY, NORTHERN MICHIGAN UNIVERSITY, WESTERN MICHIGAN
6 UNIVERSITY, AND EASTERN MICHIGAN UNIVERSITY ALL INFORMATION AND
7 COOPERATION REQUESTED BY EACH UNIVERSITY FOR THE PURPOSE OF
8 ALLOWING THE UNIVERSITY TO STUDY AND PREPARE FOR THE
9 IMPLEMENTATION OF NEW RETIREE HEALTH CARE COVERAGE BENEFIT DESIGN
10 OPTIONS FOR MEMBERS WHO RETIRE FROM THE UNIVERSITY. THE
11 INFORMATION TO BE PROVIDED BY THE RETIREMENT SYSTEM TO EACH
12 UNIVERSITY SHALL ALSO INCLUDE INFORMATION SUFFICIENT TO ALLOW THE
13 UNIVERSITY TO DO ALL OF THE FOLLOWING:

14 (A) REVIEW THE ANNUAL COST TO THE RETIREMENT SYSTEM OVER
15 EACH OF THE PAST 5 YEARS OF THE HEALTH CARE COVERAGE BENEFITS
16 PROVIDED BY THE RETIREMENT SYSTEM TO THE UNIVERSITY'S RETIRED
17 MEMBERS, CALCULATED ON A CASH DISBURSEMENT METHOD.

18 (B) COMPARE THE UNIVERSITY'S COST UNDER SUBDIVISION (A) WITH
19 THAT OF THE AGGREGATE COST OF ALL REPORTING UNITS DURING THE PAST
20 5 YEARS, CALCULATED ON A CASH DISBURSEMENT BASIS.

21 Sec. 41. (1) The annual level percentage of payroll
22 contribution rate **OR RATE APPLIED TO CURRENT OPERATING**
23 **EXPENDITURES, AS APPLICABLE,** to finance benefits being provided
24 and to be provided by the retirement system shall be determined
25 by actuarial valuation pursuant to subsection (2) upon the basis
26 of the risk assumptions that the retirement board and the
27 department adopt after consultation with the state treasurer and

1 an actuary. An annual actuarial valuation shall be made of the
2 retirement system in order to determine the actuarial condition
3 of the retirement system and the required contribution to the
4 retirement system. An annual actuarial gain-loss experience study
5 of the retirement system shall be made in order to determine the
6 financial effect of variations of actual retirement system
7 experience from projected experience.

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

1 valuation date, the unfunded actuarial accrued liability
2 contribution rate, shall be the aggregate amount of unfunded
3 actuarial accrued liabilities divided by 1% of the actuarial
4 present value over a period not to exceed 50 years of projected
5 valuation compensation **AND A SEPARATE RATE BASED ON PROJECTED**
6 **CURRENT OPERATING EXPENDITURES FOR THE 2013-2014 STATE FISCAL**
7 **YEAR AND EACH SUBSEQUENT STATE FISCAL YEAR**, where unfunded
8 actuarial accrued liabilities are equal to the actuarial present
9 value of benefits, reduced by the actuarial present value of
10 future normal cost contributions and the actuarial value of
11 assets on the valuation date. **BEGINNING WITH THE 2013-2014 STATE**
12 **FISCAL YEAR, THE UNFUNDED ACTUARIAL ACCRUED LIABILITY**
13 **CONTRIBUTION RATE AND PAYMENT SCHEDULE FOR PUBLIC LOCAL SCHOOL**
14 **DISTRICTS SHALL BE APPLIED TO CURRENT OPERATING EXPENDITURES. THE**
15 **UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE CALCULATED**
16 **AND APPLIED TO CURRENT OPERATING EXPENDITURES SHALL BE CALCULATED**
17 **AFTER THE UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE**
18 **BASED ON PROJECTED VALUATION COMPENSATION IS CALCULATED AND**
19 **APPLIED TO PAYROLL OF REPORTING UNITS OTHER THAN PUBLIC LOCAL**
20 **SCHOOL DISTRICTS, BASED ON METHODS AS DETERMINED BY THE**
21 **RETIREMENT SYSTEM AND IN CONSULTATION WITH THE SYSTEM ACTUARY.**
22 **BEGINNING WITH THE 2012-2013 STATE FISCAL YEAR AND FOR EACH**
23 **SUBSEQUENT FISCAL YEAR, THE UNFUNDED ACTUARIAL ACCRUED LIABILITY**
24 **CONTRIBUTION RATE APPLIED TO CURRENT OPERATING EXPENDITURES SHALL**
25 **NOT EXCEED 13.1% AND THE UNFUNDED ACTUARIAL ACCRUED LIABILITY**
26 **CONTRIBUTION RATE APPLIED TO PAYROLL SHALL NOT EXCEED 21.05%. ANY**
27 **ADDITIONAL UNFUNDED AMOUNT AS DETERMINED UNDER THIS SECTION FOR**

1 EACH FISCAL YEAR IS TO BE PAID BY APPROPRIATION FROM THE SCHOOL
2 AID FUND ESTABLISHED BY SECTION 11 OF ARTICLE IX OF THE STATE
3 CONSTITUTION OF 1963.

4 (3) Before November 1 of each year, the executive secretary
5 of the retirement board shall certify to the director of the
6 department the aggregate compensation estimated to be paid public
7 school employees for the current state fiscal year **AND THE**
8 **CURRENT OPERATING EXPENDITURES.**

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

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

17 (6) Not later than 90 days after termination of each state
18 fiscal year, the executive secretary of the retirement board
19 shall certify to the director of the department and each
20 reporting unit the actual aggregate compensation paid to public
21 school employees during the preceding state fiscal year **AND THE**
22 **ACTUAL CURRENT OPERATING EXPENDITURES.** Upon receipt of that
23 certification, the director of the department shall compute any
24 adjustment required to the amount due to a difference between the
25 estimated and the actual aggregate compensation and the estimated
26 and the actual actuarial employer contribution rate. The
27 difference, if any, shall be paid as provided in subsection (9).

1 THE COMPUTATION OF ANY ADJUSTMENT FOR THE DIFFERENCE BETWEEN
 2 ACTUAL CURRENT OPERATING EXPENDITURES AND ACTUAL UNFUNDED
 3 ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE AND THE PAYMENT OF
 4 THE DIFFERENCE SHALL BE DONE IN THE SAME MANNER AS PROVIDED UNDER
 5 THIS SUBSECTION AND SUBSECTION (9). This subsection does not
 6 apply in a fiscal year in which a deposit occurs pursuant to
 7 subsection (14).

8 (7) The director of the department may require evidence of
 9 correctness and may conduct an audit of the aggregate
 10 compensation that the director of the department considers
 11 necessary to establish its correctness.

12 (8) A reporting unit shall forward employee and employer
 13 social security contributions and reports as required by the
 14 federal old-age, survivors, disability, and hospital insurance
 15 provisions of title II of the social security act, ~~chapter 531,~~
 16 ~~49 Stat. 620, 42 USC 401 to 405, 406 to 418, 420 to 423, 424a to~~
 17 ~~426-1, and 427 to 433.~~ **42 USC 401 TO 434.**

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

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

17 (10) Beginning on the designated date, all assets held by
18 the retirement system shall be reassigned their fair market
19 value, as determined by the state treasurer, as of the designated
20 date, and in calculating any unfunded actuarial accrued
21 liabilities, any market gains or losses incurred before the
22 designated date shall not be considered by the retirement
23 system's actuaries.

24 (11) Except as otherwise provided in this subsection,
25 beginning on the designated date, the actuary used by the
26 retirement board shall assume a rate of return on investments of
27 8.00% per annum, as of the designated date, which rate may only

1 be changed with the approval of the retirement board and the
2 director of the department. Beginning on July 1, 2010, the
3 actuary used by the retirement board shall assume a rate of
4 return on investments of 7.00% per annum for investments
5 associated with members who first became members on and after
6 July 1, 2010, which rate may only be changed with the approval of
7 the retirement board and the director of the department.

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

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

23 (14) For fiscal years that begin on or after October 1,
24 2001, if the actuarial valuation prepared pursuant to this
25 section demonstrates that as of the beginning of a fiscal year,
26 and after all credits and transfers required by this act for the
27 previous fiscal year have been made, the sum of the actuarial

1 value of assets and the actuarial present value of future normal
 2 cost contributions exceeds the actuarial present value of
 3 benefits, the amount based on the annual level percent of payroll
 4 contribution rate **OR RATE APPLIED TO CURRENT OPERATING**
 5 **EXPENDITURES, AS APPLICABLE**, pursuant to subsections (1) and (2)
 6 may be deposited into the health advance funding subaccount
 7 created by section 34.

