

SUBSTITUTE FOR

SENATE BILL NO. 1040

(As amended May 17, 2012)

<<A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 3a, 4, 8, 9, 25, 26, 28, 41b, 43a, 43e, 84, 91, 108, 120, and 124 (MCL 38.1303a, 38.1304, 38.1308, 38.1309, 38.1325, 38.1326, 38.1328, 38.1341b, 38.1343a, 38.1343e, 38.1384, 38.1391, 38.1408, 38.1420, and 38.1424), section 3a as added by 1996 PA 268, sections 4, 25, 26, and 91 as amended and sections 41b, 43e, 120, and 124 as added by 2010 PA 75, section 8 as amended by 1997 PA 143, sections 9, 28, and 84 as amended by 1989 PA 194, section 43a as amended by 2007 PA 111, and section 108 as amended by 2008 PA 354, and by adding sections 41c, 43g, 59, 81d, 84b, 91a, 92b, and 131a, and article 8; and to repeal acts and parts of acts.>>

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3a. (1) Except as otherwise provided in this act,

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1 "compensation" means the remuneration earned by a member for
2 service performed as a public school employee.

3 (2) Compensation includes salary and wages and all of the
4 following:

5 (a) Remuneration earned for all services performed as a
6 public school employee including, but not limited to, teaching,
7 coaching, and participation in extracurricular activities.

8 (b) ~~On~~**EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), ON** a
9 current basis, investments made in a tax sheltered annuity for a
10 public school employee as remuneration for service under this
11 act. The remuneration shall be valued at the amount of money
12 actually paid into the annuity.

13 (c) All amounts deducted from the pay of a public school
14 employee, including amounts deducted pursuant to the member
15 investment plan.

16 (d) ~~Longevity~~**EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION**
17 **(3), LONGEVITY** pay.

18 (e) Overtime pay for service performed outside of what is
19 considered normal working hours for the affected employee.

20 (f) Pay for vacation, holiday, and sick leave while absent
21 from work. As used in this subdivision, "sick leave" includes
22 weekly worker's disability compensation payments received for
23 personal injury in the employ of and while employed by a
24 reporting unit.

25 (g) Items of deferred compensation, exclusive of employer
26 contributions to the retirement system.

27 (h) <<Merit

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1 >> pay as established by a reporting unit for the purpose of
2 rewarding achievement of specific performance objectives.

3 (3) Compensation does not include any of the following:

4 (a) Payments for unused sick or annual leave.

5 (b) Bonus payments.

6 (c) Payments for hospitalization insurance and life
7 insurance premiums.

8 (d) Other fringe benefits paid by and from the funds of
9 employers of public school employees.

10 (e) Remuneration paid for the specific purpose of increasing
11 the final average compensation.

12 (f) Compensation in excess of an amount over the level of
13 compensation reported for the preceding year except increases
14 provided by the normal salary schedule for the current job
15 classification. ~~In cases where~~ **IF** the current job classification
16 in the reporting unit has less than 3 members, the normal salary
17 schedule for the most nearly identical job classification in the
18 reporting unit or in similar reporting units shall be used.

19 **(G) ANY OF THE FOLLOWING PAID ON OR AFTER JULY 1, 2012:**

20 **(i) INVESTMENTS MADE BY THE EMPLOYER IN A TAX-SHELTERED**
21 **ANNUITY PREVIOUSLY ALLOWED UNDER SUBSECTION (2) (B). THIS**
22 **SUBPARAGRAPH DOES NOT APPLY TO INVESTMENTS MADE BY THE MEMBER IN**
23 **A TAX-SHELTERED ANNUITY.**

24 **(ii) LONGEVITY PAY PREVIOUSLY ALLOWED UNDER SUBSECTION**
25 **(2) (D) .**

26 << >>

27 (4) The retirement board shall require a sworn affidavit

1 from the member that final compensation does not include
2 remuneration paid either directly or indirectly for actual or
3 anticipated expenses.

4 (5) Based upon information and documentation provided by the
5 member, the retirement board shall determine both of the
6 following:

7 (a) Whether any form of remuneration paid to a member is
8 identified in this section.

9 (b) Whether any form of remuneration that is not identified
10 in this section should be considered compensation reportable to
11 the retirement system under this section.

12 (6) In ~~any~~ **A** case ~~where~~ **IN WHICH** a petitioner seeks to have
13 remuneration included in compensation reportable to the
14 retirement system, the petitioner ~~shall have~~ **HAS** the burden of
15 proof.

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

21 (2) "Contributory service" means credited service other than
22 noncontributory service.

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

26 (4) "Department" means the department of technology,
27 management, and budget.

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

2 (6) "Direct rollover" means a payment by the retirement
3 system to the eligible retirement plan specified by the
4 distributee.

5 (7) "Distributee" includes a member or deferred member.
6 Distributee also includes the member's or deferred member's
7 surviving spouse or the member's or deferred member's spouse or
8 former spouse under an eligible domestic relations order, with
9 regard to the interest of the spouse or former spouse.

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

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

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

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

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

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

23 (f) An eligible plan under section 457(b) of the internal
24 revenue code, 26 USC 457, ~~which~~**THAT** is maintained by a state, **A**
25 political subdivision of a state, or an agency or instrumentality
26 of a state or political subdivision of a state and ~~which~~**THAT**
27 agrees to separately account for amounts transferred into ~~such~~

1 **THE** eligible plan under section 457(b) of the internal revenue
2 code, 26 USC 457, from this retirement system, that accepts the
3 distributee's eligible rollover distribution. However, in the
4 case of an eligible rollover distribution to a surviving spouse,
5 an eligible retirement plan means an individual retirement
6 account or an individual retirement annuity described above.

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

11 (9) Beginning January 1, 2007, "eligible rollover
12 distribution" means a distribution of all or any portion of the
13 balance to the credit of the distributee. Eligible rollover
14 distribution does not include any of the following:

15 (a) A distribution made for the life or life expectancy of
16 the distributee or the joint lives or joint life expectancies of
17 the distributee and the distributee's designated beneficiary.

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

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

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

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

1 408.

2 (ii) A qualified plan described in section 401(a) of the
3 internal revenue code, 26 USC 401, or an annuity contract
4 described in section 403(b) of the internal revenue code, 26 USC
5 403, and the plan providers agree to separately account for the
6 amounts paid, including any portion of the distribution that is
7 includable in federal gross income, and the portion of the
8 distribution ~~which~~**THAT** is not so includable.

