

Retirement; public school employees; vesting cap for defined benefits plan, defined contribution for new employees, and retirement on or before October 1, 2010; provide for.
Retirement: public school employees

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 4, 6, 7, 8, 25, 26, 41, 42, 43a, 43b, 43c,
61, 81, 84, 86, 87, 88, 89, and 91 (MCL 38.1304, 38.1306,
38.1307, 38.1308, 38.1325, 38.1326, 38.1341, 38.1342, 38.1343a,
38.1343b, 38.1343c, 38.1361, 38.1381, 38.1384, 38.1386, 38.1387,
38.1388, 38.1389, and 38.1391), section 4 as amended by 2008 PA
354, sections 6 and 7 as amended by 1995 PA 272, sections 8, 25,
and 26 as amended by 1997 PA 143, section 41 as amended by 2007
PA 15, section 42 as amended by 1996 PA 268, section 43a as
amended by 2007 PA 111, sections 43b, 81, 84, and 89 as amended
by 1989 PA 194, section 43c as amended by 1998 PA 213, section 61
as amended by 2006 PA 158, and section 91 as amended by 2007 PA

110, and by adding sections 41b, 43e, 81b, 81c, and 84a and article 7.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

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

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

14 (6) "Direct rollover" means a payment by the retirement
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:

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

3 (b) An individual retirement annuity described in section
4 408(b) of the internal revenue code, 26 USC 408.

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

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

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

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

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

26 (9) Beginning January 1, 2007, "eligible rollover
27 distribution" means a distribution of all or any portion of the

1 balance to the credit of the distributee. Eligible rollover
2 distribution does not include any of the following:

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

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

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

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

14 (i) An individual retirement account or annuity described in
15 section 408(a) or 408(b) of the internal revenue code, 26 USC
16 408.

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

24 (10) "Employee organization professional services leave" or
25 "professional services leave" means a leave of absence that is
26 renewed annually by the reporting unit so that a member may
27 accept a position with a public school employee organization to

1 which he or she belongs and which represents employees of a
2 reporting unit in employment matters. The member shall be
3 included in membership of the retirement system during a
4 professional services leave if all of the conditions of section
5 71(5) and (6) are satisfied.

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

16 (12) "Final average compensation" means the aggregate amount
17 of a member's compensation earned within the averaging period in
18 which the aggregate amount of compensation was highest divided by
19 the member's number of years, including any fraction of a year,
20 of credited service during the averaging period. The averaging
21 period shall be 36 consecutive calendar months if the member
22 contributes to the member investment plan **EXCEPT FOR A MEMBER**
23 **DESCRIBED IN SECTION 43A(7) WHOSE AVERAGING PERIOD SHALL BE 108**
24 **CONSECUTIVE CALENDAR MONTHS**; otherwise, the averaging period
25 shall be 60 consecutive calendar months. If the member has less
26 than 1 year of credited service in the averaging period, the
27 number of consecutive calendar months in the averaging period

1 shall be increased to the lowest number of consecutive calendar
2 months that contains 1 year of credited service.

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

7 (14) "Internal revenue code" means the United States
8 internal revenue code of 1986.

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

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

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

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

24 (a) Performed in other states in the United States or its
25 territorial possessions.

26 (b) Performed at the university of Michigan, Michigan state
27 university, Wayne state university, Grand Valley state

1 university, Oakland university, or Saginaw Valley university.

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

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

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

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

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

22 (3) "Prior service" means service performed before July 1,
23 1945.

24 (4) Except as otherwise provided in this subsection, "public
25 school academy" means a public school academy established under
26 part 6a or **FORMER PART** 6b of the ~~school code of 1976, Act No. 451~~
27 ~~of the Public Acts of 1976, being sections 380.501 to 380.507 and~~

1 ~~380.511 to 380.518 of the Michigan Compiled Laws~~ **REVISED SCHOOL**
 2 **CODE, 1976 PA 451, MCL 380.501 TO 380.507 AND FORMER MCL 380.511**
 3 **TO 380.518.** Public school academy does not include any of the
 4 following:

5 (a) A public school academy operated by a state public
 6 university that is not subject to the optional retirement act of
 7 1967, ~~Act No. 156 of the Public Acts of 1967, being sections~~
 8 ~~38.381 to 38.388 of the Michigan Compiled Laws~~ **1967 PA 156, MCL**
 9 **38.381 TO 38.388.**

10 (b) A public school academy corporation formed by a state
 11 public university that is not subject to ~~Act No. 156 of the~~
 12 ~~Public Acts of 1967~~ **THE OPTIONAL RETIREMENT ACT OF 1967, 1967 PA**
 13 **156, MCL 38.381 TO 38.388.**

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

1 MCL 38.1 TO 38.69, for service is paid to the retirement system.
2 Service at Ferris state university shall be creditable as prior
3 service or membership service only if the employee was employed
4 at Ferris state university on a full-time basis for 2 or more
5 years after May 17, 1949. Until January 1, 1988, public school
6 employee also includes a person holding a Michigan teacher
7 certificate and serving as an employee of the Michigan high
8 school athletic association, other than a person whose effective
9 date of employment with the Michigan high school athletic
10 association is on or after December 31, 1986. Public school
11 employee includes a public school employee on an approved leave
12 of absence. Public school employee does not include a person who
13 first becomes employed by a university described in this
14 subsection on or after January 1, 1996. **PUBLIC SCHOOL EMPLOYEE**
15 **SHALL INCLUDE TEACHERS WORKING AT A REPORTING UNIT BUT WHO ARE**
16 **EMPLOYED BY AN ENTITY OTHER THAN THE REPORTING UNIT, EXCEPT THAT**
17 **TEACHERS WORKING AT A PUBLIC SCHOOL ACADEMY WHO ARE EMPLOYED BY**
18 **AN ENTITY OTHER THAN THE PUBLIC SCHOOL ACADEMY SHALL BE TREATED**
19 **AS A PUBLIC SCHOOL EMPLOYEE BEGINNING JULY 1, 2011. BEGINNING**
20 **JULY 1, 2011, PUBLIC SCHOOL EMPLOYEE SHALL INCLUDE PERSONS OTHER**
21 **THAN TEACHERS WORKING AT A PUBLIC SCHOOL ACADEMY WHO ARE EMPLOYED**
22 **BY AN ENTITY OTHER THAN THE PUBLIC SCHOOL ACADEMY IF A PUBLIC**
23 **SCHOOL ACADEMY MAKES SUCH AN ELECTION IN A MANNER AS DETERMINED**
24 **BY THE RETIREMENT SYSTEM.**

25 Sec. 7. (1) "Refund beneficiary" means 1 or more persons
26 whom the member or former member nominates in writing and files
27 with the retirement system for the purpose of being paid

1 accumulated contributions in the event of the death of the member
2 or former member. If a valid nomination is not on file, the
3 retirement board shall pay the accumulated contributions to the
4 legal representative of the deceased member or deceased former
5 member, if any, or to the estate of the deceased member or
6 deceased former member.

7 (2) "Regular interest" means interest at 1 or more rates per
8 annum determined by the retirement board and compounded annually.

9 **THE REGULAR INTEREST FOR AMOUNTS ON DEPOSIT ON BEHALF OF MEMBERS**
10 **AS DESCRIBED IN SECTION 43A(7) SHALL NOT BE LESS THAN 0% AND**
11 **SHALL NOT BE MORE THAN 7% PER ANNUM DETERMINED BY THE RETIREMENT**
12 **BOARD AND COMPOUNDED ANNUALLY. THE REGULAR INTEREST FOR AMOUNTS**
13 **ON DEPOSIT IN THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS PROVIDED**
14 **IN SECTION 43E SHALL BE DETERMINED AND CREDITED IN THE SAME**
15 **MANNER AS THE INTEREST ON AMOUNTS IN THE RESERVE FOR THE MEMBER**
16 **INVESTMENT PLAN UNDER SECTION 33.**

17 (3) Except as otherwise provided in this subsection,
18 "reporting unit" means a public school district, intermediate
19 school district, public school academy, tax supported community
20 or junior college, or university, or an agency having employees
21 on its payroll who are members of this retirement system. The
22 reporting unit shall be the employer for purposes of this act. On
23 and after January 1, 1996, reporting unit does not include a
24 university, except to the extent that university has employees on
25 its payroll who are members of this retirement system.

26 (4) "Retirant" means a member who retires with a retirement
27 allowance payable from reserves of the retirement system.

1 (5) "Retirement allowance" means a payment for life or a
2 temporary period provided for in this act to which a retirant,
3 retirement allowance beneficiary, or refund beneficiary is
4 entitled.

5 (6) "Retirement allowance beneficiary" means a person who is
6 being paid or has entitlement to the payment of a retirement
7 allowance in the event of the death of a member, deferred member,
8 or retirant.