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

19 (16) **BEGINNING WITH THE 2012-2013 STATE FISCAL YEAR, THE**
 20 **ACTUARY USED BY THE RETIREMENT BOARD SHALL USE A CURRENT**
 21 **OPERATING EXPENDITURE INCREASE ASSUMPTION THAT PROJECTS ANNUAL**
 22 **CURRENT OPERATING EXPENDITURE INCREASES OF 3.5%. THE ACTUARY**
 23 **SHALL USE THIS ASSUMPTION UNTIL A CHANGE IN THE ASSUMPTION IS**
 24 **APPROVED IN WRITING BY THE RETIREMENT BOARD AND THE DIRECTOR OF**
 25 **THE DEPARTMENT.**

26 (17) **AS USED IN THIS SECTION, "CURRENT OPERATING**
 27 **EXPENDITURES" FOR A PUBLIC LOCAL SCHOOL DISTRICT INCLUDES**



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

16 SEC. 41C. NOTWITHSTANDING ANY PROVISION OF THIS ACT TO THE
 17 CONTRARY, FOR THE 2012-2013 FISCAL YEAR, THE RETIREMENT SYSTEM
 18 SHALL DETERMINE THE ANNUAL LEVEL PERCENTAGE OF PAYROLL
 19 CONTRIBUTION RATE OR RATE APPLIED TO CURRENT OPERATING
 20 EXPENDITURES, AS APPLICABLE, TO FINANCE BENEFITS UNDER THIS ACT
 21 BY JULY 1, 2012.

22 Sec. 42. (1) Beginning with the 1994-95 state fiscal year, a
 23 reporting unit shall contribute the entire ~~percentage,~~ **AMOUNT**
 24 determined under section 41(2) ~~, of the aggregate annual~~
 25 ~~compensation of all employees who are members under the~~
 26 ~~noncontributory plan as provided by section 63~~ to the reserve for
 27 employer contributions and to the reserve for health benefits.



1 The reporting unit contribution under this subsection is the
2 exclusive obligation of the reporting unit payable out of general
3 budget resources of the reporting unit, including funds available
4 under local millage and other local resources and from the state
5 school aid allocation to the reporting unit, and shall not be a
6 separate obligation by specific reimbursement or otherwise of
7 this state.

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

1 (3) The employer shall deduct from a member's compensation
2 the contributions for social security provided in 1951 PA 205,
3 MCL 38.851 to 38.871. Contributions shall be made while the
4 member remains a public school employee. Each reporting unit
5 official shall deduct the social security contributions from the
6 compensation of each member for each payroll period after the
7 date the employee becomes a member. Social security contributions
8 shall be made notwithstanding that the minimum compensation
9 provided by law is changed. Each member is considered to have
10 agreed to the contributions prescribed in this subsection.

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

14 (5) Each reporting unit official shall forward the entire
15 employer contribution required by this act to the retirement
16 system on a schedule and in a manner determined by the retirement
17 system.

18 (6) Each reporting unit official shall submit to the
19 retirement system a report that includes the information for
20 retirement purposes, including, but not limited to, persons
21 employed, retirants performing services at a reporting unit who
22 are employed by an entity other than the reporting unit or who
23 are independent contractors, wages or amounts paid, hours, and
24 contributions required under this act. The report shall contain
25 the information on a pay period basis and shall be submitted to
26 the retirement system on a schedule and in a manner determined by
27 the retirement system. The superintendent for a reporting unit or

1 the chief administrator for a reporting unit that does not have a
2 superintendent shall complete an annual certification that gives
3 authorization for the employees of the reporting unit to report
4 the information to the retirement system.

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

19 (8) Upon written notice from the retirement board, the
20 superintendent of public instruction and the state treasurer
21 shall withhold payment of state funds, in part or in whole,
22 payable from the state school aid appropriation or higher
23 education appropriations to a reporting unit that fails to comply
24 with this section.

25 Sec. 43a. (1) The contributions of a member who contributes
26 to the member investment plan shall be deducted by the employer
27 and remitted as employer contributions to the retirement system

1 pursuant to section 42. A member who contributes to the member
2 investment plan is entitled to the benefits provided in sections
3 43b and 43c.

4 ~~(2) Until December 31, 1989~~ **EXCEPT AS OTHERWISE PROVIDED IN**
5 **SUBSECTION (7)**, a member who first became a member on or before
6 December 31, 1989 ~~,~~ and who elected or elects on or before
7 December 31, 1989 to contribute to the member investment plan
8 ~~shall contribute 4% of the member's compensation to the member~~
9 ~~investment plan and beginning January 1, 1990 shall contribute~~
10 3.9% of the member's compensation to the member investment plan.

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



1 ~~the retirement board. The contributions made under this~~
 2 ~~subsection shall be deposited into the reserve for employee~~
 3 ~~contributions.~~

4 (3) ~~(4) A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A**
 5 member who first became a member on or before December 31, 1986
 6 but did not perform membership service between December 31, 1986
 7 and January 1, 1990, and who returns to membership service on or
 8 after January 1, 1990 and before July 1, 2008, shall make the
 9 contributions described in subsection ~~(7)~~.**(5).**

10 (4) ~~(5) A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A**
 11 member who first became a member on or after January 1, 1990 and
 12 before July 1, 2008 shall make the contributions described in
 13 subsection ~~(7)~~.**(5).**

14 ~~—— (6) A member who first became a member on or after January~~
 15 ~~1, 1987 but before January 1, 1990 shall have 30 days from his or~~
 16 ~~her first date of employment to irrevocably elect to make the~~
 17 ~~contributions described in subsection (2).~~

18 (5) ~~(7) A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A**
 19 member who first became a member on or after January 1, 1990 and
 20 before July 1, 2008 shall contribute the following amounts to the
 21 member investment plan:

22 Member's annual school fiscal	Amount payable to the member
23 year earned compensation	investment plan
24 Not over \$5,000.00	3% of member's compensation
25 Over \$5,000.00 but not over	\$150.00, plus 3.6% of the
26 \$15,000.00	excess over \$5,000.00
27 Over \$15,000.00	\$510.00, plus 4.3% of the



1 excess over \$15,000.00

2 (6) ~~(8) A~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A
 3 member who first became a member on or after July 1, 2008 shall
 4 contribute the following amounts to the member investment plan:

5 Member's annual school	Amount payable to the member
6 fiscal year earned compensation	investment plan
7 Not over \$5,000.00	3% of member's compensation
8 Over \$5,000.00 but not over	\$150.00, plus 3.6% of excess
9 \$15,000.00	over \$5,000.00
10 Over \$15,000.00	\$510.00, plus 6.4% of the
11	excess over \$15,000.00

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



1 OCTOBER 1, 2012, A MEMBER DESCRIBED IN SUBSECTIONS (2) TO (6) WHO
 2 MAKES OR IS CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION
 3 UNDER SECTION 59(2)(A) SHALL CONTINUE TO CONTRIBUTE THE
 4 PERCENTAGE OF THE MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED
 5 COMPENSATION TO THE RETIREMENT SYSTEM AS PRESCRIBED IN THIS
 6 SECTION UNTIL TERMINATION OF EMPLOYMENT. BEGINNING OCTOBER 1,
 7 2012, A MEMBER DESCRIBED IN SUBSECTIONS (2) TO (6) WHO MAKES THE
 8 ALTERNATIVE ELECTION UNDER SECTION 59(2)(B) SHALL NOT CONTRIBUTE
 9 ANY PERCENTAGE OF THE MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED
 10 COMPENSATION TO THE RETIREMENT SYSTEM UNDER THIS SECTION OR
 11 SECTION 43G.

12 Sec. 43e. ~~(1)~~ Except as otherwise provided in this section
 13 OR SECTION 91A, ~~beginning July 1, 2010,~~ each member WHO FIRST
 14 BECAME A MEMBER BEFORE JULY 1, 2012 shall contribute 3% of the
 15 member's compensation to the appropriate funding account
 16 established under the public employee retirement health care
 17 funding act, 2010 PA 77, MCL 38.2731 TO 38.2747. ~~For the school~~
 18 ~~fiscal year that begins July 1, 2010, members who were employed~~
 19 ~~by a reporting unit and were paid less than \$18,000.00 in the~~
 20 ~~prior school fiscal year and members who were hired on or after~~
 21 ~~July 1, 2010 with a starting salary less than \$18,000.00 shall~~
 22 ~~contribute 1.5% of the member's compensation to the appropriate~~
 23 ~~funding account established under the public employee retirement~~
 24 ~~health care funding act. For each school fiscal year that begins~~
 25 ~~on or after July 1, 2011, members whose yearly salary is less~~
 26 ~~than \$18,000.00 shall contribute 3% of the member's compensation~~
 27 ~~to the appropriate funding account established under the public~~

1 ~~employee retirement health care funding act.~~ The member
 2 contributions **UNDER THIS SECTION** shall be deducted by the
 3 employer and remitted as employer contributions in a manner that
 4 the retirement system shall determine.

5 ~~——(2) As used in this act,~~ **SECTION**, "funding account" means
 6 the appropriate irrevocable trust created in the public employee
 7 retirement health care funding act, **2010 PA 77, MCL 38.2731 TO**
 8 **38.2747**, for the deposit of funds and the payment of retirement
 9 health care benefits.