9 (10) "Employee organization professional services leave" or
10 "professional services leave" means a leave of absence that is
11 renewed annually by the reporting unit so that a member may
12 accept a position with a public school employee organization to
13 which he or she belongs and ~~which~~**THAT** represents employees of a
14 reporting unit in employment matters. The member shall be
15 included in membership of the retirement system during a
16 professional services leave if all of the conditions of section
17 71(5) and (6) are satisfied.

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

1 (12) ~~"Final~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION,**
2 **"FINAL** average compensation" means the aggregate amount of a
3 member's compensation earned within the averaging period in which
4 the aggregate amount of compensation was highest divided by the
5 member's number of years, including any fraction of a year, of
6 credited service during the averaging period. The averaging
7 period shall be 36 consecutive calendar months if the member
8 contributes to the member investment plan except for a member who
9 contributes to the member investment plan and first became a
10 member on or after July 1, 2010; otherwise, the averaging period
11 shall be 60 consecutive calendar months. A member who contributes
12 to the member investment plan and first became a member on or
13 after July 1, 2010 shall also have an averaging period of 60
14 consecutive calendar months. If the member has less than 1 year
15 of credited service in the averaging period, the number of
16 consecutive calendar months in the averaging period shall be
17 increased to the lowest number of consecutive calendar months
18 that contains 1 year of credited service. **FOR A MEMBER WHO IS**
19 **FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER**
20 **EMPLOYER ON OR AFTER JULY 1, 2012, FINAL AVERAGE COMPENSATION**
21 **SHALL NOT INCLUDE COMPENSATION EARNED THAT EXCEEDS \$100,000.00 OR**
22 **THE ADJUSTED AMOUNT DETERMINED UNDER THIS SUBSECTION, WHICHEVER**
23 **IS GREATER FOR THAT APPLICABLE YEAR. BEGINNING JANUARY 1, 2013,**
24 **THE RETIREMENT SYSTEM SHALL ANNUALLY ADJUST THE FINAL AVERAGE**
25 **COMPENSATION LIMITATION IN THIS SUBSECTION BY AN AMOUNT**
26 **DETERMINED BY THE RETIREMENT SYSTEM THAT REFLECTS THE CUMULATIVE**
27 **ANNUAL PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX. AS USED IN**

1 THIS SUBSECTION, "CONSUMER PRICE INDEX" MEANS THE MOST
2 COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THIS STATE
3 BASED ON THE MOST RECENT 12-MONTH PERIOD FOR WHICH DATA ARE
4 AVAILABLE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED
5 STATES DEPARTMENT OF LABOR.

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

10 (14) "Internal revenue code" means the United States
11 internal revenue code of 1986.

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

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

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

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

26 (3) "State of Michigan service" means service performed as a
27 state employee in the classified or unclassified service under

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1 the state employees' retirement act, 1943 PA 240, MCL 38.1 to
2 38.69.

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

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

9 (6) "TIER 2" MEANS THE STATE OF MICHIGAN 457 PLAN
10 ESTABLISHED UNDER SECTION 457 OF THE INTERNAL REVENUE CODE, 26
11 USC 457, FOR ELECTIVE EMPLOYEE CONTRIBUTIONS AND THE STATE OF
12 MICHIGAN 401(K) PLAN ESTABLISHED UNDER SECTION 401(K) OF THE
13 INTERNAL REVENUE CODE, 26 USC 401, FOR EMPLOYER CONTRIBUTIONS.

<<(7) "TIER 3" MEANS THE RETIREMENT PLAN ESTABLISHED AND
ADMINISTERED UNDER ARTICLE 8.

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

26 Sec. 9. (1) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS**
27 **SECTION, THE** definition of final average compensation under

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(1 of 3)

1 section 4 as that section existed ~~prior to Act No. 91 of the~~
 2 ~~Public Acts~~ **BEFORE ENACTMENT** of 1985 PA 91 shall be used to
 3 calculate a member's final average compensation if it produces a
 4 higher result than the amount calculated pursuant to either
 5 section 4 or section 43c.

6 (2) This section ~~shall take~~ **TAKES** effect July 10, 1985.

7 (3) **THIS SECTION DOES NOT APPLY TO A MEMBER WHO WAS FIRST**
 8 **EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON**
 9 **OR AFTER JULY 1, 2012.**

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

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

(3) **BEGINNING JULY 1, 2012, THE BOARD SHALL COMMENCE A 12-MONTH STUDY PERIOD UNDER THIS SUBSECTION. AS SOON AS POSSIBLE DURING THE STUDY PERIOD, THE BOARD SHALL PROVIDE TO CENTRAL MICHIGAN UNIVERSITY, FERRIS STATE UNIVERSITY, LAKE SUPERIOR STATE UNIVERSITY, MICHIGAN TECHNOLOGICAL UNIVERSITY, NORTHERN MICHIGAN UNIVERSITY, WESTERN MICHIGAN UNIVERSITY, AND EASTERN MICHIGAN UNIVERSITY ALL INFORMATION AND COOPERATION REQUESTED BY EACH UNIVERSITY FOR THE PURPOSE OF ALLOWING THE UNIVERSITY TO STUDY AND PREPARE FOR THE IMPLEMENTATION OF NEW RETIREE HEALTH CARE COVERAGE BENEFIT DESIGN OPTIONS FOR MEMBERS WHO RETIRE FROM THE UNIVERSITY AS ALLOWED UNDER SUBSECTION (4). THE INFORMATION TO BE PROVIDED BY THE BOARD TO EACH UNIVERSITY SHALL ALSO INCLUDE INFORMATION SUFFICIENT TO ALLOW THE UNIVERSITY TO DO ALL OF THE FOLLOWING:**

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

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

(4) **ON AND AFTER JULY 1, 2013, THE BOARD'S AUTHORITY TO DETERMINE THE SCOPE AND DESIGN OF THE HEALTH CARE COVERAGE BENEFITS AVAILABLE THROUGH THE RETIREMENT SYSTEM TO MEMBERS WHO RETIRE FROM CENTRAL MICHIGAN UNIVERSITY, FERRIS STATE UNIVERSITY, LAKE SUPERIOR STATE UNIVERSITY, MICHIGAN TECHNOLOGICAL UNIVERSITY, NORTHERN MICHIGAN UNIVERSITY, WESTERN MICHIGAN UNIVERSITY, AND EASTERN MICHIGAN UNIVERSITY IS TRANSFERRED TO THOSE UNIVERSITIES. ON AND AFTER JULY 1, 2013, THE UNIVERSITIES DESCRIBED IN THIS SUBSECTION SHALL DETERMINE, ON A COLLECTIVE BASIS, ALL MATTERS OF SCOPE AND DESIGN FOR HEALTH CARE COVERAGE BENEFITS AVAILABLE THROUGH THE RETIREMENT SYSTEM TO MEMBERS WHO RETIRE FROM THOSE UNIVERSITIES. AS USED IN THIS SUBSECTION, "MATTERS OF SCOPE AND DESIGN" INCLUDES, BUT IS NOT LIMITED TO,**