9 (7) "Retirement board" means the board provided to
10 administer this retirement system.

11 (8) "Retirement system" means the Michigan public school
12 employees' retirement system provided for in this act.

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

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

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

21 (4) "Teacher" means a person employed by a reporting unit
22 who is engaged in teaching, who is engaged in administering and
23 supervising teaching, or who is under a teacher's contract with a
24 reporting unit, **INCLUDING, BUT NOT LIMITED TO, TEACHERS, TEACHING**
25 **ASSISTANTS, GUIDANCE COUNSELORS, PRINCIPALS, SUPERINTENDENTS, AND**
26 **OTHER ADMINISTRATORS OVER AREAS THAT INTERACT DIRECTLY WITH**
27 **STUDENTS.**

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

3 (6) "TIER 2" MEANS THE STATE OF MICHIGAN DEFERRED
4 COMPENSATION PLAN I UNDER SECTION 457 OF THE INTERNAL REVENUE
5 CODE, OR ANOTHER RETIREMENT PLAN ESTABLISHED PURSUANT TO THE
6 INTERNAL REVENUE CODE THAT IS AVAILABLE TO QUALIFIED PARTICIPANTS
7 UNDER ARTICLE 7.

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

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

23 (2) The retirement board may promulgate rules pursuant to
24 the administrative procedures act of 1969, 1969 PA 306, MCL
25 24.201 to 24.328, for the implementation and administration of
26 this act. **THE RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE**
27 **ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION, OPERATION,**

1 INVESTMENT, OR DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.

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

3 (2) ~~(1)~~—The state treasurer shall be treasurer of the
4 retirement system and shall have investment authority, including
5 the custodianship of the funds of the retirement system, and
6 shall have fiduciary responsibility with regard to the investment
7 of funds of the retirement system.

8 (3) ~~(2)~~—The state treasurer shall deposit the funds of the
9 retirement system in the same manner and subject to the law
10 governing the deposit of state funds by the treasurer. Income
11 earned by the retirement system's funds shall be credited to the
12 respective reserves under this act that earned the income.

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

26 (2) ~~The contribution rate for benefits payable in the event~~
27 ~~of the death of a member before retirement or the disability of a~~

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

1 cost contributions and the actuarial value of assets on the
2 valuation date. ~~For the 2006-2007 state fiscal year, the~~
3 ~~contribution rate for unfunded service rendered before the~~
4 ~~valuation date shall be equal to 4.5% of the aggregate amount of~~
5 ~~unfunded actuarial accrued liabilities divided by 1% of the~~
6 ~~actuarial valuation annual compensation.~~

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

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

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

19 (6) Not later than 90 days after termination of each state
20 fiscal year, the executive secretary of the retirement board
21 shall certify to the director of the department and each
22 reporting unit the actual aggregate compensation paid to public
23 school employees during the preceding state fiscal year. Upon
24 receipt of that certification, the director of the department
25 shall compute any adjustment required to the amount due to a
26 difference between the estimated and the actual aggregate
27 compensation and the estimated and the actual actuarial employer

1 contribution rate. The difference, if any, shall be paid as
2 provided in subsection (9). This subsection does not apply in a
3 fiscal year in which a deposit occurs pursuant to subsection
4 (14).

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

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

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

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

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

21 (11) ~~Beginning~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS**
 22 **SUBSECTION, BEGINNING** on the designated date, the actuary used by
 23 the retirement board shall assume a rate of return on investments
 24 of 8.00% per annum, as of the designated date, which rate may
 25 only be changed with the approval of the retirement board and the
 26 director of the department. **BEGINNING ON JULY 1, 2010, THE**
 27 **ACTUARY USED BY THE RETIREMENT BOARD SHALL ASSUME A RATE OF**

1 RETURN ON INVESTMENTS OF 7.00% PER ANNUM, WHICH RATE MAY ONLY BE
2 CHANGED WITH THE APPROVAL OF THE RETIREMENT BOARD AND THE
3 DIRECTOR OF THE DEPARTMENT FOR INVESTMENTS ASSOCIATED WITH
4 MEMBERS AS DESCRIBED IN SECTION 43A(7).

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

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

20 (14) For fiscal years that begin on or after October 1,
21 2001, if the actuarial valuation prepared pursuant to this
22 section demonstrates that as of the beginning of a fiscal year,
23 and after all credits and transfers required by this act for the
24 previous fiscal year have been made, the sum of the actuarial
25 value of assets and the actuarial present value of future normal
26 cost contributions exceeds the actuarial present value of
27 benefits, the amount based on the annual level percent of payroll

1 contribution rate pursuant to subsections (1) and (2) may be
2 deposited into the health advance funding subaccount created by
3 section 34.

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

15 **SEC. 41B. (1) BEGINNING JULY 1, 2010, THE RETIREMENT SYSTEM**
16 **MAY DETERMINE A SEPARATE EMPLOYER CONTRIBUTION RATE FOR MEMBERS**
17 **WHO ARE DESCRIBED IN SECTION 43A(7). EXCEPT AS PROVIDED IN THIS**
18 **SECTION, THE RETIREMENT SYSTEM SHALL DETERMINE THE SEPARATE**
19 **EMPLOYER CONTRIBUTION RATE IN THE MANNER PRESCRIBED IN SECTION**
20 **41.**

21 **(2) THE RETIREMENT SYSTEM SHALL NOT DETERMINE A SEPARATE**
22 **EMPLOYER CONTRIBUTION RATE FOR MEMBERS WHO ARE DESCRIBED IN**
23 **SECTION 84A, BUT MEMBERS DESCRIBED IN SECTION 84A SHALL BE**
24 **TREATED AS MEMBERS FOR PURPOSES OF TIER 1, INCLUDING THE**
25 **DETERMINATION OF THE CONTRIBUTION RATE IN SECTION 41. EXCEPT AS**
26 **PROVIDED IN SUBSECTION (3), THE CONTRIBUTION FOR MEMBERS**
27 **DESCRIBED IN SECTION 84A SHALL BE DEPOSITED INTO THE RESERVE FOR**

1 EMPLOYER CONTRIBUTIONS.

2 (3) AN AMOUNT EQUAL TO THE TOTAL PROJECTED CONTRIBUTIONS
 3 REQUIRED UNDER SECTION 131 TO THE TIER 2 ACCOUNTS OF MEMBERS AS
 4 DESCRIBED IN SECTION 84A WHO ARE ALSO QUALIFIED PARTICIPANTS
 5 SHALL BE CALCULATED, PAID AND COLLECTED IN ADDITION TO, AND IN
 6 THE SAME MANNER AS, THE EMPLOYER CONTRIBUTION AMOUNT CALCULATED
 7 UNDER SECTION 41. THIS AMOUNT SHALL NOT BE DEPOSITED INTO THE
 8 RESERVE FOR EMPLOYER CONTRIBUTIONS, BUT SHALL BE WITHHELD BY THE
 9 RETIREMENT SYSTEM AND PAID TO THE QUALIFIED PARTICIPANTS ACCOUNT
 10 IN TIER 2 ON BEHALF OF THE QUALIFIED PARTICIPANT'S EMPLOYER IN AN
 11 AMOUNT REQUIRED UNDER SECTION 131.

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

24 (2) As authorized by resolution or other enabling act of its
 25 governing body, the employer shall pick up all contributions of a
 26 member made pursuant to ~~section~~ **SECTIONS 43a AND 43C** for all
 27 compensation paid on or after January 1, 1987 and reported to the

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

17 (3) The employer shall deduct from a member's compensation
18 the contributions for social security provided in ~~Act No. 205 of~~
19 ~~the Public Acts of 1951, being sections 38.851 to 38.871 of the~~
20 ~~Michigan Compiled Laws 1951 PA 205, MCL 38.851 TO 38.871.~~

21 Contributions shall be made while the member remains a public
22 school employee. Each reporting unit official shall deduct the
23 social security contributions from the compensation of each
24 member for each payroll period after the date the employee
25 becomes a member. Social security contributions shall be made
26 notwithstanding that the minimum compensation provided by law is
27 changed. Each member is considered to have agreed to the

1 contributions prescribed in this subsection.