10 **SEC. 43G. (1) BEGINNING WITH THE FIRST PAYROLL DATE AFTER**
 11 **OCTOBER 1, 2012 AND ENDING UPON THE MEMBER'S TERMINATION OF**
 12 **EMPLOYMENT OR ATTAINMENT DATE, AS APPLICABLE UNDER SECTION 59(1),**
 13 **EACH MEMBER WHO MADE THE ELECTION UNDER SECTION 59(1) SHALL**
 14 **CONTRIBUTE AN AMOUNT EQUAL TO A PERCENTAGE OF HIS OR HER**
 15 **COMPENSATION TO THE RESERVE FOR EMPLOYEE CONTRIBUTIONS OR TO THE**
 16 **MEMBER INVESTMENT PLAN AS SET FORTH IN SUBDIVISION (A) OR (B), AS**
 17 **APPLICABLE, TO PROVIDE FOR THE AMOUNT OF RETIREMENT ALLOWANCE**
 18 **THAT IS CALCULATED ONLY ON THE CREDITED SERVICE ACCRUED AND**
 19 **COMPENSATION EARNED BY THAT MEMBER AFTER SEPTEMBER 30, 2012.**
 20 **SUBJECT TO SUBSECTION (2), THE MEMBER SHALL NOT CONTRIBUTE ANY**
 21 **AMOUNT UNDER THIS SUBSECTION FOR ANY YEARS OF CREDITED SERVICE**
 22 **ACCRUED OR COMPENSATION EARNED BEFORE OCTOBER 1, 2012. SUBJECT TO**
 23 **SUBSECTION (2), THE AMOUNT TO BE CONTRIBUTED UNDER THIS**
 24 **SUBSECTION IS AS FOLLOWS:**

25 **(A) FOR A MEMBER WHO DOES NOT CONTRIBUTE TO THE MEMBER**
 26 **INVESTMENT PLAN AS OF JUNE 30, 2012, 4% OF COMPENSATION TO THE**
 27 **RESERVE FOR EMPLOYEE CONTRIBUTIONS.**



1 (B) FOR A MEMBER WHO DOES CONTRIBUTE TO THE MEMBER
2 INVESTMENT PLAN AS OF JUNE 30, 2012, 7% OF COMPENSATION TO THE
3 MEMBER INVESTMENT PLAN.

4 (2) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
5 DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN THIS SECTION FROM THE
6 COMPENSATION OF EACH MEMBER FOR EACH PAYROLL AND EACH PAYROLL
7 PERIOD. THE CONTRIBUTIONS UNDER SUBSECTION (1) SHALL NOT EXCEED
8 THE TOTAL NORMAL COST CONTRIBUTION RATE.

9 (3) THE EMPLOYER SHALL PICK UP THE MEMBER CONTRIBUTIONS
10 REQUIRED BY SUBSECTION (1) FOR ALL COMPENSATION EARNED ON OR
11 AFTER OCTOBER 1, 2012. CONTRIBUTIONS PICKED UP SHALL BE TREATED
12 AS EMPLOYER CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE
13 INTERNAL REVENUE CODE. THE EMPLOYER SHALL PAY THESE MEMBER
14 CONTRIBUTIONS FROM THE SAME SOURCE OF FUNDS THAT IS USED IN
15 PAYING COMPENSATION TO THE MEMBER.

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

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

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

20 (2) THE RETIREMENT SYSTEM SHALL PERMIT EACH QUALIFIED MEMBER
21 TO MAKE AN ALTERNATIVE ELECTION DESCRIBED IN THIS SUBSECTION WITH
22 THE RETIREMENT SYSTEM, IF THE QUALIFIED MEMBER DOES NOT MAKE THE
23 ELECTION OR THE ELECTION AND DESIGNATION UNDER SUBSECTION (1). A
24 QUALIFIED MEMBER WHO DOES NOT MAKE THE ELECTION OR THE ELECTION
25 AND DESIGNATION UNDER SUBSECTION (1) AND WHO DOES NOT MAKE AN
26 ALTERNATIVE ELECTION DESCRIBED IN THIS SUBSECTION IS CONSIDERED
27 TO HAVE MADE THE ALTERNATIVE ELECTION DESCRIBED IN SUBDIVISION

1 (A). A QUALIFIED MEMBER WHO DOES NOT MAKE THE ELECTION OR THE
2 ELECTION AND DESIGNATION UNDER SUBSECTION (1) SHALL BE PERMITTED
3 TO MAKE 1 OF THE FOLLOWING ALTERNATIVE ELECTIONS:

4 (A) TO CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND
5 COMPENSATION ON AND AFTER OCTOBER 1, 2012, FOR THE PURPOSE OF THE
6 CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B. A
7 QUALIFIED MEMBER WHO MAKES OR IS CONSIDERED TO HAVE MADE THE
8 ALTERNATIVE ELECTION IN THIS SUBDIVISION SHALL CONTINUE TO MAKE
9 THE EMPLOYEE CONTRIBUTIONS AS PROVIDED IN SECTION 43A AND SHALL
10 NOT MAKE THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43G.

11 (B) TO FREEZE ALL SERVICE AND COMPENSATION ACCRUED TO THAT
12 MEMBER AS OF SEPTEMBER 30, 2012 FOR THE PURPOSE OF THE
13 CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B AND,
14 BEGINNING OCTOBER 1, 2012, TO BE ELIGIBLE FOR THE EMPLOYER
15 CONTRIBUTION TO THE MEMBER'S TIER 2 ACCOUNT AS PROVIDED IN
16 SECTION 84B. BEGINNING OCTOBER 1, 2012, A QUALIFIED MEMBER WHO
17 MAKES THE ALTERNATIVE ELECTION IN THIS SUBDIVISION SHALL NOT MAKE
18 THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43A OR 43G.

19 (3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
20 ACCEPTING QUALIFIED MEMBER ELECTIONS, DESIGNATIONS, AND
21 ALTERNATIVE ELECTIONS UNDER THIS SECTION. THE RETIREMENT SYSTEM
22 SHALL ACCEPT ELECTIONS, DESIGNATIONS, AND ALTERNATIVE ELECTIONS
23 UNDER THIS SECTION FROM QUALIFIED MEMBERS DURING AN ELECTION
24 PERIOD THAT BEGINS ON JULY 2, 2012 AND ENDS AT 5 P.M. EASTERN
25 DAYLIGHT TIME ON AUGUST 31, 2012. A QUALIFIED MEMBER MAY RESCIND
26 AN ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION BEFORE THE
27 CLOSE OF THE ELECTION PERIOD. AN ELECTION, DESIGNATION, OR



1 ALTERNATIVE ELECTION MADE BY A QUALIFIED MEMBER AND NOT RESCINDED
2 BEFORE THE CLOSE OF THE ELECTION PERIOD SHALL NOT BE RESCINDED.

3 (4) A QUALIFIED MEMBER WHO DOES NOT MAKE OR WHO RESCINDS THE
4 ELECTION UNDER SUBSECTION (1) ON OR BEFORE THE CLOSE OF THE
5 ELECTION PERIOD AND WHO MAKES OR IS CONSIDERED TO HAVE MADE THE
6 ALTERNATIVE ELECTION UNDER SUBSECTION (2)(A) IS SUBJECT TO ALL OF
7 THE FOLLOWING:

8 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE
9 SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A
10 RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12
11 MIDNIGHT ON SEPTEMBER 30, 2012.

12 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE
13 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON OCTOBER 1,
14 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE.

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

21 (5) A QUALIFIED MEMBER WHO DOES NOT MAKE OR WHO RESCINDS AN
22 ELECTION UNDER SUBSECTION (1) AND WHO MAKES THE ALTERNATIVE
23 ELECTION UNDER SUBSECTION (2)(B) ON OR BEFORE THE CLOSE OF THE
24 ELECTION PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE
25 FOLLOWING:

26 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE
27 SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A

1 RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12
2 MIDNIGHT ON SEPTEMBER 30, 2012.

3 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE
4 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON OCTOBER 1,
5 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE AND
6 ELIGIBILITY FOR THE EMPLOYER CONTRIBUTION TO THE MEMBER'S TIER 2
7 ACCOUNT.

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

14 (6) A QUALIFIED MEMBER WHO MAKES THE ELECTION AND THE
15 ATTAINMENT DATE DESIGNATION UNDER SUBSECTION (1) AND WHO DOES NOT
16 RESCIND THE ELECTION AND DESIGNATION ON OR BEFORE THE CLOSE OF
17 THE ELECTION PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE
18 FOLLOWING:

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

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

26 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE
27 CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED

1 SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(5) AND (6).
2 THIS SUBDIVISION DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH
3 INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR
4 SERVICE PROVIDED UNDER SECTION 84B(7).

5 (7) AN INDIVIDUAL WHO IS NOT A QUALIFIED MEMBER, WHO IS A
6 DEFERRED MEMBER OR FORMER NONVESTED MEMBER ON JUNE 30, 2012, AND
7 WHO IS REEMPLOYED ON OR AFTER JULY 1, 2012 SHALL BE TREATED IN
8 THE SAME MANNER AS A MEMBER DESCRIBED IN SUBSECTION (4) AND SHALL
9 BECOME SUBJECT TO SECTION 84B FOR ANY FUTURE SERVICE AND
10 COMPENSATION.