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ESTABLISHING MEMBER PREMIUMS, COPAYMENT AMOUNTS, DEDUCTIBLES, OTHER COST-SHARING FEATURES, OTHER FUNDING STRUCTURES AND MECHANISMS, OPTIONAL FORMS OF COVERAGES, AND THE TERMS AND CONDITIONS OF THE HEALTH CARE COVERAGE BENEFITS TO BE MADE AVAILABLE TO MEMBERS WHO RETIRE FROM THE UNIVERSITIES. THE BOARD'S RIGHTS, AUTHORITY, DISCRETION, AND RESPONSIBILITY REGARDING THE ADMINISTRATION OF THE HEALTH CARE COVERAGE BENEFITS MADE AVAILABLE TO MEMBERS WHO RETIRE FROM A UNIVERSITY DESCRIBED IN THIS SUBSECTION ARE OTHERWISE UNCHANGED.

Sec. 26. (1) This section does not apply to Tier 2 OR TIER 3.

(2) The state treasurer shall be treasurer of the retirement system and shall have investment authority, including the custodianship of the funds of the retirement system, and shall have fiduciary responsibility with regard to the investment of funds of the retirement system.

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

Sec. 28. (1) By April 15 of each year, the department shall furnish to the governor, the legislature, each retirement allowance recipient, and each member ~~upon request~~ a summary of the fiscal transactions of the retirement system for the last completed fiscal year. The summary shall contain at least the following information from the financial and actuarial statements:

(a) A statement of assets and liabilities.

(b) A statement of investments by, and amount earned in, each category.

(c) A statement of revenues and expenditures.

(D) **IN ADDITION TO OTHER DISCLOSURES REQUIRED UNDER THIS ACT THAT ARE BASED ON EXPECTED RETURNS ON ASSETS, A DISCLOSURE OF THE MARKET-VALUE DISCOUNT RATE THAT IS USED IN CALCULATING SYSTEM LIABILITIES AND FUNDED STATUS OF THE SYSTEM. THE RETIREMENT SYSTEM SHALL USE THE INDIVIDUAL PROJECTED BENEFIT ENTRY AGE NORMAL COST METHOD OF VALUATION WHEN MAKING THE DISCLOSURE REQUIRED IN THIS SUBDIVISION.**

(E) **A DISCLOSURE OF THE FUNDED STATUS OF THE SYSTEM THAT IS BASED ON THE MARKET VALUE OF ASSETS WITH NO SMOOTHING. THE RETIREMENT SYSTEM SHALL USE THE INDIVIDUAL PROJECTED BENEFIT ENTRY AGE NORMAL COST METHOD OF VALUATION WHEN MAKING THE DISCLOSURE REQUIRED IN THIS SUBDIVISION.**

(F) **A 5-YEAR PROJECTION OF THE ANNUAL LEVEL PERCENTAGE OF PAYROLL CONTRIBUTION RATE REQUIRED OF REPORTING UNITS UNDER THIS ACT.**

(G) **USING THE MARKET-VALUE DISCOUNT RATE DISCLOSED UNDER SUBDIVISION (D), A DISCLOSURE OF THE NORMAL COST CONTRIBUTION RATE.**

(H) ~~(d)~~ **Other information the department or the retirement board considers necessary.**

(2) The department shall furnish sufficient copies of a description of retirement benefits under this act to each reporting unit for the purpose of distribution to each of its employees as often as the department considers necessary, but not less than once every 3 years. The description shall contain the information the department considers necessary.

(3) **BY APRIL 15 OF EACH YEAR, THE DEPARTMENT SHALL POST ON ITS INTERNET WEBSITE THE INFORMATION REQUIRED UNDER SUBSECTION (1) AND SHALL SEND THE INFORMATION VIA ELECTRONIC MAIL TO EACH RETIREMENT ALLOWANCE RECIPIENT AND EACH MEMBER FOR WHICH THEY HAVE AN ELECTRONIC MAIL ADDRESS.**

(4) **THE DEPARTMENT SHALL COLLECT AND MAINTAIN AN ELECTRONIC MAIL**

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ADDRESS FOR RETIREMENT ALLOWANCE RECIPIENTS AND MEMBERS UNDER THIS ACT. IN CONJUNCTION WITH THE CENTER FOR EDUCATIONAL PERFORMANCE AND INFORMATION IN THE STATE BUDGET OFFICE, THE DEPARTMENT SHALL DEVELOP AND MAINTAIN A DATABASE OF ELECTRONIC MAIL ADDRESSES FOR RETIREMENT ALLOWANCE RECIPIENTS AND MEMBERS UNDER THIS ACT. THE DEPARTMENT SHALL ALLOW THE DEPARTMENT OF EDUCATION TO ACCESS THE ELECTRONIC MAIL DATABASE DEVELOPED AND MAINTAINED UNDER THIS SUBSECTION ON AN AS-NEEDED BASIS. THE ELECTRONIC MAIL ADDRESSES OF INDIVIDUALS IN THE DATABASE UNDER THIS SUBSECTION ARE CONFIDENTIAL AND ARE NOT SUBJECT TO THE DISCLOSURE REQUIREMENTS OF THE FREEDOM OF INFORMATION ACT, 1976 PA 442, MCL 15.231 TO 15.246.

Sec. 41b. (1) Beginning July 1, 2010, the retirement system may determine a separate employer contribution rate for members who first became a member on or after July 1, 2010. Except as provided in this section, the retirement system shall determine the separate employer contribution rate in the manner prescribed in section 41.

(2) To the extent and upon approval by the internal revenue service, the retirement system for ~~the Tier 1 plan~~ and the plan administrator for ~~the Tier 2 plan~~ **OR TIER 3** may also determine the extent to which some or all of the individuals performing services for an entity not participating in the retirement system that receives any funding from the state school aid fund established in section 11 of article IX of the state constitution of 1963 may participate in ~~the Tier 1, and Tier 2, plans~~ **AND TIER 3.**>>

10 **SEC. 41C. NOTWITHSTANDING ANY PROVISION OF THIS ACT TO THE**
 11 **CONTRARY, FOR THE 2012-2013 FISCAL YEAR, THE RETIREMENT SYSTEM**
 12 **SHALL DETERMINE THE ANNUAL LEVEL PERCENTAGE OF PAYROLL**
 13 **CONTRIBUTION RATE TO FINANCE BENEFITS UNDER THIS ACT BY JULY 1,**
 14 **2012.**

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

21 (2) ~~Until December 31, 1989~~ **EXCEPT AS OTHERWISE PROVIDED IN**
 22 **SUBSECTION (7),** a member who first became a member on or before
 23 December 31, 1989 ~~—~~and who elected or elects on or before
 24 December 31, 1989 to contribute to the member investment plan
 25 ~~shall contribute 4% of the member's compensation to the member~~
 26 ~~investment plan and beginning January 1, 1990~~ shall contribute
 27 3.9% of the member's compensation to the member investment plan.