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

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

10 (6) ~~By January 11, April 11, July 11, and October 11 of each~~
11 ~~year, each reporting unit official shall file with the executive~~
12 ~~secretary of the retirement board a quarterly affidavit for the~~
13 ~~preceding 3 months. The affidavit shall certify the aggregate~~
14 ~~compensation that is reportable to the retirement system under~~
15 ~~section 3a, sources of contributions, wages paid from federal~~
16 ~~funds, and contributions required by law. Not later than July 11~~
17 ~~of each year, a report shall be filed with the executive~~
18 ~~secretary of the retirement board, which shall list the persons~~
19 ~~employed, together with other information, including salary,~~
20 ~~service, and contributions, required for retirement reporting~~
21 ~~purposes.~~ **EACH REPORTING UNIT OFFICIAL SHALL SUBMIT TO THE**
22 **RETIREMENT SYSTEM A REPORT THAT INCLUDES THE INFORMATION FOR**
23 **RETIREMENT PURPOSES, INCLUDING, BUT NOT LIMITED TO, PERSONS**
24 **EMPLOYED, WAGES, HOURS, AND CONTRIBUTIONS REQUIRED UNDER THIS**
25 **ACT. THE REPORT SHALL CONTAIN THE INFORMATION ON A PAY PERIOD**
26 **BASIS AND SHALL BE SUBMITTED TO THE RETIREMENT SYSTEM NO LATER**
27 **THAN THE LAST DAY OF THE SUBSEQUENT PAY PERIOD. THE**

1 SUPERINTENDENT FOR A REPORTING UNIT OR THE CHIEF ADMINISTRATOR
2 FOR A REPORTING UNIT THAT DOES NOT HAVE A SUPERINTENDENT SHALL
3 COMPLETE AN ANNUAL CERTIFICATION THAT GIVES AUTHORIZATION FOR THE
4 EMPLOYEES OF THE REPORTING UNIT TO REPORT THE INFORMATION TO THE
5 RETIREMENT SYSTEM.

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

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

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

1 and remitted as employer contributions to the retirement system
2 pursuant to section 42. A member **OTHER THAN A MEMBER DESCRIBED IN**
3 **SUBSECTION (7)** who contributes to the member investment plan is
4 entitled to the benefits provided in sections 43b and 43c.

5 (2) Until December 31, 1989, a member who first became a
6 member on or before December 31, 1989, and who elected or elects
7 on or before December 31, 1989 to contribute to the member
8 investment plan shall contribute 4% of the member's compensation
9 to the member investment plan and beginning January 1, 1990 shall
10 contribute 3.9% of the member's compensation to the member
11 investment plan **UNTIL THE MEMBER'S FIRST PAY DATE ON OR AFTER**
12 **JULY 1, 2010. BEGINNING WITH THE MEMBER'S FIRST PAY DATE ON OR**
13 **AFTER JULY 1, 2010, A MEMBER AS DESCRIBED IN THIS SUBSECTION**
14 **SHALL CONTRIBUTE 6.9% OF THE MEMBER'S COMPENSATION TO THE MEMBER**
15 **INVESTMENT PLAN.**

16 (3) On or before January 1, 1993, a member who first became
17 a member on or before December 31, 1989, except as otherwise
18 provided in subsection (4), and who did not elect to make
19 contributions to the member investment plan, may irrevocably
20 elect to make the contributions described in subsection (2). In
21 addition to making the contributions required under subsection
22 (2), a member who elects to make contributions to the member
23 investment plan under this subsection shall make a contribution
24 of 4% of the compensation received on or after January 1, 1987 to
25 December 31, 1989, and 3.9% of the compensation received on or
26 after January 1, 1990 to the date of the election, plus an amount
27 equal to the compound interest that would have accumulated on

1 those contributions as described in section 33, plus an amount
 2 equal to the net actuarial cost of the additional benefits
 3 attributable to service credited before January 1, 1987, as
 4 determined by the retirement board. The method and timing of
 5 payment by a member under this subsection shall be determined by
 6 the retirement board. The contributions made under this
 7 subsection shall be deposited into the reserve for employee
 8 contributions.

9 (4) A member who first became a member on or before December
 10 31, 1986 but did not perform membership service between December
 11 31, 1986 and January 1, 1990, and who returns to membership
 12 service on or after January 1, 1990 and before ~~July 1, 2008~~ **JULY**
 13 **1, 2010** shall make the contributions described in subsection ~~(7)~~
 14 (5).

15 ~~— (5) A member who first became a member on or after January~~
 16 ~~1, 1990 and before July 1, 2008 shall make the contributions~~
 17 ~~described in subsection (7).~~

18 ~~— (6) A member who first became a member on or after January~~
 19 ~~1, 1987 but before January 1, 1990 shall have 30 days from his or~~
 20 ~~her first date of employment to irrevocably elect to make the~~
 21 ~~contributions described in subsection (2).~~

22 (5) ~~(7)~~ A member who first became a member on or after
 23 January 1, 1990 and before ~~July 1, 2008~~ **JULY 1, 2010** shall
 24 contribute the following amounts to the member investment plan
 25 **BEGINNING ON THE MEMBER'S FIRST PAY DATE ON OR AFTER JULY 1,**
 26 **2010:**

1	<u>Member's annual school fiscal</u>	<u>Amount payable to the member</u>
2	<u>year earned compensation</u>	<u>investment plan</u>
3	Not over \$5,000.00	3% of member's compensation
4	Over \$5,000.00 but not over	\$150.00, plus 3.6% of the
5	\$15,000.00	excess over \$5,000.00
6	Over \$15,000.00	\$510.00, plus 4.3% 7.3% of the
7		excess over \$15,000.00

8 (6) ~~(8)~~—A member who first became a member on or after July
9 1, 2008 shall contribute the following amounts **UNTIL THE MEMBER'S**
10 **FIRST PAY DATE BEGINNING AFTER JULY 1, 2010** to the member
11 investment plan:

12	<u>Member's annual school</u>	<u>Amount payable to the member</u>
13	<u>fiscal year earned compensation</u>	<u>investment plan</u>
14	Not over \$5,000.00	3% of member's compensation
15	Over \$5,000.00 but not over	\$150.00, plus 3.6% of excess
16	\$15,000.00	over \$5,000.00
17	Over \$15,000.00	\$510.00, plus 6.4% of the
18		excess over \$15,000.00

19 (7) **A MEMBER WHO FIRST BECAME A MEMBER ON OR AFTER JULY 1,**
20 **2010 SHALL CONTRIBUTE THE FOLLOWING AMOUNTS TO THE MEMBER**



1 INVESTMENT PLAN:

2 <u>MEMBER'S ANNUAL SCHOOL</u>	<u>AMOUNT PAYABLE TO THE MEMBER</u>
3 <u>FISCAL YEAR EARNED COMPENSATION</u>	<u>INVESTMENT PLAN</u>
4 NOT OVER \$5,000.00	3% OF MEMBER'S COMPENSATION
5 OVER \$5,000.00 BUT NOT OVER	\$150.00, PLUS 3.6% OF EXCESS
6 \$15,000.00	OVER \$5,000.00
7 OVER \$15,000.00	\$510.00, PLUS 7.3% OF THE
8	EXCESS OVER \$15,000.00

9 (8) A MEMBER WHO FIRST BECAME A MEMBER ON OR AFTER JANUARY
10 1, 1990 AND BEFORE JULY 1, 2008 SHALL CONTRIBUTE THE FOLLOWING
11 AMOUNTS TO THE MEMBER INVESTMENT PLAN UNTIL THE MEMBER'S FIRST
12 PAY DATE ON OR AFTER JULY 1, 2010:

13 <u>MEMBER'S ANNUAL SCHOOL</u>	<u>AMOUNT PAYABLE TO THE MEMBER</u>
14 <u>FISCAL YEAR EARNED COMPENSATION</u>	<u>INVESTMENT PLAN</u>
15 NOT OVER \$5,000.00	3% OF MEMBER'S COMPENSATION
16 OVER \$5,000.00 BUT NOT OVER	\$150.00, PLUS 3.6% OF EXCESS
17 \$15,000.00	OVER \$5,000.00
18 OVER \$15,000.00	\$510.00, PLUS 4.3% OF THE
19	EXCESS OVER \$15,000.00

20 Sec. 43b. A member OTHER THAN A MEMBER DESCRIBED IN SECTION



1 **43A(7)** who contributes to the member investment plan shall have
2 the eligibility requirements of section 81 except as follows:

3 (a) The age 55 requirement of section 81(1)(a) shall not
4 apply.

5 (b) The 10 years of credited service requirement of section
6 81(1)(b) shall be 5 years if the member is working as a public
7 school employee and the member received credited service in each
8 of the 5 school fiscal years immediately preceding the retirement
9 allowance effective date.

10 Sec. 43c. A member **OTHER THAN A MEMBER DESCRIBED IN SECTION**
11 **43A(7)** who contributes to the member investment plan, or the
12 retirement allowance beneficiary of that member, shall be
13 entitled to all of the following:

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

16 (b) An annual increase in the retirement allowance. The
17 first increase will occur on the first October 1 that is at least
18 1 full year after the effective date of the retirement allowance.
19 Subsequent annual increases will occur on October 1 of each
20 subsequent year. The amount of the annual increase shall be equal
21 to 3% of the retirement allowance that would be payable as of the
22 date of the increase without application of this subdivision.
23 However, if the retirement allowance is being paid under section
24 85(2), the increase shall be based on the retirement allowance
25 that would have been paid under the payment option selected by
26 the member under section 85(1).