11 (8) ANY MEMBER WHO IS REEMPLOYED ON OR AFTER JULY 1, 2012
12 AND WHO, WHILE A MEMBER, MADE AN ELECTION, DESIGNATION, OR
13 ALTERNATIVE ELECTION OR IS CONSIDERED TO HAVE MADE AN ALTERNATIVE
14 ELECTION UNDER THIS SECTION SHALL BE TREATED AS RETAINING THAT
15 ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION ON HIS OR HER DATE
16 OF REEMPLOYMENT.

17 (9) AS USED IN THIS SECTION:

18 (A) "ATTAINMENT DATE" MEANS THAT TERM AS DEFINED IN SECTION
19 84B.

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

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

23 (ii) HE OR SHE HAS EARNED SERVICE CREDIT IN THE 12 MONTHS
24 ENDING JUNE 30, 2012 OR WAS ON AN APPROVED PROFESSIONAL SERVICES
25 OR MILITARY LEAVE OF ABSENCE ON JUNE 30, 2012.

26 Sec. 81b. (1) Notwithstanding section 81, a member may
27 retire with a retirement allowance computed according to this



1 section if all of the following apply:

2 (a) The member files a written application with the
3 retirement board within the incentivized retirement application
4 period stating a retirement allowance effective date that is on
5 or after July 1, 2010 but not later than September 1, 2010. A
6 member may withdraw a written application submitted by a member
7 on or before June 11, 2010. A written application submitted by a
8 member and not withdrawn on or before June 11, 2010 is
9 irrevocable.

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

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

22 (2) Upon his or her retirement as provided in this section,
23 a member who retires with a retirement effective date on or
24 before September 1, 2010 shall receive a retirement allowance
25 equal to the member's number of years and fraction of a year of
26 credited service multiplied by 1.6% of the member's final average
27 compensation if the final average compensation is \$90,000.00 or



1 less and the member is eligible to retire under section 81 with a
2 retirement allowance that is not subject to reduction under
3 section 84(2). If the member is eligible to retire under section
4 81 with a retirement allowance that is not subject to reduction
5 under section 84(2) and has a final average compensation that is
6 greater than \$90,000.00, the retirement allowance shall be equal
7 to the member's number of years and fraction of a year of
8 credited service multiplied by 1.6% of his or her final average
9 compensation up to a final average compensation of \$90,000.00 and
10 the remaining portion of the retirement allowance shall be equal
11 to the member's number of years and fraction of a year of
12 credited service multiplied by 1.5% of the portion of final
13 average compensation over \$90,000.00. For members eligible under
14 this section because the member's combined age and length of
15 credited service is equal to or greater than 80 years, upon his
16 or her retirement as provided in this section, a member who
17 retires with a retirement effective date on or before September
18 1, 2010 shall receive a retirement allowance equal to the
19 member's number of years and fraction of a year of credited
20 service multiplied by 1.55% of the member's final average
21 compensation if the final average compensation is \$90,000.00 or
22 less. For members eligible to retire under this section because
23 the member's combined age and length of credited service is equal
24 to or greater than 80 years whose final average compensation is
25 greater than \$90,000.00, the retirement allowance shall be
26 calculated so that the member receives a portion of his or her
27 retirement allowance equal to the member's number of years and

1 fraction of a year of credited service multiplied by 1.55% of his
2 or her final average compensation up to a final average
3 compensation of \$90,000.00 and the remaining portion of the
4 retirement allowance shall be calculated as equal to the member's
5 number of years and fraction of a year of credited service
6 multiplied by 1.5% of the portion of final average compensation
7 over \$90,000.00.

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

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

5 (5) Any additional costs to the retirement system as a
6 result of the retirement allowance calculations under this
7 section shall be amortized over a ~~5-year~~ **10-YEAR** period.

8 **SEC. 81D. (1) THE RETIREMENT SYSTEM SHALL PERMIT EACH**
9 **QUALIFIED PARTICIPANT WHO FIRST BECOMES A QUALIFIED PARTICIPANT**
10 **AND FIRST WORKS FOR A REPORTING UNIT ON OR AFTER JULY 1, 2012 TO**
11 **MAKE AN ELECTION TO NOT BECOME A MEMBER OF TIER 1 AND BECOME ONLY**
12 **A QUALIFIED PARTICIPANT IN TIER 2.**

13 **(2) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF**
14 **ACCEPTING ELECTIONS UNDER SUBSECTION (1) AND REPORTING UNITS**
15 **SHALL SECURE THOSE ELECTIONS DURING THE PERIOD BEGINNING ON THE**
16 **DATE OF THE INDIVIDUAL'S EMPLOYMENT AND ENDING UPON THE**
17 **EXPIRATION OF 75 DAYS FROM THE INDIVIDUAL'S FIRST PAYROLL DATE.**
18 **AN ELECTION UNDER SUBSECTION (1) IS IRREVOCABLE.**

19 **(3) AN INDIVIDUAL WHO DOES NOT MAKE AN ELECTION FOR ANY**
20 **REASON ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD IS**
21 **CONSIDERED TO HAVE MADE AN ELECTION TO BECOME A MEMBER OF TIER 1**
22 **AND IS SUBJECT TO ALL OF THE FOLLOWING AS OF THE DATE OF HIS OR**
23 **HER EMPLOYMENT:**

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

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



1 (4) AN INDIVIDUAL WHO DOES MAKE AND WHO DOES NOT RESCIND THE
 2 ELECTION UNDER SUBSECTION (1) ON OR BEFORE THE CLOSE OF THE
 3 ELECTION PERIOD IS CONSIDERED TO HAVE MADE AN ELECTION TO NOT
 4 BECOME A MEMBER OF TIER 1 AND IS SUBJECT TO ALL OF THE FOLLOWING
 5 AS OF THE DATE OF HIS OR HER EMPLOYMENT:

6 (A) HE OR SHE IS NOT ELIGIBLE TO ACCRUE ANY SERVICE CREDIT
 7 OR QUALIFY FOR ANY RETIREMENT ALLOWANCE UNDER TIER 1 UNDER THE
 8 TERMS AS PROVIDED IN SECTION 81C.

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

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

19 Sec. 84. (1) ~~Except~~ SUBJECT TO SECTION 84B AND EXCEPT as
 20 provided in subsection (2), upon the member's retirement from
 21 service as provided in section 81, a member shall receive a
 22 retirement allowance that equals the product of the member's
 23 total years, and fraction of a year, of credited service
 24 multiplied by 1.5% of the member's final average compensation. A
 25 member shall not be allowed to use more than 15 years of out of
 26 system public education service, or more out of system public
 27 education service than service performed under this act or former

1 ~~Act No. 136 of the Public Acts of 1945~~ **1945 PA 136** unless, before
 2 July 1, 1974, the member applied for out of system public
 3 education service credit based upon payment of contributions for
 4 the service as required under section 69, or former acts, in
 5 which case the total out of system public education service
 6 credited, not to exceed 15 years, shall be used to compute the
 7 member's retirement allowance if the minimum service requirements
 8 performed under this act or former acts or as a state employee
 9 under the state employees' retirement act, ~~Act No. 240 of the~~
 10 ~~Public Acts of 1943, as amended,~~ **1943 PA 240, MCL 38.1 TO 38.69,**
 11 are met. Credit for state of Michigan service shall be on the
 12 same basis for eligibility for retirement provided in this act as
 13 if the service were performed under this act, former ~~Act No. 136~~
 14 ~~of the Public Acts of 1945, former Act No. 56 of the Public Acts~~
 15 ~~of 1941, or former Act No. 184 of the Public Acts of 1937.~~ **1945 PA**
 16 **136, FORMER 1941 PA 56, OR FORMER 1937 PA 184.**

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

25 (3) The reduction of 1/2 of 1% for each month and fraction
 26 of a month from the member's retirement allowance effective date
 27 to the date of the member's sixtieth birthday provided for in



1 former Act No. 136 of the Public Acts of 1945, **1945 PA 136**,
2 applicable to a member who retired before July 1, 1974 and before
3 attainment of age 60, shall not apply to a member who retired
4 before that date, at age 55 or more, having 30 or more years of
5 credited service. The retirement allowance shall be recalculated
6 disregarding the reduction and the person receiving the
7 retirement allowance shall be eligible to receive an adjusted
8 retirement allowance based on the recalculation beginning January
9 1, 1986, but shall not be eligible to receive the adjusted amount
10 attributable to any month beginning before January 1, 1986.

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

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

24 (a) The retirement allowance was payable to a retirant or
25 retirement allowance beneficiary under chapter II of former Act
26 ~~No. 136 of the Public Acts of 1945~~ **1945 PA 136** and the retirement
27 allowance effective date was on or after July 1, 1956 but before

1 July 1, 1974.

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

6 (6) A member retiring pursuant to section 81 who acquires at
7 least 5 years of combined credited service under this act or
8 under former Act No. 136 of the Public Acts of 1945, **1945 PA 136**,
9 and who is already in receipt of a retirement allowance under
10 chapter II of former Act No. 136 of the Public Acts of 1945, **1945**
11 **PA 136**, may elect to return to the retirement system any
12 retirement allowance payments received, and receive a single
13 retirement allowance computed on the combined years of service
14 credited under this act and any former act.