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

21 (3) ~~(4) A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A**
 22 ~~member who first became a member on or before December 31, 1986~~
 23 ~~but did not perform membership service between December 31, 1986~~
 24 ~~and January 1, 1990, and who returns to membership service on or~~
 25 ~~after January 1, 1990 and before July 1, 2008, shall make the~~
 26 ~~contributions described in subsection (7).~~ (5).

27 (4) ~~(5) A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A**

1 member who first became a member on or after January 1, 1990 and
2 before July 1, 2008 shall make the contributions described in
3 subsection ~~(7)~~-(5).

4 ~~—— (6) A member who first became a member on or after January~~
5 ~~1, 1987 but before January 1, 1990 shall have 30 days from his or~~
6 ~~her first date of employment to irrevocably elect to make the~~
7 ~~contributions described in subsection (2).~~

8 (5) ~~(7) A~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A
9 member who first became a member on or after January 1, 1990 and
10 before July 1, 2008 shall contribute the following amounts to the
11 member investment plan:

<u>Member's annual school fiscal</u>	<u>Amount payable to the member</u>
<u>year earned compensation</u>	<u>investment plan</u>
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 the
16 \$15,000.00	excess over \$5,000.00
17 Over \$15,000.00	\$510.00, plus 4.3% of the
18	excess over \$15,000.00

19 (6) ~~(8) A~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A
20 member who first became a member on or after July 1, 2008 shall
21 contribute the following amounts to the member investment plan:

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

1 Over \$15,000.00 \$510.00, plus 6.4% of the
2 excess over \$15,000.00

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

1 **COMPENSATION TO THE RETIREMENT SYSTEM UNDER THIS SECTION OR**
2 **SECTION 43G.**

3 Sec. 43e. ~~(1) Except as otherwise provided in this section,~~
4 ~~beginning July 1, 2010, each~~ **EACH** ~~member~~ **WHO WAS FIRST EMPLOYED**
5 **AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER BEFORE JULY**
6 **1, 2012** shall contribute 3% of the member's compensation to the
7 appropriate funding account established under the public employee
8 retirement health care funding act, **2010 PA 77, MCL 38.2731 TO**
9 **38.2747**. ~~For the school fiscal year that begins July 1, 2010,~~
10 ~~members who were employed by a reporting unit and were paid less~~
11 ~~than \$18,000.00 in the prior school fiscal year and members who~~
12 ~~were hired on or after July 1, 2010 with a starting salary less~~
13 ~~than \$18,000.00 shall contribute 1.5% of the member's~~
14 ~~compensation to the appropriate funding account established under~~
15 ~~the public employee retirement health care funding act. For each~~
16 ~~school fiscal year that begins on or after July 1, 2011, members~~
17 ~~whose yearly salary is less than \$18,000.00 shall contribute 3%~~
18 ~~of the member's compensation to the appropriate funding account~~
19 ~~established under the public employee retirement health care~~
20 ~~funding act.~~ The member contributions **UNDER THIS SECTION** shall be
21 deducted by the employer and remitted as employer contributions
22 in a manner that the retirement system shall determine.

23 ~~(2) As used in this act,~~ **SECTION**, "funding account" means
24 the appropriate irrevocable trust created in the public employee
25 retirement health care funding act, **2010 PA 77, MCL 38.2731 TO**
26 **38.2747**, for the deposit of funds and the payment of retirement
27 health care benefits.

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

15 (A) FOR A MEMBER WHO DOES NOT CONTRIBUTE TO THE MEMBER
16 INVESTMENT PLAN AS OF JUNE 30, 2012, 5% OF COMPENSATION TO THE
17 RESERVE FOR EMPLOYEE CONTRIBUTIONS.

18 (B) FOR A MEMBER WHO DOES CONTRIBUTE TO THE MEMBER
19 INVESTMENT PLAN AS OF JUNE 30, 2012, 8% OF COMPENSATION TO THE
20 MEMBER INVESTMENT PLAN.

21 (2) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
22 DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN THIS SECTION FROM THE
23 COMPENSATION OF EACH MEMBER FOR EACH PAYROLL AND EACH PAYROLL
24 PERIOD. THE CONTRIBUTIONS UNDER SUBSECTION (1) SHALL NOT EXCEED
25 THE NORMAL COST CONTRIBUTION RATE DETERMINED UNDER SECTION 41.

26 (3) THE EMPLOYER SHALL PICK UP THE MEMBER CONTRIBUTIONS
27 REQUIRED BY SUBSECTION (1) FOR ALL COMPENSATION EARNED ON OR

1 AFTER OCTOBER 1, 2012. CONTRIBUTIONS PICKED UP SHALL BE TREATED
2 AS EMPLOYER CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE
3 INTERNAL REVENUE CODE. THE EMPLOYER SHALL PAY THESE MEMBER
4 CONTRIBUTIONS FROM THE SAME SOURCE OF FUNDS THAT IS USED IN
5 PAYING COMPENSATION TO THE MEMBER.

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

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

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

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

21 (A) TO CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND
22 COMPENSATION ON AND AFTER OCTOBER 1, 2012, FOR THE PURPOSE OF THE
23 CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B. A
24 QUALIFIED MEMBER WHO MAKES OR IS CONSIDERED TO HAVE MADE THE
25 ALTERNATIVE ELECTION IN THIS SUBDIVISION SHALL CONTINUE TO MAKE
26 THE EMPLOYEE CONTRIBUTIONS AS PROVIDED IN SECTION 43A AND SHALL
27 NOT MAKE THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43G.

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

9 (3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
10 ACCEPTING QUALIFIED MEMBER ELECTIONS, DESIGNATIONS, AND
11 ALTERNATIVE ELECTIONS UNDER THIS SECTION. THE RETIREMENT SYSTEM
12 SHALL ACCEPT ELECTIONS, DESIGNATIONS, AND ALTERNATIVE ELECTIONS
13 UNDER THIS SECTION FROM QUALIFIED MEMBERS DURING AN ELECTION
14 PERIOD THAT BEGINS ON JULY 31, 2012 AND ENDS AT 5 P.M. EASTERN
15 DAYLIGHT TIME ON AUGUST 31, 2012. A QUALIFIED MEMBER MAY RESCIND
16 AN ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION BEFORE THE
17 CLOSE OF THE ELECTION PERIOD. AN ELECTION, DESIGNATION, OR
18 ALTERNATIVE ELECTION MADE BY A QUALIFIED MEMBER AND NOT RESCINDED
19 BEFORE THE CLOSE OF THE ELECTION PERIOD SHALL NOT BE RESCINDED.