27 (c) The credited service eligibility requirement applicable

1 to the survivor benefits provided in section 89 shall be reduced
2 as follows:

3 (i) The 15 years of credited service requirement shall be 10
4 years.

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

7 **SEC. 43E. ANY MEMBER WHO IS NOT REQUIRED TO CONTRIBUTE TO**
8 **THE MEMBER INVESTMENT PLAN UNDER SECTION 43A SHALL CONTRIBUTE 3%**
9 **OF THE MEMBER'S COMPENSATION TO THE RESERVE FOR EMPLOYEE**
10 **CONTRIBUTIONS. THE MEMBER CONTRIBUTIONS SHALL BE DEDUCTED BY THE**
11 **EMPLOYER AND REMITTED AS EMPLOYER CONTRIBUTIONS TO THE RETIREMENT**
12 **SYSTEM PURSUANT TO SECTION 42.**

13 Sec. 61. (1) Except as otherwise provided in this section,
14 if a retirant is receiving a retirement allowance other than a
15 disability allowance payable under this act or under former 1945
16 PA 136, on account of either age or years of personal service
17 performed, or both, and becomes employed by a reporting unit, the
18 following shall take place:

19 (a) The retirant shall not be entitled to a new final
20 average compensation or additional service credit under this
21 retirement system unless additional service is performed
22 equivalent to 5 or more years of service credit or, if the
23 retirant has contributed to the member investment plan, the
24 equivalent of 3 or more years of service credit. The retirant may
25 elect to have the retirement allowance recomputed based on the
26 added credit or the final average compensation resulting from the
27 added service, or both. A retirement allowance shall not be

1 recomputed until the retirant pays into the retirement system an
2 amount equal to the retirant's new final average compensation
3 multiplied by the percentage determined under section 41(2) for
4 normal cost and unfunded actuarial accrued liabilities, not
5 including the percentage required for the funding of health
6 benefits, multiplied by the total service credit in the period in
7 which the retirant's additional service was performed.

8 (b) The retirant's retirement allowance shall be reduced by
9 the lesser of the amount that the earnings in a calendar year
10 exceed the amount permitted without a reduction of benefits under
11 the social security act, chapter 531, 49 Stat. 620, or 1/3 of the
12 retirant's final average compensation. For purposes of computing
13 allowable earnings under this subdivision, the final average
14 compensation shall be increased by 5% for each full year of
15 retirement.

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

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

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

25 (b) The retirant is not eligible to use any service or
26 compensation attributable to the employment described in
27 subdivision (a) for a recomputation of his or her retirement

1 allowance.

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

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

10 (a) The retirant is employed by a reporting unit that has an
11 approved emergency situation, not including a situation caused by
12 a labor dispute, that necessitates the hiring of a retirant in
13 the capacity of a teacher, principal, stationary engineer,
14 administrator, or other category as determined by the
15 superintendent of public instruction to prevent depriving
16 students of an education. The chief executive officer or
17 superintendent of the school district shall include with the
18 written notification documentation showing that more than 8% of
19 all classes in the district during the 1998-99 school year are
20 taught by full-time substitute teachers who are not certificated
21 in the subjects or grade levels which they teach. Within 30 days
22 after receipt of the notification and documentation under this
23 subdivision, the department of education shall notify the chief
24 executive officer or superintendent and the retirement system of
25 its approval or disapproval of the emergency situation. If
26 disapproved by the department of education, this subsection does
27 not apply.

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

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

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

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

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

17 (b) The retirant is employed under a situation described in
18 subdivision (a) for a period not to exceed 6 years.

19 (c) The retirant is not eligible to use any service or
20 compensation attributable to the employment described in
21 subdivision (a) for a recomputation of his or her retirement
22 allowance.

23 (7) ~~The provisions of subsections (4) and~~ **SUBSECTION** (6)
24 shall only apply for retirants who have been retired for at least
25 12 months before becoming employed under this section.

26 (8) **EXCEPT AS PROVIDED IN SUBSECTION (9), A MEMBER MAY**
27 **RETIRE WITHOUT BEING SUBJECT TO SUBSECTION (1) IF THE MEMBER**

1 MEETS ALL OF THE FOLLOWING:

2 (A) THE MEMBER RECEIVED A MINIMUM TOTAL OF 1/2 OF A YEAR OF
3 SERVICE CREDIT GRANTED UNDER SECTION 68 FOR EACH OF THE 5 SCHOOL
4 FISCAL YEARS IMMEDIATELY PRECEDING THE MEMBER'S RETIREMENT
5 ALLOWANCE EFFECTIVE DATE.

6 (B) THE MEMBER TERMINATED SERVICE AS A PUBLIC SCHOOL
7 EMPLOYEE ON OR AFTER JUNE 30, 2010.

8 (C) AT THE TIME OF TERMINATION THE MEMBER WAS AT LEAST 60
9 YEARS OF AGE AND MET THE SERVICE REQUIREMENT TO RECEIVE A
10 RETIREMENT ALLOWANCE UNDER THIS ACT.

11 (D) PRIOR TO TERMINATING REPORTING UNIT SERVICE, THE MEMBER
12 AGREES TO ACCEPT A POSTRETIREMENT OPTION POSITION WITH A
13 REPORTING UNIT THAT REPORTED WAGES AND HOURS FOR THE MEMBER TO
14 THE RETIREMENT SYSTEM FOR THE FULL SCHOOL FISCAL YEAR IMMEDIATELY
15 PRECEDING THE MEMBER'S RETIREMENT ALLOWANCE EFFECTIVE DATE.

16 (E) THE POSTRETIREMENT OPTION POSITION DESCRIBED IN
17 SUBDIVISION (D) HAS A WORK SCHEDULE THAT MEETS ALL OF THE
18 FOLLOWING:

19 (i) A REDUCTION OF AT LEAST 50% FROM THE MEMBER'S HOURS,
20 EXCLUDING OVERTIME, REPORTED TO THE RETIREMENT SYSTEM IN THE FULL
21 SCHOOL FISCAL YEAR IMMEDIATELY PRECEDING RETIREMENT.

22 (ii) THE WORK SCHEDULE COMMENCES NO LATER THAN 3 MONTHS
23 FOLLOWING TERMINATION OF REPORTING UNIT SERVICE.

24 (9) FOR EACH FISCAL YEAR THAT BEGINS ON OR AFTER JULY 1,
25 2011, THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE RETIREMENT
26 BOARD MAY ELECT TO DISCONTINUE POSTRETIREMENT OPTION POSITIONS AS
27 DESCRIBED IN SUBSECTION (8).

1 (10) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A
2 RETIRANT WHO OTHERWISE MET THE REQUIREMENTS OF SUBSECTION (8) BUT
3 EXCEEDS THE NUMBER OF HOURS WORKED AS PROVIDED IN SUBSECTION
4 (8)(E)(i) SHALL BE SUBJECT TO THE EARNINGS LIMITATION AS PROVIDED
5 IN SUBSECTION (1).

6 (11) A REPORTING UNIT HAS THE SOLE DISCRETION TO DETERMINE
7 IF, AND THE EXTENT TO WHICH, A POSTRETIREMENT OPTION POSITION
8 UNDER THIS SECTION WILL BE MADE AVAILABLE TO A TERMINATING MEMBER
9 OR RETIRANT.

10 (12) POSTRETIREMENT OPTION EMPLOYMENT SHALL BE FOR AN
11 INITIAL PERIOD NOT TO EXCEED 1 SCHOOL FISCAL YEAR. AT THE END OF
12 THE INITIAL AND ANY SUBSEQUENT PERIOD, THE REPORTING UNIT HAS THE
13 SOLE DISCRETION TO DETERMINE IF THE OFFER OF A POSTRETIREMENT
14 OPTION POSITION WILL BE RENEWED, RENEWED WITH MODIFICATIONS, OR
15 TERMINATED. POSTRETIREMENT OPTION POSITIONS MAY BE RENEWED FOR UP
16 TO 1 SCHOOL FISCAL YEAR AT A TIME, BUT NOT TO EXCEED A TOTAL OF 3
17 SCHOOL FISCAL YEARS. A RETIRANT MAY NOT BE EMPLOYED IN A
18 POSTRETIREMENT OPTION POSITION, OR A COMBINATION OF
19 POSTRETIREMENT OPTION POSITIONS, FOR A TOTAL OF MORE THAN 3
20 SCHOOL FISCAL YEARS.

21 (13) A RETIRANT WILL NOT EARN ANY SERVICE CREDIT UNDER THIS
22 ACT WHILE EMPLOYED IN A POSTRETIREMENT OPTION POSITION. NO CHANGE
23 TO A RETIRANT'S RETIREMENT ALLOWANCE SHALL MADE ON ACCOUNT OF
24 EMPLOYMENT IN A POSTRETIREMENT OPTION POSITION.