15 **SEC. 84B. (1) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF**
16 **A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT**
17 **MAKE THE ELECTION UNDER SECTION 59(1) AND WHO MADE OR IS**
18 **CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION UNDER SECTION**
19 **59(2)(A) SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED**
20 **SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE**
21 **COMPENSATION AS PROVIDED IN SECTION 84:**

22 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
23 ACCRUED TO THAT MEMBER BEFORE OCTOBER 1, 2012.

24 (B) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1,
25 2012.

26 (C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN
27 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF SEPTEMBER 30, 2012.



1 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND
2 108(10).

3 (2) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
4 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN
5 SUBSECTION (1) SHALL ALSO INCLUDE THE FOLLOWING ITEMS OF CREDITED
6 SERVICE, AS APPLICABLE, MULTIPLIED BY 1.25% OF FINAL AVERAGE
7 COMPENSATION:

8 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
9 ACCRUED TO THAT MEMBER ON AND AFTER OCTOBER 1, 2012.

10 (B) SERVICE CREDIT THAT WAS PURCHASED ON AND AFTER OCTOBER
11 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (1)(C).

12 (3) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
13 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE
14 THE ELECTION UNDER SECTION 59(1) AND WHO MADE THE ALTERNATIVE
15 ELECTION UNDER SECTION 59(2)(B) SHALL INCLUDE ONLY THE FOLLOWING
16 ITEMS OF CREDITED SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF
17 FINAL AVERAGE COMPENSATION AS PROVIDED IN SECTION 84:

18 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
19 ACCRUED TO THAT MEMBER BEFORE OCTOBER 1, 2012.

20 (B) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1,
21 2012.

22 (C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN
23 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF SEPTEMBER 30, 2012.

24 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND
25 108(10).

26 (4) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
27 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN



1 SUBSECTION (3) SHALL NOT INCLUDE ANY YEAR OR FRACTION OF A YEAR
2 OF SERVICE PERFORMED BY THAT MEMBER ON AND AFTER OCTOBER 1, 2012
3 OR ANY SERVICE CREDIT THAT IS PURCHASED BY THAT MEMBER AFTER
4 OCTOBER 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (3)(C).
5 BEGINNING WITH THE FIRST PAYROLL DATE AFTER OCTOBER 1, 2012, AND
6 ENDING UPON THE MEMBER'S TERMINATION OF SERVICE, THE EMPLOYER OF
7 A MEMBER DESCRIBED IN SUBSECTION (3) SHALL CONTRIBUTE 4% OF THE
8 MEMBER'S COMPENSATION AS DEFINED IN SECTION 122(2) TO THE
9 MEMBER'S TIER 2 ACCOUNT. A MEMBER IS VESTED IN EMPLOYER
10 CONTRIBUTIONS MADE UNDER THIS SUBSECTION ACCORDING TO THE VESTING
11 PROVISIONS UNDER SECTION 132. A MEMBER SHALL BE CREDITED WITH
12 YEARS OF SERVICE ACCRUED UNDER TIER 1 AS OF OCTOBER 1, 2012 FOR
13 PURPOSES OF MEETING THE APPLICABLE VESTING REQUIREMENTS.

14 (5) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
15 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE
16 ELECTION AND ATTAINMENT DATE DESIGNATION UNDER SECTION 59(1)
17 SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED SERVICE, AS
18 APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS
19 PROVIDED IN SECTION 84:

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

22 (B) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE
23 ATTAINMENT DATE.

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

27 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND

1 108(10).

2 (6) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
3 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN
4 SUBSECTION (5) SHALL ALSO INCLUDE THE FOLLOWING ITEMS OF CREDITED
5 SERVICE, AS APPLICABLE, MULTIPLIED BY 1.25% OF FINAL AVERAGE
6 COMPENSATION, AS OPPOSED TO THE 1.5% OF FINAL AVERAGE
7 COMPENSATION AS PROVIDED IN SECTION 84:

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

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

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

23 (8) THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT
24 FOR A MEMBER WHO MAKES THE ELECTION UNDER SECTION 59(1) BUT WHO
25 DOES NOT MAKE THE ATTAINMENT DATE DESIGNATION UNDER SECTION 59(1)
26 SHALL INCLUDE ALL ITEMS OF CREDITED SERVICE ACCRUED TO THAT
27 MEMBER, REGARDLESS OF WHEN THE SERVICE CREDIT WAS ACCRUED, WHICH



1 **SHALL BE MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS**
2 **PROVIDED IN SECTION 84.**

3 (9) **AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THE**
4 **FINAL DAY OF THE PAY PERIOD IN WHICH THE MEMBER ATTAINS 30 YEARS**
5 **OF CREDITED SERVICE.**

6 Sec. 91. (1) Except as otherwise provided in this section,
7 the retirement system shall pay the entire monthly premium or
8 membership or subscription fee for hospital, medical-surgical,
9 and sick care benefits for the benefit of a retirant or
10 retirement allowance beneficiary who elects coverage in the plan
11 authorized by the retirement board and the department. **EXCEPT AS**
12 **OTHERWISE PROVIDED IN THIS SECTION, BEGINNING JANUARY 1, 2013,**
13 **THE RETIREMENT SYSTEM SHALL PAY 80% OF THE ENTIRE MONTHLY PREMIUM**
14 **OR MEMBERSHIP OR SUBSCRIPTION FEE FOR HOSPITAL, MEDICAL-SURGICAL,**
15 **AND SICK CARE BENEFITS FOR THE BENEFIT OF A RETIRANT OR**
16 **RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN THE PLAN**
17 **AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.** Except as
18 otherwise provided in subsection (8), this subsection does not
19 apply to a retirant who first becomes a member after June 30,
20 2008.

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

1 July 18, 1983 was making a payment towards his or her monthly
2 premium.

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

8 (4) ~~The~~ **UNTIL DECEMBER 31, 2012, THE** retirement system shall
9 pay 90% of the monthly premium or membership or subscription fee
10 for dental, vision, and hearing benefits for the benefit of a
11 retirant or retirement allowance beneficiary who elects coverage
12 in the plan authorized by the retirement board and the
13 department. **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,**
14 **BEGINNING JANUARY 1, 2013, THE RETIREMENT SYSTEM SHALL PAY 80% OF**
15 **THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR DENTAL,**
16 **VISION, AND HEARING BENEFITS FOR THE BENEFIT OF A RETIRANT OR**
17 **RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN THE PLAN**
18 **AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.** Payments
19 shall begin under this subsection upon approval by the retirement
20 board and the department of plan coverage and a plan provider.
21 Except as otherwise provided in subsection (8), this subsection
22 does not apply to a retirant who first becomes a member after
23 June 30, 2008.

24 (5) ~~The~~ **UNTIL DECEMBER 31, 2012, THE** retirement system shall
25 pay up to 90% of the maximum of the amount payable under
26 subsection (1) toward the monthly premium or membership or
27 subscription fee for hospital, medical-surgical, and sick care

1 benefits coverage described in subsections (1) and (2) for each
 2 health insurance dependent of a retirant receiving benefits under
 3 subsection (1) or (2). ~~Payment~~ **UNTIL DECEMBER 31, 2012, PAYMENT**
 4 shall not exceed 90% of the actual monthly premium or membership
 5 or subscription fee. ~~The~~ **UNTIL DECEMBER 31, 2012, THE** retirement
 6 system shall pay 90% of the monthly premium or membership or
 7 subscription fee for dental, vision, and hearing benefits
 8 described in subsection (4) for the benefit of each health
 9 insurance dependent of a retirant receiving benefits under
 10 subsection (4). **BEGINNING JANUARY 1, 2013, ANY PAYMENT DESCRIBED**
 11 **IN THIS SUBSECTION SHALL NOT EXCEED 80% OF THE ACTUAL MONTHLY**
 12 **PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE.** Payment for health
 13 benefits coverage for a health insurance dependent of a retirant
 14 shall not be made after the retirant's death, unless the retirant
 15 designated a retirement allowance beneficiary as provided in
 16 section 85 and the dependent was covered or eligible for coverage
 17 as a health insurance dependent of the retirant on the retirant's
 18 date of death. Payment for health benefits coverage shall not be
 19 made for a health insurance dependent after the later of the
 20 retirant's death or the retirement allowance beneficiary's death.
 21 Payment under this subsection and subsection (6) began October 1,
 22 1985 for health insurance dependents who on July 10, 1985 were
 23 covered by the hospital, medical-surgical, and sick care benefits
 24 plan authorized by the retirement board and the department.
 25 Payment under this subsection and subsection (6) for other health
 26 insurance dependents shall not begin before January 1, 1986.
 27 Except as otherwise provided in subsection (8), this subsection

1 does not apply to a retirant who first becomes a member after
2 June 30, 2008.

3 (6) The payment described in subsection (5) shall also be
4 made for each health insurance dependent of a deceased member or
5 deceased duty disability retirant if a retirement allowance is
6 being paid to a retirement allowance beneficiary because of the
7 death of the member or duty disability retirant as provided in
8 section 43c(c), 89, or 90. Payment for health benefits coverage
9 for a health insurance dependent shall not be made after the
10 retirement allowance beneficiary's death.