20 (4) A QUALIFIED MEMBER WHO DOES NOT MAKE OR WHO RESCINDS THE
21 ELECTION UNDER SUBSECTION (1) ON OR BEFORE THE CLOSE OF THE
22 ELECTION PERIOD AND WHO MAKES OR IS CONSIDERED TO HAVE MADE THE
23 ALTERNATIVE ELECTION UNDER SUBSECTION (2) (A) IS SUBJECT TO ALL OF
24 THE FOLLOWING:

25 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE
26 SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A
27 RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12

1 MIDNIGHT ON SEPTEMBER 30, 2012.

2 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE
3 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON OCTOBER 1,
4 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE.

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

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

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

20 (B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE
21 SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON OCTOBER 1,
22 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE AND
23 ELIGIBILITY FOR THE EMPLOYER CONTRIBUTION TO THE MEMBER'S TIER 2
24 ACCOUNT.

25 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE
26 CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED
27 SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(3) AND (4).

1 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH
2 INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR
3 SERVICE PROVIDED UNDER SECTION 84B(7).

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

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

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

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

22 (7) AN INDIVIDUAL WHO IS A DEFERRED MEMBER OR FORMER
23 NONVESTED MEMBER ON JUNE 30, 2012 AND WHO IS REEMPLOYED ON OR
24 AFTER JULY 1, 2012 SHALL BE TREATED IN THE SAME MANNER AS A
25 MEMBER DESCRIBED IN SUBSECTION (4) AND SHALL BECOME SUBJECT TO
26 SECTION 84B FOR ANY FUTURE SERVICE AND COMPENSATION.

27 (8) ANY MEMBER WHO IS REEMPLOYED ON OR AFTER JULY 1, 2012

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1 AND WHO, WHILE A MEMBER, MADE AN ELECTION, DESIGNATION, OR
 2 ALTERNATIVE ELECTION OR IS CONSIDERED TO HAVE MADE AN ALTERNATIVE
 3 ELECTION UNDER THIS SECTION SHALL BE TREATED AS RETAINING THAT
 4 ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION ON HIS OR HER DATE
 5 OF REEMPLOYMENT.

6 (9) AS USED IN THIS SECTION:

7 (A) "ATTAINMENT DATE" MEANS THAT TERM AS DEFINED IN SECTION
 8 84B.

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

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

12 (ii) HE OR SHE IS A MEMBER ON JUNE 30, 2012.

13 (iii) HE OR SHE HAS ACCRUED AT LEAST .05 YEARS OF SERVICE
 14 CREDIT IN THE 12 MONTHS ENDING JUNE 30, 2012 OR WAS ON AN
 15 APPROVED PROFESSIONAL SERVICES OR MILITARY LEAVE OF ABSENCE ON
 16 JUNE 30, 2012.

<<SEC. 81D. EXCEPT AS OTHERWISE PROVIDED IN ARTICLE 8,
 SECTIONS 81, 86, AND 87 DO NOT APPLY TO A QUALIFIED PARTICIPANT
 UNDER TIER 3.>>

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

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

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

23 (3) The reduction of 1/2 of 1% for each month and fraction
24 of a month from the member's retirement allowance effective date
25 to the date of the member's sixtieth birthday provided for in
26 former ~~Act No. 136 of the Public Acts of 1945,~~ **1945 PA 136,**
27 applicable to a member who retired before July 1, 1974 and before

1 attainment of age 60, shall not apply to a member who retired
2 before that date, at age 55 or more, having 30 or more years of
3 credited service. The retirement allowance shall be recalculated
4 disregarding the reduction and the person receiving the
5 retirement allowance shall be eligible to receive an adjusted
6 retirement allowance based on the recalculation beginning January
7 1, 1986, but shall not be eligible to receive the adjusted amount
8 attributable to any month beginning before January 1, 1986.

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

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

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

27 (b) The retirement allowance was payable to a plan II

1 retirant or retirement allowance beneficiary under chapter I of
2 former ~~Act No. 136 of the Public Acts of 1945~~ **1945 PA 136** and the
3 retirement allowance effective date was before July 1, 1974.

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

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

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

22 (B) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1,
23 2012.

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

26 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND
27 108(10).

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

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

8 (B) SERVICE CREDIT THAT WAS PURCHASED ON AND AFTER OCTOBER
9 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (1) (C).

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

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

18 (B) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1,
19 2012.

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

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

24 (4) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
25 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN
26 SUBSECTION (3) SHALL NOT INCLUDE ANY YEAR OR FRACTION OF A YEAR
27 OF SERVICE PERFORMED BY THAT MEMBER ON AND AFTER OCTOBER 1, 2012

1 OR ANY SERVICE CREDIT THAT IS PURCHASED BY THAT MEMBER AFTER
2 OCTOBER 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (3) (C) .
3 BEGINNING WITH THE FIRST PAYROLL DATE AFTER OCTOBER 1, 2012, AND
4 ENDING UPON THE MEMBER'S TERMINATION OF SERVICE, THE EMPLOYER OF
5 A MEMBER DESCRIBED IN SUBSECTION (3) SHALL CONTRIBUTE 4% OF THE
6 MEMBER'S COMPENSATION AS DEFINED IN SECTION 122(2) TO THE
7 MEMBER'S TIER 2 ACCOUNT. A MEMBER IS VESTED IN EMPLOYER
8 CONTRIBUTIONS MADE UNDER THIS SUBSECTION ACCORDING TO THE VESTING
9 PROVISIONS UNDER SECTION 132. A MEMBER SHALL BE CREDITED WITH
10 YEARS OF SERVICE ACCRUED UNDER TIER 1 AS OF OCTOBER 1, 2012 FOR
11 PURPOSES OF MEETING THE APPLICABLE VESTING REQUIREMENTS.

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

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

20 (B) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE
21 ATTAINMENT DATE.

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

25 (D) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 73 AND
26 108(10) .