25 (14) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT AND
26 EXCEPT AS PROVIDED IN THIS SUBSECTION, IF A RETIRANT EXCEEDS THE
27 EARNINGS LIMITATION IN SUBSECTION (1), THE RETIRANT SHALL

1 REIMBURSE THE RETIREMENT SYSTEM AN AMOUNT EQUAL TO THE RETIRANT
 2 HEALTH CARE COSTS PAID BY THE RETIREMENT SYSTEM THAT IS
 3 PROPORTIONATE TO THE AMOUNT OF WAGES BY WHICH HE OR SHE EXCEEDED
 4 THE EARNINGS LIMITATION, AS CALCULATED BY THE RETIREMENT SYSTEM.
 5 THIS SUBSECTION DOES NOT APPLY TO A RETIRANT WHO IS EXCLUDED FROM
 6 THE APPLICATION OF SUBSECTION (1) BASED ON SUBSECTIONS (3) TO
 7 (7), OR SUBSECTION (8) IF THE RETIRANT HAS NOT EXCEEDED THE
 8 NUMBER OF HOURS WORKED AS PROVIDED IN SUBSECTION (8)(E)(i).

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

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

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

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

27 (2) ~~For—EXCEPT AS PROVIDED IN SECTION 81C, FOR~~ a member who

1 contributes to the member investment plan, the eligibility
2 requirements of subsection (1) shall be modified as provided in
3 section 43b.

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

7 (A) THE MEMBER FILES A WRITTEN APPLICATION WITH THE
8 RETIREMENT BOARD WITHIN THE INCENTIVIZED RETIREMENT APPLICATION
9 PERIOD STATING A RETIREMENT ALLOWANCE EFFECTIVE DATE THAT IS ON
10 OR AFTER JULY 1, 2010 BUT NOT LATER THAN SEPTEMBER 1, 2010. A
11 MEMBER MAY WITHDRAW A WRITTEN APPLICATION SUBMITTED BY A MEMBER
12 ON OR BEFORE MAY 31, 2010. A WRITTEN APPLICATION SUBMITTED BY A
13 MEMBER AND NOT WITHDRAWN ON OR BEFORE MAY 31, 2010 IS
14 IRREVOCABLE.

15 (B) ON THE LAST DAY OF THE MONTH IMMEDIATELY PRECEDING THE
16 RETIREMENT ALLOWANCE EFFECTIVE DATE STATED IN THE APPLICATION,
17 THE MEMBER'S AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR
18 GREATER THAN THE REQUIREMENTS TO QUALIFY FOR A RETIREMENT
19 ALLOWANCE UNDER SECTION 81 THAT IS NOT SUBJECT TO REDUCTION
20 PURSUANT TO SECTION 84(2).

21 (C) THE MEMBER WAS EMPLOYED AS A PUBLIC SCHOOL EMPLOYEE FOR
22 THE 6-MONTH PERIOD ENDING APRIL 15, 2010. A MEMBER WHO IS ON
23 LAYOFF STATUS FROM REPORTING UNIT EMPLOYMENT IS CONSIDERED TO
24 HAVE MET THE EMPLOYMENT REQUIREMENT OF THIS SUBDIVISION.

25 (2) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION,
26 A MEMBER SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE
27 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED

1 SERVICE MULTIPLIED BY 1.6% OF THE MEMBER'S FINAL AVERAGE
2 COMPENSATION.

3 (3) THE SUPERINTENDENT FOR A REPORTING UNIT OR THE CHIEF
4 ADMINISTRATOR FOR A REPORTING UNIT THAT DOES NOT HAVE A
5 SUPERINTENDENT MAY REQUEST THAT THE EFFECTIVE DATE OF RETIREMENT
6 UNDER SUBSECTION (1) OF A MEMBER EMPLOYED BY THAT REPORTING UNIT
7 BE EXTENDED TO A DATE NOT LATER THAN JULY 1, 2011. TO MAKE A
8 REQUEST UNDER THIS SUBSECTION, THE SUPERINTENDENT OR CHIEF
9 ADMINISTRATOR SHALL SUBMIT A WRITTEN REQUEST AND THE WRITTEN
10 CONCURRENCE OF THE MEMBER TO THE SUPERINTENDENT OF PUBLIC
11 INSTRUCTION ON OR BEFORE JUNE 1, 2010. UPON RECEIPT OF THE
12 WRITTEN REQUEST AND CONCURRENCE, THE SUPERINTENDENT OF PUBLIC
13 INSTRUCTION MAY EXTEND THE EFFECTIVE DATE OF RETIREMENT OF A
14 MEMBER OTHERWISE ELIGIBLE TO RETIRE UNDER SUBSECTION (1) TO A
15 DATE NOT LATER THAN JULY 1, 2011. THE SUPERINTENDENT OF PUBLIC
16 INSTRUCTION SHALL SUBMIT WRITTEN NOTIFICATION TO THE OFFICE OF
17 RETIREMENT SERVICES OF ALL EXTENSIONS APPROVED ON OR BEFORE JUNE
18 15, 2010.

19 (4) FOR PURPOSES OF THIS SECTION, "INCENTIVIZED RETIREMENT
20 APPLICATION PERIOD" MEANS THE PERIOD BEGINNING ON APRIL 15, 2010
21 AND ENDING ON MAY 15, 2010.

22 (5) ANY ADDITIONAL COSTS TO THE RETIREMENT SYSTEM AS A
23 RESULT OF THE RETIREMENT ALLOWANCE CALCULATIONS UNDER SUBSECTION
24 (2) SHALL BE AMORTIZED OVER A 5-YEAR PERIOD.

25 SEC. 81C. (1) A MEMBER AS DESCRIBED IN SECTION 43A(7) WHO NO
26 LONGER IS WORKING AS A PUBLIC SCHOOL EMPLOYEE OR IN ANY OTHER
27 CAPACITY FOR WHICH SERVICE CREDIT PERFORMED IN THIS STA

1 TE IS ALLOWED UNDER THIS ACT, UPON THE MEMBER'S WRITTEN
 2 APPLICATION TO THE RETIREMENT SYSTEM, SHALL BE ENTITLED TO A
 3 RETIREMENT ALLOWANCE PROVIDED FOR IN SECTION 84(1) IF THE MEMBER
 4 IS 65 YEARS OF AGE OR OLDER AND HAS ACCUMULATED 10 OR MORE YEARS
 5 OF CREDITED SERVICE PURSUANT TO SECTION 68 AS A PUBLIC SCHOOL
 6 EMPLOYEE.

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

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

11 (4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A
 12 MEMBER DESCRIBED IN SECTION 43A(7) SHALL NOT PURCHASE OR TRANSFER
 13 SERVICE CREDIT UNDER ARTICLE 4 AND SHALL NOT HAVE ANY PURCHASED
 14 OR TRANSFERRED SERVICE CREDIT INCLUDED IN THE CALCULATION OF A
 15 RETIREMENT ALLOWANCE UPON RETIREMENT.

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

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

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

22 (3) The reduction of 1/2 of 1% for each month and fraction
 23 of a month from the member's retirement allowance effective date
 24 to the date of the member's sixtieth birthday provided for in
 25 former ~~Act No. 136 of the Public Acts of 1945~~ **1945 PA 136,**
 26 applicable to a member who retired before July 1, 1974 and before
 27 attainment of age 60, shall not apply to a member who retired

1 before that date, at age 55 or more, having 30 or more years of
2 credited service. The retirement allowance shall be recalculated
3 disregarding the reduction and the person receiving the
4 retirement allowance shall be eligible to receive an adjusted
5 retirement allowance based on the recalculation beginning January
6 1, 1986, but shall not be eligible to receive the adjusted amount
7 attributable to any month beginning before January 1, 1986.

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

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

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

26 (b) The retirement allowance was payable to a plan II
27 retirant or retirement allowance beneficiary under chapter I of

1 former Act No. 136 of the Public Acts of 1945 **1945 PA 136** and the
2 retirement allowance effective date was before July 1, 1974.

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

12 **SEC. 84A. (1) A MEMBER WHO FIRST REACHES 30 YEARS OF EARNED**
13 **SERVICE CREDIT ON OR AFTER OCTOBER 1, 2010 SHALL HAVE NO MORE**
14 **THAN 30 YEARS OF EARNED SERVICE CREDIT INCLUDED IN THE**
15 **CALCULATION OF A RETIREMENT ALLOWANCE UPON RETIREMENT.**

16 (2) A MEMBER WHO HAS MORE THAN 30 YEARS OF EARNED SERVICE
17 CREDIT AS OF OCTOBER 1, 2010 SHALL HAVE NO MORE THAN THE YEARS OF
18 EARNED SERVICE CREDIT ACCRUED AS OF OCTOBER 1, 2010 INCLUDED IN
19 THE CALCULATION OF A RETIREMENT ALLOWANCE UPON RETIREMENT.