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

1 (8) For a member or deferred member who first becomes a
2 member after June 30, 2008 **AND BEFORE JANUARY 1, 2013**, the
3 retirement system shall pay up to ~~90%~~**80%** of the monthly premium
4 or membership or subscription fee for the hospital, medical-
5 surgical, and sick care benefits plan, the dental plan, vision
6 plan, and hearing plan, or any combination of the plans for the
7 benefit of the retirant and his or her retirement allowance
8 beneficiary and health insurance dependents, or for the benefit
9 of the deceased member's retirement allowance beneficiary if the
10 retirant or deceased member has 25 years or more of service
11 credit under this act, and the retirant, deceased retirant, or
12 deceased member was at least 60 years of age at the time of
13 application for benefits under this section. If the retirant or
14 deceased member is less than 60 years of age at the time of
15 application for benefits under this section, the retirement
16 system shall pay ~~90%~~**80%** of the monthly premium or membership or
17 subscription fee for the hospital, medical-surgical, and sick
18 care benefits plan, the dental plan, vision plan, and hearing
19 plan, or any combination of the plans for the benefit of the
20 retirant and his or her retirement allowance beneficiary and the
21 retirant's health insurance dependents, or for the benefit of the
22 deceased member's retirement allowance beneficiary if the
23 retirant or deceased member has 25 or more years of service
24 credit granted under section 68. If a retirant, deceased
25 retirant, or deceased member described in this subsection has 10
26 or more but less than 25 years of service credit under this act
27 and the retirant was at least 60 years of age at the time of

1 application for benefits under this section, the retirement
 2 system shall pay a portion of the monthly premium or membership
 3 or subscription fee for the plans or combination of plans equal
 4 to the product of 3% and the retirant's, deceased retirant's, or
 5 deceased member's years of service for the first 10 years and 4%
 6 for each year after the first 10 years, **UP TO 80%**. This
 7 subsection does not apply to a member who receives a disability
 8 retirement allowance under section 86 or 87 or to a deceased
 9 member's retirement allowance beneficiary under section 90.

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

17 (10) A member who retires under section 43b or 81 and who
 18 elects to purchase service credit on or after July 1, 2008 is not
 19 eligible for payments under this section for the hospital,
 20 medical-surgical, and sick care benefits plan, the dental plan,
 21 vision plan, or hearing plan, or any combination of the plans
 22 described in this section until the first date that the member
 23 would have been eligible to retire under section 43b or 81 if he
 24 or she had not purchased the service credit and had accrued a
 25 sufficient amount of service credit under section 68. A member
 26 who first becomes a member on or after July 1, 2008 shall not be
 27 eligible for health benefits under this subsection until at least

1 the time of application under subsection (8). The retirement
2 system shall apply a method that enables it to make the
3 determination under this subsection.

4 (11) Except for a member who retires under section 86 or 87
5 or a member who meets the requirements under subsection (7) or
6 (8), the retirement system shall not pay the benefits provided in
7 subsection (1) or (4) unless the member was employed and has
8 received a minimum total of 1/2 of a year of service credit
9 granted pursuant to section 68 during the 2 school fiscal years
10 immediately preceding the member's retirement allowance effective
11 date or the member has received a minimum of 1/10 of a year of
12 service credit granted pursuant to section 68 during each of the
13 5 school fiscal years immediately preceding the member's
14 retirement allowance effective date. This subsection does not
15 apply to a member who is unable to meet the service credit
16 requirements of this subsection because of 1 or more periods of
17 unpaid leaves of absence approved by the reporting unit during
18 the period of leave of absence, as a result of a mental or
19 physical disability supported by the member's doctor during the
20 period of leave of absence.

21 (12) Any retirant or retirement allowance beneficiary
22 excluded from payments under this section may participate in the
23 hospital, medical-surgical, and sick care benefits plan, the
24 dental plan, vision plan, or hearing plan, or any combination of
25 the plans described in this section in the manner prescribed by
26 the retirement system at his or her own cost.

27 (13) The hospital, medical-surgical, and sick care benefits

1 plan, dental plan, vision plan, and hearing plan that covers
2 retirants, retirement allowance beneficiaries, and health
3 insurance dependents pursuant to this section shall contain a
4 coordination of benefits provision that provides all of the
5 following:

6 (a) If the person covered under the hospital, medical-
7 surgical, and sick care benefits plan is also eligible for
8 medicare or medicaid, or both, then the benefits under medicare
9 or medicaid, or both, shall be determined before the benefits of
10 the hospital, medical-surgical, and sick care benefits plan
11 provided pursuant to this section.

12 (b) If the person covered under any of the plans provided by
13 this section is also covered under another plan that contains a
14 coordination of benefits provision, the benefits shall be
15 coordinated as provided by the coordination of benefits act, 1984
16 PA 64, MCL 550.251 to 550.255.

17 (c) If the person covered under any of the plans provided by
18 this section is also covered under another plan that does not
19 contain a coordination of benefits provision, the benefits under
20 the other plan shall be determined before the benefits of the
21 plan provided pursuant to this section.

22 (14) Beginning January 1, 2009, upon the death of the
23 retirant, a retirement allowance beneficiary who became a
24 retirement allowance beneficiary under section 85(8) or (9) is
25 not a health insurance dependent and is not entitled to health
26 benefits under this section except as provided in this
27 subsection. Beginning January 1, 2009, a surviving spouse

1 selected as a retirement allowance beneficiary under section
 2 85(8) or (9) may elect the insurance coverages provided in this
 3 section ~~provided that~~ IF payment for the elected coverages is the
 4 responsibility of the surviving spouse and is paid in a manner
 5 prescribed by the retirement system.

6 **(15) THIS SECTION DOES NOT APPLY TO A MEMBER OR A HEALTH**
 7 **INSURANCE DEPENDENT OF THAT MEMBER UNDER EITHER OF THE FOLLOWING**
 8 **CIRCUMSTANCES:**

9 **(A) THE MEMBER FIRST BECAME A MEMBER ON OR AFTER JULY 1,**
 10 **2012.**

11 **(B) THE MEMBER MADE THE ELECTION TO OPT OUT OF HEALTH**
 12 **INSURANCE COVERAGE OR RECEIVES A SEPARATE RETIREMENT ALLOWANCE**
 13 **UNDER SECTION 91A.**

14 **(16) ~~(15)~~—For purposes of this section:**

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

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

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

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

1 or deceased member as defined in section 152 of the internal
2 revenue code, **26 USC 152.**

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

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

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

17 (b) "Medicaid" means benefits under the federal medicaid
18 program established under title XIX of the social security act,
19 42 USC 1396 to ~~1396v~~.**1396W-5.**

20 (c) "Medicare" means benefits under the federal medicare
21 program established under title XVIII of the social security act,
22 42 USC 1395 to ~~1395hhh~~.**1395KKK.**

23 **SEC. 91A. (1) A MEMBER WHO FIRST BECAME A MEMBER OR**
24 **QUALIFIED PARTICIPANT ON OR AFTER JULY 1, 2012 OR WHO MADE THE**
25 **ELECTION UNDER SUBSECTION (5) SHALL NOT RECEIVE ANY HEALTH**
26 **INSURANCE COVERAGE PREMIUM FROM THE RETIREMENT SYSTEM FOR ANY**
27 **BENEFITS UNDER SECTION 91 OR AS A RESULT OF BENEFITS PROVIDED**



1 UNDER SECTION 86, 87, OR 89. IN LIEU OF ANY OF THESE BENEFITS
2 THAT MIGHT HAVE BEEN PAID BY THE RETIREMENT SYSTEM, A MEMBER'S OR
3 QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A MATCHING
4 CONTRIBUTION UP TO 2% OF THE MEMBER'S OR QUALIFIED PARTICIPANT'S
5 COMPENSATION TO TIER 2 FOR EACH MEMBER WHO FIRST BECAME A MEMBER
6 OR QUALIFIED PARTICIPANT ON OR AFTER JULY 1, 2012 OR WHO MADE THE
7 ELECTION UNDER SUBSECTION (5). A MATCHING CONTRIBUTION UNDER THIS
8 SUBSECTION SHALL NOT BE USED AS THE BASIS FOR A LOAN FROM AN
9 EMPLOYEE'S TIER 2 ACCOUNT.

10 (2) A MEMBER WHO FIRST BECAME A MEMBER OR QUALIFIED
11 PARTICIPANT ON OR AFTER JULY 1, 2012 OR WHO MADE THE ELECTION
12 UNDER SUBSECTION (5) MAY MAKE A CONTRIBUTION UP TO 2% OF THE
13 MEMBER'S OR QUALIFIED PARTICIPANT'S COMPENSATION TO A TIER 2
14 ACCOUNT. A MEMBER OR QUALIFIED PARTICIPANT DESCRIBED IN THIS
15 SUBSECTION MAY MAKE ADDITIONAL CONTRIBUTIONS TO HIS OR HER TIER 2
16 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE
17 CODE.