27 (6) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A

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

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

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

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

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

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

4 Sec. 91. (1) Except as otherwise provided in this section,
5 the retirement system shall pay the entire monthly premium or
6 membership or subscription fee for hospital, medical-surgical,
7 and sick care benefits for the benefit of a retirant or
8 retirement allowance beneficiary who elects coverage in the plan
9 authorized by the retirement board and the department. **EXCEPT AS**
10 **OTHERWISE PROVIDED IN THIS SECTION, BEGINNING JULY 1, 2012, THE**
11 **RETIREMENT SYSTEM SHALL PAY 80% OF THE ENTIRE MONTHLY PREMIUM OR**
12 **MEMBERSHIP OR SUBSCRIPTION FEE FOR HOSPITAL, MEDICAL-SURGICAL,**
13 **AND SICK CARE BENEFITS FOR THE BENEFIT OF A RETIRANT OR**
14 **RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN THE PLAN**
15 **AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.** Except as
16 otherwise provided in subsection (8), this subsection does not
17 apply to a retirant who first becomes a member after June 30,
18 2008.

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

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

6 (4) ~~The~~**UNTIL JUNE 30, 2012, THE** retirement system shall pay
7 90% of the monthly premium or membership or subscription fee for
8 dental, vision, and hearing benefits for the benefit of a
9 retirant or retirement allowance beneficiary who elects coverage
10 in the plan authorized by the retirement board and the
11 department. **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,**
12 **BEGINNING JULY 1, 2012, THE RETIREMENT SYSTEM SHALL PAY 80% OF**
13 **THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR DENTAL,**
14 **VISION, AND HEARING BENEFITS FOR THE BENEFIT OF A RETIRANT OR**
15 **RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN THE PLAN**
16 **AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.** Payments
17 shall begin under this subsection upon approval by the retirement
18 board and the department of plan coverage and a plan provider.
19 Except as otherwise provided in subsection (8), this subsection
20 does not apply to a retirant who first becomes a member after
21 June 30, 2008.

22 (5) ~~The~~**UNTIL JUNE 30, 2012, THE** retirement system shall pay
23 up to 90% of the maximum of the amount payable under subsection
24 (1) toward the monthly premium or membership or subscription fee
25 for hospital, medical-surgical, and sick care benefits coverage
26 described in subsections (1) and (2) for each health insurance
27 dependent of a retirant receiving benefits under subsection (1)

1 or (2). ~~Payment~~ **UNTIL JUNE 30, 2012, PAYMENT** shall not exceed 90%
2 of the actual monthly premium or membership or subscription fee.
3 ~~The~~ **UNTIL JUNE 30, 2012, THE** retirement system shall pay 90% of
4 the monthly premium or membership or subscription fee for dental,
5 vision, and hearing benefits described in subsection (4) for the
6 benefit of each health insurance dependent of a retirant
7 receiving benefits under subsection (4). **BEGINNING JULY 1, 2012,**
8 **ANY PAYMENT DESCRIBED IN THIS SUBSECTION SHALL NOT EXCEED 80% OF**
9 **THE ACTUAL MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE.**

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

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

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

26 (8) For a member or deferred member who first becomes a
27 member after June 30, 2008 **AND BEFORE JULY 1, 2012**, the

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

1 or subscription fee for the plans or combination of plans equal
2 to the product of 3% and the retirant's, deceased retirant's, or
3 deceased member's years of service for the first 10 years and ~~4%~~
4 **3%** for each year after the first 10 years, **UP TO 80%**. 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~~**YEAR**
13 **OF** service credit shall be counted for purposes of **THIS**
14 subsection ~~(8)~~ and ~~this~~ subsection **(8)** 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. This subsection does not
13 apply to a member who is unable to meet the service credit
14 requirements of this subsection because of 1 or more periods of
15 unpaid leaves of absence approved by the reporting unit during
16 the period of leave of absence, as a result of a mental or
17 physical disability supported by the member's doctor during the
18 period of leave of absence.

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

25 (13) The hospital, medical-surgical, and sick care benefits
26 plan, dental plan, vision plan, and hearing plan that covers
27 retirants, retirement allowance beneficiaries, and health

1 insurance dependents pursuant to this section shall contain a
2 coordination of benefits provision that provides all of the
3 following:

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

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

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

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

1 section ~~provided that~~ IF payment for the elected coverages is the
2 responsibility of the surviving spouse and is paid in a manner
3 prescribed by the retirement system.

4 (15) THIS SECTION DOES NOT APPLY TO A MEMBER OR A HEALTH
5 INSURANCE DEPENDENT OF THAT MEMBER IF THAT MEMBER WAS FIRST
6 EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON
7 OR AFTER JULY 1, 2012.

8 (16) ~~(15)~~ For purposes of this section:

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

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

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

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

24 (iv) An unmarried child, by birth or adoption, of the
25 retirant or deceased member who is incapable of self-sustaining
26 employment because of mental or physical disability, and who is
27 or was at the time of the retirant's or deceased member's death a

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

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

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

11 (b) "Medicaid" means benefits under the federal medicaid
12 program established under title XIX of the social security act,
13 42 USC 1396 to ~~1396v~~-1396W-5.

14 (c) "Medicare" means benefits under the federal medicare
15 program established under title XVIII of the social security act,
16 42 USC 1395 to ~~1395hhh~~-1395KKK.

17 **SEC. 91A. (1) A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED**
18 **UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012**
19 **SHALL NOT RECEIVE ANY HEALTH INSURANCE COVERAGE PREMIUM FROM THE**
20 **RETIREMENT SYSTEM FOR ANY BENEFITS UNDER SECTION 91 OR AS A**
21 **RESULT OF BENEFITS PROVIDED UNDER SECTION 86, 87, OR 89. IN LIEU**
22 **OF ANY OF THESE BENEFITS THAT MIGHT HAVE BEEN PAID BY THE**
23 **RETIREMENT SYSTEM, A MEMBER'S EMPLOYER SHALL MAKE A MATCHING**
24 **CONTRIBUTION UP TO 2% OF THE MEMBER'S COMPENSATION TO THE TIER 2**
25 **PLAN FOR EACH MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE**
26 **PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012. A**
27 **MATCHING CONTRIBUTION UNDER THIS SUBSECTION SHALL NOT BE USED AS**

1 THE BASIS FOR A LOAN FROM AN EMPLOYEE'S TIER 2 ACCOUNT.

2 (2) A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE
3 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012 MAY MAKE
4 A CONTRIBUTION UP TO 2% OF THE MEMBER'S COMPENSATION TO A TIER 2
5 ACCOUNT. A MEMBER DESCRIBED IN THIS SUBSECTION MAY MAKE
6 ADDITIONAL CONTRIBUTIONS TO HIS OR HER TIER 2 ACCOUNT AS
7 PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE CODE.