20 (3) BEGINNING ON OCTOBER 1, 2010, ANY MEMBER DESCRIBED IN
21 SUBSECTIONS (1) OR (2) SHALL CEASE ACCRUING EARNED SERVICE CREDIT
22 IN TIER 1 FOR PURPOSES OF CALCULATING A RETIREMENT ALLOWANCE AND
23 SHALL BECOME A QUALIFIED PARTICIPANT IN TIER 2 UNDER SECTION 124.
24 THE RETIREMENT SYSTEM SHALL DETERMINE THE METHOD AND TIME FRAME
25 FOR PARTICIPATION IN TIER 2.

26 (4) THIS SECTION DOES NOT APPLY TO A MEMBER DESCRIBED IN
27 SECTION 43A(7) OR TO A MEMBER WHOSE EFFECTIVE DATE OF RETIREMENT

1 HAS BEEN EXTENDED UNDER SECTION 81B(3).

2 (5) FOR PURPOSES OF THIS SECTION, "EARNED SERVICE CREDIT"
3 DOES NOT INCLUDE ANY SERVICE CREDIT THAT IS PURCHASED UNDER THIS
4 ACT.

5 Sec. 86. (1) A member whom the retirement board finds to
6 have become totally and permanently disabled for purposes of
7 employment by his or her reporting unit by reason of personal
8 injury or mental or physical illness before termination of
9 reporting unit service and employment shall receive a disability
10 allowance if all of the following requirements are met:

11 (a) The member has not met age and service requirements of
12 section ~~81(a)~~ 81(1)(A) or (b) **OR, IF THE MEMBER IS DESCRIBED IN**
13 **SECTION 43A(7), THE MEMBER HAS NOT MET AGE AND SERVICE**
14 **REQUIREMENTS OF SECTION 81C(1).**

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

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

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

27 (2) The retirement board may extend the application time

1 limit provided in subsection (1) not more than 24 months for a
2 member or deferred member who satisfies the other requirements of
3 subsection (1), if evidence of extenuating circumstances is
4 presented to the satisfaction of the retirement board.

5 (3) The member's disability retirement allowance shall be
6 computed pursuant to section 84. The effective date of the
7 disability retirant's allowance shall be determined pursuant to
8 section 83.

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

15 (a) The member has not met age and service requirements of
16 section ~~81(a)~~**81(1)(A)** or (b) **OR, IF THE MEMBER IS DESCRIBED IN**
17 **SECTION 43A(7), THE MEMBER HAS NOT MET AGE AND SERVICE**
18 **REQUIREMENTS OF SECTION 81C(1).**

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

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

24 (d) The member undergoes an examination by 1 or more
25 practicing physicians or medical officers designated by the
26 retirement board who certify to the retirement board that the
27 member is totally and permanently disabled for performing the

1 duties for the member's position for which the member is
2 qualified by reason of training, or experience, or both.

3 (2) The member's duty disability retirement allowance shall
4 be computed pursuant to section 84. The effective date of the
5 duty disability retirant's allowance shall be the first of the
6 month following the month in which the member terminates
7 employment and is in receipt of weekly worker's disability
8 compensation. The years of service credit used in computing the
9 retirant's duty disability retirement allowance shall not be less
10 than 10 years. If the member has less than 5 consecutive years of
11 credited service, the average of the member's annual compensation
12 shall be used.

13 (3) Upon recovery and return to reporting unit service or
14 upon termination of the statutory period for the payment of a
15 disability retirant's worker's disability compensation, if any,
16 arising on account of the retirant's reporting unit service, the
17 retirant shall be given service credit for the period and the
18 retirant's disability retirement allowance shall be adjusted to
19 include the additional credit.

20 Sec. 88. (1) The retirement board may require a duty or
21 nonduty disability retirant to submit to a medical examination by
22 a practicing physician or a medical officer designated by the
23 retirement board as necessary for proof of eligibility for
24 continuance of the disability allowance. The retirement board may
25 require each disability retirant who is 59 years of age or less
26 **OR 64 YEARS OF AGE OR LESS FOR A DISABILITY RETIRANT WHO WAS A**
27 **MEMBER DESCRIBED IN SECTION 43A(7)** to submit a sworn affidavit

1 during January of each year, in the form and manner prescribed by
2 the retirement board, attesting that the retirant believes
3 himself or herself to be totally and permanently disabled for the
4 same reason for which the disability allowance was granted, and
5 disclosing any significant change in physical or mental condition
6 that occurred during the preceding 12-month period because of
7 medical treatment. A retirant who submits information with intent
8 to deceive may have the disability retirement allowance revoked
9 by the retirement board.

10 (2) The retirement board may discontinue a nonduty
11 disability retirement allowance if medical examination reports
12 indicate that the retirant no longer is disabled. If a nonduty
13 disability retirant refuses to submit to an examination, the
14 retirant's disability retirement allowance may be discontinued
15 until withdrawal of the refusal. If a refusal continues for 12
16 months, the retirant's rights to a nonduty disability retirement
17 allowance shall be revoked by the retirement board. However, upon
18 the retirant's sixtieth birthday **OR SIXTY-FIFTH BIRTHDAY FOR A**
19 **RETIRANT WHO WAS A MEMBER DESCRIBED IN SECTION 43A(7)**, the
20 retirant shall be paid a retirement allowance based on the final
21 average compensation, service, and benefit formula as of the
22 effective date of the retirant's nonduty disability retirement
23 allowance if the retirant's contributions are left on deposit. If
24 the nonduty disability retirant returns to membership service
25 after termination of a disability allowance, the retirant shall
26 again become a member of the retirement system. The retirant's
27 credited service in effect at the time of disability retirement

1 shall be restored.

2 (3) If, upon examination of a duty disability retirant, the
3 medical report indicates that the retirant no longer is disabled
4 and is capable of resuming public school employment, the retirant
5 shall be restored to active service with the reporting unit from
6 which the person terminated employment and the duty disability
7 retirement allowance shall cease. Payment of the duty disability
8 retirement allowance shall continue until the retirant is
9 actually returned to reporting unit service in a position for
10 which the retirant is qualified by reason of training, or
11 experience, or both. The retirant again shall become a member of
12 the retirement system and the retirant's credited service in
13 effect at the time of duty disability retirement shall be
14 restored. If the retirant refuses to either submit to a medical
15 examination or to return to reporting unit service and if either
16 refusal continues for 12 months, the retirant's rights to a duty
17 disability retirement shall cease. A lump sum payment shall be
18 made of the difference between the retirant's accumulated
19 contributions at time of retirement and the aggregate amount of
20 the retirant's disability retirement allowance payments, unless
21 the retirant has acquired 10 or more years of credited service
22 before the time of his or her duty disability allowance. In that
23 event, upon the retirant's sixtieth birthday **OR SIXTY-FIFTH**
24 **BIRTHDAY FOR A RETIRANT WHO WAS A MEMBER DESCRIBED IN SECTION**
25 **43A(7)**, the retirant shall be paid a retirement allowance based
26 upon the final average compensation, service, and benefit formula
27 as of the effective date of the duty disability retirement

1 allowance, if the retirant's contributions as a member are left
2 on deposit.

3 (4) If a disability retirant becomes engaged in gainful
4 employment, and if the total of the retirant's income from the
5 employment and retirement allowance exceeds the retirant's final
6 average compensation, the retirement allowance shall be reduced
7 to an amount which when added to the amount earned by the
8 retirant equals the retirant's final average compensation. For
9 purposes of computing allowable earnings under this subsection,
10 the final average compensation shall be increased by 2% for each
11 12 months elapsed after the date the retirement allowance
12 commenced. This subsection ~~shall~~ **DOES** not apply on or after the
13 date the duty or nonduty disability retirant otherwise would have
14 been eligible for an age and service retirement allowance if the
15 retirant had not become disabled, but the retirant shall be
16 subject to section 61.