18 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
19 MEMBER OR QUALIFIED PARTICIPANT IS VESTED IN CONTRIBUTIONS MADE
20 TO HIS OR HER TIER 2 ACCOUNT UNDER SUBSECTIONS (1) AND (2)
21 ACCORDING TO THE VESTING PROVISIONS UNDER SECTION 132. A MEMBER
22 OR QUALIFIED PARTICIPANT WHO IS ELIGIBLE FOR THE PAYMENT OF
23 HEALTH INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM AS A
24 RESULT OF BENEFITS PROVIDED UNDER SECTION 86, 87, OR 89 IS NOT
25 VESTED IN ANY EMPLOYER CONTRIBUTIONS UNDER SUBSECTION (1) AND
26 FORFEITS THE EMPLOYER CONTRIBUTIONS AND EARNINGS ON THOSE
27 CONTRIBUTIONS.

1 (4) THE CONTRIBUTIONS DESCRIBED IN THIS SECTION SHALL BEGIN
2 WITH THE FIRST PAYROLL DATE AFTER THE MEMBER OR QUALIFIED
3 PARTICIPANT IS EMPLOYED OR ON OR AFTER OCTOBER 1, 2012 FOR A
4 MEMBER OR QUALIFIED PARTICIPANT WHO MAKES THE ELECTION UNDER
5 SUBSECTION (5) AND END UPON HIS OR HER TERMINATION OF EMPLOYMENT.

6 (5) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, BEGINNING
7 JULY 2, 2012 AND ENDING AT 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST
8 31, 2012, THE RETIREMENT SYSTEM SHALL PERMIT EACH QUALIFIED
9 MEMBER TO MAKE AN ELECTION TO OPT OUT OF HEALTH INSURANCE
10 COVERAGE PREMIUMS THAT WOULD HAVE BEEN PAID BY THE RETIREMENT
11 SYSTEM UNDER SECTION 91 AND OPT INTO THE TIER 2 ACCOUNT
12 PROVISIONS OF THIS SECTION EFFECTIVE OCTOBER 1, 2012. A QUALIFIED
13 MEMBER WHO MAKES THE ELECTION UNDER THIS SUBSECTION SHALL CEASE
14 ACCRUING YEARS OF SERVICE CREDIT FOR PURPOSES OF CALCULATING A
15 PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUMS THAT WOULD HAVE
16 BEEN PAID BY THE RETIREMENT SYSTEM UNDER SECTION 91 AS IF THAT
17 SECTION CONTINUED TO APPLY.

18 (6) A QUALIFIED MEMBER WHO DOES NOT MAKE THE ELECTION UNDER
19 SUBSECTION (5) CONTINUES TO BE ELIGIBLE FOR THE PAYMENT OF HEALTH
20 INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM UNDER
21 SECTION 91 AND IS NOT ELIGIBLE FOR THE TIER 2 ACCOUNT PROVISIONS
22 OF THIS SECTION. AN INDIVIDUAL WHO IS NOT A QUALIFIED MEMBER, WHO
23 IS A FORMER MEMBER ON JUNE 30, 2012, AND WHO IS REEMPLOYED BY AN
24 EMPLOYER ON OR AFTER JULY 1, 2012 SHALL BE TREATED IN THE SAME
25 MANNER AS A MEMBER DESCRIBED IN THIS SUBSECTION WHO DID NOT MAKE
26 THE ELECTION UNDER SUBSECTION (5).

27 (7) THE RETIREMENT SYSTEM SHALL CALCULATE AN AMOUNT TO BE



1 CREDITED TO A TIER 2 ACCOUNT FOR EACH MEMBER WHO MAKES THE
2 ELECTION UNDER SUBSECTION (5). THE AMOUNT DESCRIBED IN THIS
3 SUBSECTION SHALL BE AN AMOUNT EQUAL TO THE CONTRIBUTIONS MADE BY
4 THE MEMBER UNDER SECTION 43E. A MEMBER WHO MAKES THE ELECTION
5 UNDER SUBSECTION (5) SHALL CEASE MAKING CONTRIBUTIONS UNDER
6 SECTION 43E AS DETERMINED BY THE RETIREMENT SYSTEM, BUT NO LATER
7 THAN THE FIRST PAYROLL DATE AFTER OCTOBER 1, 2012. THE AMOUNT
8 CALCULATED UNDER THIS SUBSECTION SHALL BE DEPOSITED INTO THE
9 MEMBER'S TIER 2 ACCOUNT AS DETERMINED BY THE RETIREMENT SYSTEM,
10 BUT NO LATER THAN THE FIRST PAYROLL DATE AFTER JANUARY 1, 2013.
11 AMOUNTS DEPOSITED TO TIER 2 ACCOUNTS UNDER THIS SUBSECTION ARE
12 NOT SUBJECT TO THE VESTING PROVISIONS UNDER SECTION 132.

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



1 PREMIUMS BY THE RETIREMENT SYSTEM UNDER SECTION 91. A MEMBER WHO
2 DIES BEFORE QUALIFYING FOR THE PAYMENT OF HEALTH INSURANCE
3 COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM UNDER SECTION 91 SHALL
4 HAVE A SEPARATE RETIREMENT ALLOWANCE AS PROVIDED IN THIS
5 SUBSECTION PAID TO THE MEMBER'S BENEFICIARY. A MEMBER WHO
6 QUALIFIES FOR THE PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS
7 BY THE RETIREMENT SYSTEM UNDER SECTION 91 BUT WHO DIES BEFORE THE
8 PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT
9 SYSTEM IN AN AMOUNT EQUAL TO OR GREATER THAN THE AMOUNTS
10 CONTRIBUTED UNDER SECTION 43E SHALL HAVE A SEPARATE RETIREMENT
11 ALLOWANCE AS PROVIDED IN THIS SUBSECTION PAID TO THE MEMBER'S
12 BENEFICIARY IN AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE
13 HEALTH INSURANCE COVERAGE PREMIUMS PAID BY THE RETIREMENT SYSTEM
14 UNDER SECTION 91 AND CONTRIBUTIONS MADE BY THE MEMBER UNDER
15 SECTION 43E. THE AMOUNT OF THE SEPARATE RETIREMENT ALLOWANCE AS
16 DETERMINED UNDER THIS SUBSECTION SHALL BE INCREASED IN A MANNER
17 AS DETERMINED BY THE RETIREMENT SYSTEM BY A PERCENTAGE EQUAL TO
18 1.5% MULTIPLIED BY THE TOTAL NUMBER OF YEARS THAT MEMBER MADE
19 CONTRIBUTIONS UNDER SECTION 43E.

20 (9) A MEMBER WHO HAS A BREAK IN SERVICE AND IS REEMPLOYED
21 RETAINS THE SAME ELECTION THAT THE MEMBER MADE UNDER THIS SECTION
22 BEFORE THE BREAK IN SERVICE. IF THE MEMBER MADE THE ELECTION
23 UNDER SUBSECTION (5), THE MEMBER SHALL CONTINUE TO RECEIVE THE
24 TIER 2 ACCOUNT CONTRIBUTIONS AS PROVIDED IN SUBSECTIONS (1) AND
25 (2). IF THE MEMBER DID NOT MAKE THE ELECTION UNDER SUBSECTION
26 (5), THE MEMBER SHALL CONTINUE TO MAKE THE CONTRIBUTIONS AS
27 PROVIDED UNDER SECTION 43E AND IS SUBJECT TO SUBSECTION (8), IF

1 APPLICABLE.

2 (10) IN LIEU OF ANY OTHER HEALTH INSURANCE COVERAGE PREMIUM
3 THAT MIGHT HAVE BEEN PAID BY THE RETIREMENT SYSTEM UNDER SECTION
4 91, A CREDIT TO A HEALTH REIMBURSEMENT ACCOUNT WITHIN THE TRUST
5 CREATED UNDER THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING
6 ACT, 2010 PA 77, MCL 38.2731 TO 38.2747, SHALL BE MADE BY THE
7 EMPLOYER IN THE AMOUNTS AND TO THE MEMBERS OR FORMER MEMBERS AS
8 FOLLOWS:

9 (A) TWO THOUSAND DOLLARS TO A MEMBER WHO WAS FIRST EMPLOYED
10 AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER
11 JULY 1, 2012, WHO IS 60 YEARS OF AGE OR OLDER, AND WHO HAS AT
12 LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST TERMINATION OF
13 EMPLOYMENT.

14 (B) ONE THOUSAND DOLLARS TO A MEMBER WHO WAS FIRST EMPLOYED
15 AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER
16 JULY 1, 2012, WHO IS LESS THAN 60 YEARS OF AGE, AND WHO HAS AT
17 LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST TERMINATION OF
18 EMPLOYMENT.