8 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
9 MEMBER IS VESTED IN CONTRIBUTIONS MADE TO HIS OR HER TIER 2
10 ACCOUNT UNDER SUBSECTIONS (1) AND (2) ACCORDING TO THE VESTING
11 PROVISIONS UNDER SECTION 132. A MEMBER WHO IS ELIGIBLE FOR THE
12 PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT
13 SYSTEM AS A RESULT OF BENEFITS PROVIDED UNDER SECTION 86, 87, OR
14 89 IS NOT VESTED IN ANY EMPLOYER CONTRIBUTIONS UNDER SUBSECTION
15 (1) AND FORFEITS THE EMPLOYER CONTRIBUTIONS AND EARNINGS ON THOSE
16 CONTRIBUTIONS.

17 (4) THE CONTRIBUTIONS DESCRIBED IN THIS SECTION SHALL BEGIN
18 WITH THE FIRST PAYDAY AFTER THE MEMBER IS EMPLOYED AND END UPON
19 HIS OR HER TERMINATION OF EMPLOYMENT.

20 (5) AN INDIVIDUAL WHO IS A FORMER MEMBER ON JUNE 30, 2012
21 AND WHO IS REEMPLOYED BY AN EMPLOYER ON OR AFTER JULY 1, 2012
22 SHALL BE TREATED IN THE SAME MANNER AS A MEMBER WHO WAS FIRST
23 EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON
24 OR AFTER JULY 1, 2012 AND SHALL RECEIVE AN AMOUNT, IF ANY, AS
25 DETERMINED UNDER THIS SECTION.

26 (6) IN LIEU OF ANY OTHER HEALTH INSURANCE COVERAGE PREMIUM
27 THAT MIGHT HAVE BEEN PAID BY THE RETIREMENT SYSTEM UNDER SECTION

1 91, A CREDIT TO A HEALTH REIMBURSEMENT ACCOUNT WITHIN THE TRUST
2 CREATED UNDER THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING
3 ACT, 2010 PA 77, MCL 38.2731 TO 38.2747, SHALL BE MADE BY THE
4 EMPLOYER IN THE AMOUNTS AND TO THE MEMBERS OR FORMER MEMBERS AS
5 FOLLOWS:

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

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

16 (7) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD TO
17 IMPLEMENT SUBSECTIONS (5) AND (6), INCLUDING A METHOD FOR
18 CREDITING THE AMOUNTS IN SUBSECTION (6) TO COMPLY WITH ANY
19 RESTRICTIONS IMPOSED BY THE INTERNAL REVENUE CODE.

20 (8) ON OR BEFORE JULY 1, 2017, THE RETIREMENT SYSTEM SHALL
21 PROVIDE A REPORT TO THE CHAIRS OF THE HOUSE AND SENATE
22 APPROPRIATIONS COMMITTEES THAT PROVIDES THE PROJECTED IMPACT OF
23 SUBSECTION (6) AS IT APPLIES TO MEMBERS FIRST EMPLOYED AND
24 ENTERED UPON THE PAYROLL OF REPORTING UNITS ON OR AFTER JULY 1,
25 2017 WITH REGARD TO THE ANNUAL REQUIRED CONTRIBUTION AS USED BY
26 THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND FOR PURPOSES OF
27 THE ANNUAL FINANCIAL STATEMENTS PREPARED UNDER SECTION 28(1).

1 (9) AS USED IN THIS SECTION, "COMPENSATION" MEANS THAT TERM
2 AS DEFINED IN SECTION 122(2).

3 SEC. 92B. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR
4 ENDING SEPTEMBER 30, 2012, \$1,000,000.00 TO THE OFFICE OF
5 RETIREMENT SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT,
6 AND BUDGET FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY
7 ACT THAT ADDED THIS SECTION.

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

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

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

17 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT
18 IS \$1,000,000.00.

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

21 Sec. 108. (1) This section is enacted pursuant to federal
22 law that imposes certain administrative requirements and benefit
23 limitations for qualified governmental plans. This state intends
24 that the retirement system be a qualified pension plan created in
25 trust under section 401 of the internal revenue code, 26 USC 401,
26 and that the trust be an exempt organization under section 501 of
27 the internal revenue code, 26 USC 501. The department shall

1 administer the retirement system to fulfill this intent.
2 (2) The retirement system shall be administered in
3 compliance with the provisions of section 415 of the internal
4 revenue code, 26 USC 415, and regulations under that section that
5 are applicable to governmental plans and beginning January 1,
6 2010, applicable provisions of the final regulations issued by
7 the internal revenue service on April 5, 2007. Employer-financed
8 benefits provided by the retirement system under this act shall
9 not exceed the applicable limitations set forth in section 415 of
10 the internal revenue code, 26 USC 415, as adjusted by the
11 commissioner of internal revenue under section 415(d) of the
12 internal revenue code, 26 USC 415, to reflect cost-of-living
13 increases, and the retirement system shall adjust the benefits,
14 including benefits payable to retirants and retirement allowance
15 beneficiaries, subject to the limitation each calendar year to
16 conform with the adjusted limitation. For purposes of section
17 415(b) of the internal revenue code, 26 USC 415, the applicable
18 limitation shall apply to aggregated benefits received from all
19 qualified pension plans for which the office of retirement
20 services coordinates administration of that limitation. If there
21 is a conflict between this section and another section of this
22 act, this section prevails.

23 (3) The assets of the retirement system shall be held in
24 trust and invested for the sole purpose of meeting the legitimate
25 obligations of the retirement system and shall not be used for
26 any other purpose. The assets shall not be used for or diverted
27 to a purpose other than for the exclusive benefit of the members,

1 deferred members, retirants, and retirement allowance
2 beneficiaries.

3 (4) The retirement system shall return post-tax member
4 contributions made by a member and received by the retirement
5 system to a member upon retirement, pursuant to internal revenue
6 service regulations and approved internal revenue service
7 exclusion ratio tables.

8 (5) The required beginning date for retirement allowances
9 and other distributions shall not be later than April 1 of the
10 calendar year following the calendar year in which the employee
11 attains age 70-1/2 or April 1 of the calendar year following the
12 calendar year in which the employee retires. The required minimum
13 distribution requirements imposed by section 401(a)(9) of the
14 internal revenue code, 26 USC 401, shall apply to this act and be
15 administered in accordance with a reasonable and good faith
16 interpretation of the required minimum distribution requirements
17 for all years to which the required minimum distribution
18 requirements apply to the act.

19 (6) If the retirement system is terminated, the interest of
20 the members, deferred members, retirants, and retirement
21 allowance beneficiaries in the retirement system is
22 nonforfeitable to the extent funded as described in section
23 411(d)(3) of the internal revenue code, 26 USC 411, and the
24 related internal revenue service regulations applicable to
25 governmental plans.