17 Sec. 89. (1) If a member who continues as a public school
18 employee on or after either the date the member has 15 years of
19 credited service in effect, or the date of the member's sixtieth
20 birthday **OR SIXTY-FIFTH BIRTHDAY FOR A MEMBER DESCRIBED IN**
21 **SECTION 43A(7)**, if the member has 10 years of credited service in
22 effect, dies before the effective date of his or her retirement
23 and leaves a surviving spouse to whom the deceased member was
24 married at time of death, the surviving spouse shall receive a
25 retirement allowance computed in the same manner as if the
26 deceased member had retired effective the day preceding the date
27 of the deceased member's death, elected the option set forth in

1 subsection (3), and nominated the surviving spouse as retirement
2 allowance beneficiary. The surviving spouse's retirement
3 allowance shall terminate upon the surviving spouse's death. A
4 surviving spouse who on June 27, 1984, is receiving a retirement
5 allowance under this section or the predecessor to this section
6 under former ~~Act No. 136 of the Public Acts of 1945~~ **1945 PA 136**
7 shall be eligible to continue receiving that retirement allowance
8 regardless of the surviving spouse's remarriage. A surviving
9 spouse whose retirement allowance under this section or the
10 predecessor to this section under former ~~Act No. 136 of the~~
11 ~~Public Acts of 1945~~ **1945 PA 136** was terminated due to the
12 surviving spouse's remarriage shall be eligible to receive that
13 allowance beginning on the first day of the month following the
14 month in which written application for reinstatement is filed
15 with the board, but shall not be eligible to receive the
16 allowance attributable to any month beginning before the month of
17 reinstatement under this section. A surviving spouse of a person
18 who was a deferred member on October 31, 1980, who becomes
19 eligible to receive a retirement allowance under this section or
20 the predecessor to this section under former ~~Act No. 136 of the~~
21 ~~Public Acts of 1945~~, **1945 PA 136**, shall be eligible to receive
22 that retirement allowance and that allowance shall not be subject
23 to termination because of the surviving spouse's remarriage.

24 (2) If the other requirements of subsection (1) are met but
25 a surviving spouse does not exist, each of the deceased member's
26 surviving children less than 18 years of age shall receive an
27 allowance of an equal share of the retirement allowance which

1 would have been paid to the spouse if living at the time of the
2 deceased member's death. Payments under this subsection shall
3 cease upon the surviving child's marriage, adoption, or becoming
4 18 years of age, whichever occurs first.

5 (3) A member who continues as a public school employee on or
6 after either the date the member has 15 years of credited service
7 in effect, or the date of the member's sixtieth birthday **OR**
8 **SIXTY-FIFTH BIRTHDAY FOR A MEMBER DESCRIBED IN SECTION 43A(7)**, if
9 the member has 10 years of credited service in effect, may elect
10 the option provided in section 85(1)(b) and nominate a retirement
11 allowance beneficiary as provided in section 85(3). The election
12 shall be in writing and filed with the retirement board in a
13 manner and form prescribed by the retirement board. The election
14 shall be void upon the member's retirement, termination of
15 employment except as provided in section 82(2), divorce, the
16 retirement allowance beneficiary's death, or upon the retirement
17 allowance beneficiary no longer being dependent upon the member
18 before the member's death. If a member who has an option election
19 under section 85(1)(b) in effect dies before the effective date
20 of his or her retirement, the member's retirement allowance
21 beneficiary, so long as the beneficiary continues to be so
22 dependent, shall receive the same retirement allowance as the
23 retirement allowance beneficiary would have been entitled to
24 receive under the option provided in section 85(1)(b) if the
25 member had been regularly retired pursuant to section 81 or 82
26 the day preceding the date of the member's death, even though the
27 member may not have acquired entitlement to service retirement.

1 The surviving spouse of the deceased member shall be presumed to
2 be 50% dependent on the deceased member for his or her own
3 financial support. The surviving spouse's retirement allowance
4 shall terminate upon the surviving spouse's death.

5 (4) If at the time a retirement allowance beneficiary's
6 retirement allowance granted by this section is terminated, the
7 aggregate amount of retirement allowance payments received by the
8 retirement allowance beneficiary are less than the accumulated
9 contributions credited to the deceased member's account in the
10 reserve for employee contributions at the time of the deceased
11 member's death, the difference between the deceased member's
12 accumulated contributions and the aggregate amount of retirement
13 allowance payments received by the retirement allowance
14 beneficiary shall be paid to the deceased member's refund
15 beneficiary.

16 (5) For a member who contributes to the member investment
17 plan, the credited service eligibility requirement applicable to
18 the survivor benefits provided in this section are subject to
19 section 43c.

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

1 2008.

2 (2) The retirement system may pay up to the maximum of the
3 amount payable under subsection (1) toward the monthly premium
4 for hospital, medical-surgical, and sick care benefits for the
5 benefit of a retirant or retirement allowance beneficiary
6 enrolled in a group health insurance or prepaid service plan not
7 authorized by the retirement board and the department, if
8 enrolled before June 1, 1975, for whom the retirement system on
9 July 18, 1983 was making a payment towards his or her monthly
10 premium.

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

16 (4) The retirement system shall pay 90% of the monthly
17 premium or membership or subscription fee for dental, vision, and
18 hearing benefits for the benefit of a retirant or **HIS OR HER**
19 retirement allowance beneficiary who **RETIRES BEFORE OCTOBER 1,**
20 **2010 AND** elects coverage in the plan authorized by the retirement
21 board and the department **IN THE MANNER PRESCRIBED BY THE**
22 **RETIREMENT SYSTEM.** Payments shall begin under this subsection
23 upon approval by the retirement board and the department of plan
24 coverage and a plan provider. ~~Except as otherwise provided in~~
25 ~~subsection (8), this subsection does not apply to a retirant who~~
26 ~~first becomes a member after June 30, 2008.~~

27 (5) The retirement system shall pay up to 90% of the maximum

1 of the amount payable under subsection (1) toward the monthly
2 premium or membership or subscription fee for hospital, medical-
3 surgical, and sick care benefits coverage described in
4 subsections (1) and (2) for each health insurance dependent of a
5 retirant receiving benefits under subsection (1) or (2). Payment
6 shall not exceed 90% of the actual monthly premium or membership
7 or subscription fee. The retirement system shall pay 90% of the
8 monthly premium or membership or subscription fee for dental,
9 vision, and hearing benefits described in subsection (4) for the
10 benefit of each health insurance dependent of a retirant
11 receiving benefits under subsection (4). Payment for health
12 benefits coverage for a health insurance dependent of a retirant
13 shall not be made after the retirant's death, unless the retirant
14 designated a retirement allowance beneficiary as provided in
15 section 85 and the dependent was covered or eligible for coverage
16 as a health insurance dependent of the retirant on the retirant's
17 date of death. Payment for health benefits coverage shall not be
18 made for a health insurance dependent after the later of the
19 retirant's death or the retirement allowance beneficiary's death.
20 Payment under this subsection and subsection (6) began October 1,
21 1985 for health insurance dependents who on July 10, 1985 were
22 covered by the hospital, medical-surgical, and sick care benefits
23 plan authorized by the retirement board and the department.
24 Payment under this subsection and subsection (6) for other health
25 insurance dependents shall not begin before January 1, 1986.
26 Except as otherwise provided in subsection (8), this subsection
27 does not apply to a retirant who first becomes a member after

1 June 30, 2008.

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

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

27 (8) For a member or deferred member who first becomes a

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

1 or membership or subscription fee for the plans or combination of
2 plans equal to the product of 3% and the retirant's, deceased
3 retirant's, or deceased member's years of service for the first
4 10 years and 4% for each year after the first 10 years. This
5 subsection does not apply to a member who receives a disability
6 retirement allowance under section 86 or 87 or to a deceased
7 member's retirement allowance beneficiary under section 90.

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

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

1 determination under this subsection.

2 (11) Except for a member who retires under section 86 or 87
3 or a member who meets the requirements under subsection (7) or
4 (8), the retirement system shall not pay the benefits provided in
5 subsection (1) or (4) unless the member was employed and has
6 received a minimum total of 1/2 of a year of service credit
7 granted pursuant to section 68 during the 2 school fiscal years
8 immediately preceding the member's retirement allowance effective
9 date or the member has received a minimum of 1/10 of a year of
10 service credit granted pursuant to section 68 during each of the
11 5 school fiscal years immediately preceding the member's
12 retirement allowance effective date.

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

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

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

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

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

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

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

25 (15) For purposes of this section:

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

27 (i) Except as provided in subsection (14), the spouse of the

1 retirant or the surviving spouse to whom the retirant or deceased
2 member was married at the time of the retirant's or deceased
3 member's death.

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

7 (iii) An unmarried child, by birth or adoption, of the
8 retirant or deceased member, until December 31 of the calendar
9 year in which the child becomes 25 years of age, who is enrolled
10 as a full-time student, and who is or was at the time of the
11 retirant's or deceased member's death a dependent of the retirant
12 or deceased member as defined in section 152 of the internal
13 revenue code.

14 (iv) An unmarried child, by birth or adoption, of the
15 retirant or deceased member who is incapable of self-sustaining
16 employment because of mental or physical disability, and who is
17 or was at the time of the retirant's or deceased member's death a
18 dependent of the retirant or deceased member as defined in
19 section 152 of the internal revenue code.

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

23 (vi) An unmarried child who is not the child by birth or
24 adoption of the retirant or deceased member but who otherwise
25 qualifies to be a health insurance dependent under subparagraph
26 (ii), (iii), or (iv), if the retirant or deceased member is the legal
27 guardian of the unmarried child.