19 (11) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD TO
20 IMPLEMENT SUBSECTIONS (5) TO (10), INCLUDING A METHOD FOR
21 CREDITING THE AMOUNTS IN THOSE SUBSECTIONS TO COMPLY WITH ANY
22 RESTRICTIONS IMPOSED BY THE INTERNAL REVENUE CODE.
23 NOTWITHSTANDING ANY PROVISION OF THIS ACT TO THE CONTRARY, THE
24 TIER 2 PLAN PROVISIONS OF THIS SECTION SHALL BE IMPLEMENTED BY
25 THE DEPARTMENT AS SOON AS FEASIBLE BUT NOT LATER THAN JANUARY 1,
26 2013.

27 (12) SUBSECTIONS (5) TO (10) DO NOT APPLY TO A MEMBER WHO IS



1 ELIGIBLE FOR THE PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS BY
2 THE RETIREMENT SYSTEM AS A RESULT OF BENEFITS PROVIDED UNDER
3 SECTION 86, 87, OR 89.

4 (13) ON OR BEFORE JULY 1, 2017, THE RETIREMENT SYSTEM SHALL
5 PROVIDE A REPORT TO THE CHAIRS OF THE HOUSE AND SENATE
6 APPROPRIATIONS COMMITTEES THAT PROVIDES THE PROJECTED IMPACT OF
7 SUBSECTION (10) AS IT APPLIES TO MEMBERS FIRST EMPLOYED AND
8 ENTERED UPON THE PAYROLL OF REPORTING UNITS ON OR AFTER JULY 1,
9 2017 WITH REGARD TO THE ANNUAL REQUIRED CONTRIBUTION AS USED BY
10 THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND FOR PURPOSES OF
11 THE ANNUAL FINANCIAL STATEMENTS PREPARED UNDER SECTION 28(1).

12 (14) AS USED IN THIS SECTION, "COMPENSATION" MEANS THAT TERM
13 AS DEFINED IN SECTION 122(2).

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

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

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

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

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

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

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

13 (2) The retirement system shall be administered in
14 compliance with the provisions of section 415 of the internal
15 revenue code, 26 USC 415, and regulations under that section that
16 are applicable to governmental plans and beginning January 1,
17 2010, applicable provisions of the final regulations issued by
18 the internal revenue service on April 5, 2007. Employer-financed
19 benefits provided by the retirement system under this act shall
20 not exceed the applicable limitations set forth in section 415 of
21 the internal revenue code, 26 USC 415, as adjusted by the
22 commissioner of internal revenue under section 415(d) of the
23 internal revenue code, 26 USC 415, to reflect cost-of-living
24 increases, and the retirement system shall adjust the benefits,
25 including benefits payable to retirants and retirement allowance
26 beneficiaries, subject to the limitation each calendar year to
27 conform with the adjusted limitation. For purposes of section

1 415(b) of the internal revenue code, 26 USC 415, the applicable
2 limitation shall apply to aggregated benefits received from all
3 qualified pension plans for which the office of retirement
4 services coordinates administration of that limitation. If there
5 is a conflict between this section and another section of this
6 act, this section prevails.

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

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

19 (5) The required beginning date for retirement allowances
20 and other distributions shall not be later than April 1 of the
21 calendar year following the calendar year in which the employee
22 attains age 70-1/2 or April 1 of the calendar year following the
23 calendar year in which the employee retires. The required minimum
24 distribution requirements imposed by section 401(a)(9) of the
25 internal revenue code, 26 USC 401, shall apply to this act and be
26 administered in accordance with a reasonable and good faith
27 interpretation of the required minimum distribution requirements



1 for all years to which the required minimum distribution
2 requirements apply to the act.

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

10 (7) Notwithstanding any other provision of this act to the
11 contrary that would limit a distributee's election under this
12 act, a distributee may elect, at the time and in the manner
13 prescribed by the retirement board, to have any portion of an
14 eligible rollover distribution paid directly to an eligible
15 retirement plan specified by the distributee in a direct
16 rollover. This subsection applies to distributions made on or
17 after January 1, 1993. **BEGINNING OCTOBER 1, 2010, A NONSPOUSE**
18 **BENEFICIARY MAY ELECT TO HAVE ANY PORTION OF AN AMOUNT PAYABLE**
19 **UNDER THIS ACT THAT IS AN ELIGIBLE ROLLOVER DISTRIBUTION TREATED**
20 **AS A DIRECT ROLLOVER THAT WILL BE PAID IN A DIRECT TRUSTEE-TO-**
21 **TRUSTEE TRANSFER TO AN INDIVIDUAL RETIREMENT ACCOUNT OR**
22 **INDIVIDUAL RETIREMENT ANNUITY DESCRIBED IN SECTION 408(A) OR (B)**
23 **OF THE INTERNAL REVENUE CODE, 26 USC 408, THAT IS ESTABLISHED FOR**
24 **THE PURPOSE OF RECEIVING A DISTRIBUTION ON BEHALF OF THE**
25 **BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL**
26 **RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY PURSUANT TO**
27 **SECTION 402(C)(11) OF THE INTERNAL REVENUE CODE, 26 USC 402.**



1 (8) For purposes of determining actuarial equivalent
2 retirement allowances under sections 45 and 85(1)(b), (1)(c),
3 (1)(d), and (2), the actuarially assumed interest rate shall be
4 8% with utilization of the 1983 group annuity and mortality
5 table.

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

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

26 Sec. 124. (1) "Plan document" means the document that
27 contains the provisions and procedures of Tier 2 in conformity

1 with this act and the internal revenue code.

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

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

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

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

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

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

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

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

20 (6) **EXCEPT AS OTHERWISE PROVIDED IN SECTION 81D, UNLESS A**
21 **QUALIFIED PARTICIPANT WHO IS ONLY A TIER 2 QUALIFIED PARTICIPANT**
22 **DUE TO AN ELECTION MADE UNDER SECTION 81D(1) AFFIRMATIVELY ELECTS**
23 **NOT TO CONTRIBUTE OR ELECTS TO CONTRIBUTE A LESSER AMOUNT, THE**
24 **QUALIFIED PARTICIPANT SHALL CONTRIBUTE 6% OF HIS OR HER**
25 **COMPENSATION TO HIS OR HER TIER 2 ACCOUNT. THE QUALIFIED**
26 **PARTICIPANT'S EMPLOYER SHALL MAKE A CONTRIBUTION TO THE QUALIFIED**
27 **PARTICIPANT'S TIER 2 ACCOUNT IN AN AMOUNT EQUAL TO 50% OF THE**

1 FIRST 6% OF COMPENSATION CONTRIBUTED BY THE QUALIFIED PARTICIPANT
2 UNDER THIS SUBSECTION.

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

5 (A) ON OR BEFORE JULY 1, 2013, THE RETIREMENT SYSTEM SHALL
6 DESIGN AN AUTOMATIC ENROLLMENT FEATURE THAT PROVIDES THAT UNLESS
7 A QUALIFIED PARTICIPANT WHO MAKES CONTRIBUTIONS UNDER THIS ACT
8 ELECTS TO CONTRIBUTE A LESSER AMOUNT, THE QUALIFIED PARTICIPANT
9 SHALL CONTRIBUTE THE AMOUNT REQUIRED TO QUALIFY FOR ALL ELIGIBLE
10 MATCHING CONTRIBUTIONS UNDER THIS ACT. THE RETIREMENT SYSTEM
11 SHALL IMPLEMENT THIS AUTOMATIC ENROLLMENT FEATURE ON OR AFTER
12 JULY 1, 2013, AS DETERMINED BY THE RETIREMENT SYSTEM.

13 (B) EMPLOYER MATCHING CONTRIBUTIONS DO NOT HAVE TO BE MADE
14 TO THE SAME PLAN OR ACCOUNT TO WHICH THE ELECTIVE EMPLOYEE
15 CONTRIBUTIONS WERE CONTRIBUTED AS THE BASIS FOR THE MATCHING
16 CONTRIBUTIONS.

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

22 (D) THE RETIREMENT SYSTEM SHALL DESIGN AND IMPLEMENT A
23 METHOD TO DETERMINE THE PROPER ALLOCATION OF EMPLOYER MATCHING
24 CONTRIBUTIONS BASED ON ELECTIVE EMPLOYEE CONTRIBUTIONS AS
25 PROVIDED IN THIS SECTION.

26 (E) THE RETIREMENT SYSTEM WITHIN THE DEPARTMENT HAS THE
27 EXCLUSIVE AUTHORITY AND RESPONSIBILITY TO EMPLOY OR CONTRACT WITH



1 PERSONNEL AND FOR SERVICES THAT THE RETIREMENT SYSTEM DETERMINES
2 NECESSARY FOR THE PROPER ADMINISTRATION OF AND INVESTMENT OF
3 ASSETS OF TIER 2, INCLUDING, BUT NOT LIMITED TO, MANAGERIAL,
4 PROFESSIONAL, LEGAL, CLERICAL, TECHNICAL, AND ADMINISTRATIVE
5 PERSONNEL OR SERVICES.

6 Enacting section 1. Section 43d of the public school
7 employees retirement act of 1979, 1980 PA 300, MCL 38.1343d, is
8 repealed.

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

16 (2) The provisions of this amendatory act are severable. If
17 any part of this amendatory act is declared invalid or
18 unconstitutional, that declaration shall not affect the remaining
19 part of this amendatory act.