1 (b) "Medicaid" means benefits under the federal medicaid
 2 program established under title XIX of the social security act,
 3 42 USC 1396 to 1396v.

4 (c) "Medicare" means benefits under the federal medicare
 5 program established under title XVIII of the social security act,
 6 42 USC 1395 to 1395hhh.

7 **ARTICLE 7**

8 **SEC. 121. FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND**
 9 **PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED**
 10 **TO THEM IN THOSE SECTIONS.**

11 **SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE**
 12 **IN A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR**
 13 **REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.**

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

17 **(A) A PARTICIPANT'S W-2 EARNINGS FOR SERVICES PERFORMED FOR**
 18 **THE EMPLOYER.**

19 **(B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF**
 20 **THE PARTICIPANT WHICH IS EXCLUDED FROM GROSS INCOME UNDER SECTION**
 21 **125, 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE**
 22 **CODE, 26 USC 125, 132, 401, 403, AND 457.**

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

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

27 **SEC. 124. (1) "PLAN DOCUMENT" MEANS THE DOCUMENT THAT**

1 CONTAINS THE PROVISIONS AND PROCEDURES OF TIER 2 IN CONFORMITY
2 WITH THIS ACT AND THE INTERNAL REVENUE CODE.

3 (2) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO IS A
4 PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING
5 REQUIREMENTS:

6 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE
7 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2010, AND WHO
8 ALSO QUALIFIES TO BE A MEMBER OF TIER 1 AS DESCRIBED IN SECTION
9 43A(7).

10 (B) AN INDIVIDUAL WHO HAS REACHED THE MAXIMUM AMOUNT OF
11 YEARS OF EARNED SERVICE CREDIT FOR PURPOSES OF A CALCULATION OF A
12 RETIREMENT ALLOWANCE PURSUANT TO SECTION 84A.

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

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

18 SEC. 125. (1) THE DEPARTMENT SHALL ADMINISTER TIER 2 AND
19 SHALL BE THE FIDUCIARY AND TRUSTEE OF TIER 2. THE DEPARTMENT MAY
20 APPOINT AN ADVISORY BOARD TO ASSIST THE DEPARTMENT IN CARRYING
21 OUT HIS OR HER DUTIES AS FIDUCIARY AND TRUSTEE.

22 (2) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND
23 PROCEDURES OF TIER 2 AND THE PLAN DOCUMENT IN CONFORMITY WITH
24 THIS ACT AND THE INTERNAL REVENUE CODE.

25 (3) THE DEPARTMENT HAS THE EXCLUSIVE AUTHORITY AND
26 RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR
27 SERVICES THAT THE DEPARTMENT DETERMINES NECESSARY FOR THE PROPER

1 ADMINISTRATION OF AND INVESTMENT OF ASSETS OF TIER 2, INCLUDING,
2 BUT NOT LIMITED TO, MANAGERIAL, PROFESSIONAL, LEGAL, CLERICAL,
3 TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR SERVICES.

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

7 SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED
8 PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY
9 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER
10 TIER 2. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A
11 HEARING THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF THE
12 ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO
13 24.287. AN INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER
14 AUTHORIZED AGENT AT A HEARING CONDUCTED UNDER THIS SECTION.

15 (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES
16 ACT OF 1969, 1969 PA 306, MCL 24.224 TO 24.264 AND 24.291 TO
17 24.292, DO NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION,
18 ADMINISTRATION, OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 2.

19 SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED
20 PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT
21 OF THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE
22 CONTRIBUTIONS AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN
23 AVAILABLE CATEGORIES OF INVESTMENT PROVIDED BY THE DEPARTMENT.
24 THE LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS
25 PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT,
26 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 2.

27 SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE

1 PAID BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED
2 PARTICIPANTS, AND REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR
3 ACCOUNTS IN A MANNER DETERMINED BY THE DEPARTMENT.

4 SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN
5 ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS
6 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS
7 OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION
8 DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A
9 RETIREMENT PLAN ESTABLISHED BY THIS STATE OR OTHER PUBLIC SECTOR
10 EMPLOYER UNDER THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF
11 THIS SECTION, "PUBLIC SECTOR EMPLOYER" INCLUDES, BUT IS NOT
12 LIMITED TO, A REPORTING UNIT.

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

15 (2) THE EMPLOYER OF A QUALIFIED PARTICIPANT UNDER SECTION
16 124(2)(B) SHALL CONTRIBUTE TO THE QUALIFIED PARTICIPANT'S TIER 2
17 ACCOUNT AN AMOUNT EQUAL TO 4% OF THE QUALIFIED PARTICIPANT'S
18 COMPENSATION.

19 (3) UNLESS A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION
20 124(2)(B) AFFIRMATIVELY ELECTS NOT TO CONTRIBUTE OR ELECTS TO
21 CONTRIBUTE A LESSER AMOUNT, A QUALIFIED PARTICIPANT UNDER SECTION
22 124(2)(B) SHALL CONTRIBUTE 3% OF HIS OR HER COMPENSATION TO HIS
23 OR HER TIER 2 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL
24 MAKE AN ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S
25 TIER 2 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE
26 QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

27 (4) UNLESS A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION

1 124(2)(A) AFFIRMATIVELY ELECTS NOT TO CONTRIBUTE OR ELECTS TO
2 CONTRIBUTE A LESSER AMOUNT, A QUALIFIED PARTICIPANT SHALL
3 CONTRIBUTE 2% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2
4 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A
5 CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT IN AN
6 AMOUNT EQUAL TO 50% OF THE FIRST 2% OF COMPENSATION CONTRIBUTION
7 MADE BY THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

8 (5) A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION
9 124(2)(A) OR 124(2)(B) MAY MAKE CONTRIBUTIONS IN ADDITION TO
10 CONTRIBUTIONS MADE UNDER SUBSECTION (2) OR (3) TO HIS OR HER TIER
11 2 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE
12 CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT MATCH
13 CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS
14 SUBSECTION.

15 (6) UPON THE WRITTEN DETERMINATION OF THE DIRECTOR OF THE
16 OFFICE OF RETIREMENT SERVICES, AN EMPLOYEE OF AN EMPLOYER THAT IS
17 NOT A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION 124(2)(A) OR
18 (B) MAY ELECT TO MAKE CONTRIBUTIONS TO A TIER 2 ACCOUNT AS
19 PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE CODE. THE
20 EMPLOYER SHALL NOT MATCH CONTRIBUTIONS MADE BY THE EMPLOYEE UNDER
21 THIS SUBSECTION. AN EMPLOYEE AS DESCRIBED IN THIS SUBSECTION
22 SHALL BE TREATED AS A QUALIFIED PARTICIPANT UNDER THIS ARTICLE
23 FOR THE LIMITED PURPOSES OF HIS OR HER TIER 2 ACCOUNT.

24 SEC. 132. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%
25 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED
26 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS
27 OR HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

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

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

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

4 (2) A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION
5 124(2)(B) SHALL BE CREDITED WITH THE YEARS OF SERVICE ACCRUED
6 UNDER TIER 1 ON THE EFFECTIVE DATE OF PARTICIPATION IN TIER 2 FOR
7 THE PURPOSES OF MEETING THE VESTING REQUIREMENTS UNDER THIS
8 SECTION.

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

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

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

1 ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE
2 DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO
3 THE DECEASED PARTICIPANT'S ESTATE.

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

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

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

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

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

16 SEC. 136A. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR
17 ENDING SEPTEMBER 30, 2010, \$4,500,000.00 TO THE OFFICE OF
18 RETIREMENT SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT,
19 AND BUDGET FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY
20 ACT THAT ADDED THIS SECTION.

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

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

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

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

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

7 SEC. 137. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE
8 PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYER
9 CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE
10 PURSUANT TO SECTION 131(3) AND EARNINGS ON THOSE EMPLOYEE
11 CONTRIBUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY, MUNICIPAL, OR
12 OTHER LOCAL TAX. DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE
13 PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYER
14 CONTRIBUTIONS AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE
15 PURSUANT TO SECTION 131(3) AND EARNINGS ON THOSE EMPLOYEE
16 CONTRIBUTIONS ARE SUBJECT TO THE PUBLIC EMPLOYEE RETIREMENT
17 BENEFIT PROTECTION ACT.

18 (2) THE DEPARTMENT HAS THE RIGHT OF SETOFF TO RECOVER
19 OVERPAYMENTS MADE UNDER THIS ACT AND TO SATISFY ANY CLAIMS
20 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED
21 PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR
22 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER
23 BENEFIT FROM TIER 2.

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

27 Enacting section 1. If any section or part of a section of

1 this act is for any reason held to be invalid or
2 unconstitutional, the holding does not affect the validity of the
3 remaining sections of this act or the act in its entirety.