26 (7) Notwithstanding any other provision of this act to the
27 contrary that would limit a distributee's election under this

1 act, a distributee may elect, at the time and in the manner
2 prescribed by the retirement board, to have any portion of an
3 eligible rollover distribution paid directly to an eligible
4 retirement plan specified by the distributee in a direct
5 rollover. This subsection applies to distributions made on or
6 after January 1, 1993. **BEGINNING OCTOBER 1, 2010, A NONSPOUSE**
7 **BENEFICIARY MAY ELECT TO HAVE ANY PORTION OF AN AMOUNT PAYABLE**
8 **UNDER THIS ACT THAT IS AN ELIGIBLE ROLLOVER DISTRIBUTION TREATED**
9 **AS A DIRECT ROLLOVER THAT WILL BE PAID IN A DIRECT TRUSTEE-TO-**
10 **TRUSTEE TRANSFER TO AN INDIVIDUAL RETIREMENT ACCOUNT OR**
11 **INDIVIDUAL RETIREMENT ANNUITY DESCRIBED IN SECTION 408(A) OR (B)**
12 **OF THE INTERNAL REVENUE CODE, 26 USC 408, THAT IS ESTABLISHED FOR**
13 **THE PURPOSE OF RECEIVING A DISTRIBUTION ON BEHALF OF THE**
14 **BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL**
15 **RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY PURSUANT TO**
16 **SECTION 402(C)(11) OF THE INTERNAL REVENUE CODE, 26 USC 402.**

17 (8) For purposes of determining actuarial equivalent
18 retirement allowances under sections 45 and 85(1)(b), (1)(c),
19 (1)(d), and (2), the actuarially assumed interest rate shall be
20 8% with utilization of the 1983 group annuity and mortality
21 table.

22 (9) Notwithstanding any other provision of this act, the
23 compensation of a member of the retirement system shall be taken
24 into account for any year under the retirement system only to the
25 extent that it does not exceed the compensation limit established
26 in section 401(a)(17) of the internal revenue code, 26 USC 401,
27 as adjusted by the commissioner of internal revenue. This

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1 subsection applies to any person who first becomes a member of
2 the retirement system on or after October 1, 1996.

3 (10) Notwithstanding any other provision of this act,
4 contributions, benefits, and service credit with respect to
5 qualified military service will be provided under the retirement
6 system in accordance with section 414(u) of the internal revenue
7 code, **26 USC 414**. This subsection applies to all qualified
8 military service on or after December 12, 1994. Effective January
9 1, 2007, in accordance with section 401(a)(37) of the internal
10 revenue code, 26 USC 401, if a member dies while performing
11 qualified military service, for purposes of determining any death
12 benefits payable under this act, the member shall be treated as
13 having resumed and then terminated employment on account of
14 death.

<<Sec. 120. (1) Notwithstanding any other provision of this
act, the Tier 2 plan under this article will be implemented by the
department as soon as administratively feasible but not later than
January 1, 2011.

(2) THE DEPARTMENT SHALL ADMINISTER TIER 2 WITH TIER 3 SO THAT
AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF
HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2013 IS A QUALIFIED
PARTICIPANT OF TIER 3.

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

(2) "Qualified participant" means an individual who is a
participant of Tier 2 and who is first employed and entered upon the
payroll of his or her employer on or after July 1, 2010 **AND BEFORE
JANUARY 1, 2013**, and who also qualifies to be a member of Tier 1.>>

15 **SEC. 131A. TIER 2 ACCOUNTS ARE SUBJECT TO THE FOLLOWING**
16 **TERMS AND CONDITIONS:**

17 (A) ON OR BEFORE JULY 1, 2013, THE RETIREMENT SYSTEM SHALL
18 DESIGN AN AUTOMATIC ENROLLMENT FEATURE THAT PROVIDES THAT UNLESS
19 A QUALIFIED PARTICIPANT WHO MAKES CONTRIBUTIONS UNDER THIS ACT
20 ELECTS TO CONTRIBUTE A LESSER AMOUNT, THE QUALIFIED PARTICIPANT
21 SHALL CONTRIBUTE THE AMOUNT REQUIRED TO QUALIFY FOR ALL ELIGIBLE
22 MATCHING CONTRIBUTIONS UNDER THIS ACT. THE RETIREMENT SYSTEM
23 SHALL IMPLEMENT THIS AUTOMATIC ENROLLMENT FEATURE ON OR AFTER
24 JULY 1, 2013, AS DETERMINED BY THE RETIREMENT SYSTEM.

25 (B) EMPLOYER MATCHING CONTRIBUTIONS DO NOT HAVE TO BE MADE
26 TO THE SAME PLAN OR ACCOUNT TO WHICH THE ELECTIVE EMPLOYEE
27 CONTRIBUTIONS WERE CONTRIBUTED AS THE BASIS FOR THE MATCHING

1 CONTRIBUTIONS.

2 (C) ELECTIVE EMPLOYEE CONTRIBUTIONS SHALL NOT BE USED AS THE
3 BASIS FOR MORE THAN AN EQUIVALENT AMOUNT OF EMPLOYER MATCHING
4 CONTRIBUTIONS OR, IN THE CASE OF MATCHING CONTRIBUTIONS UNDER
5 SECTION 131(2), 50% OF THE EMPLOYER MATCHING CONTRIBUTIONS.

6 (D) THE RETIREMENT SYSTEM SHALL DESIGN AND IMPLEMENT A
7 METHOD TO DETERMINE THE PROPER ALLOCATION OF EMPLOYER MATCHING
8 CONTRIBUTIONS BASED ON ELECTIVE EMPLOYEE CONTRIBUTIONS AS
9 PROVIDED IN THIS SECTION.

<<ARTICLE 8

SEC. 151. (1) FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND PHRASES DEFINED IN SECTIONS 152 TO 154 HAVE THE MEANINGS ASCRIBED TO THEM IN THOSE SECTIONS.

(2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, THE DEPARTMENT SHALL IMPLEMENT TIER 3 UNDER THIS ARTICLE AS SOON AS ADMINISTRATIVELY FEASIBLE BUT NOT LATER THAN JANUARY 1, 2013.

SEC. 152. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 3.

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

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

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

(3) "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OR HIS OR HER DESIGNEE.

SEC. 153. (1) "EMPLOYER" MEANS A REPORTING UNIT.

(2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO WAS A QUALIFIED PARTICIPANT OF TIER 3 AND WHO TERMINATES THE EMPLOYMENT UPON WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

(3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH INSURANCE DEPENDENT UNDER SECTION 91(16)(A) IF THE FORMER QUALIFIED PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

SEC. 154. (1) "PLAN DOCUMENT" MEANS THE DOCUMENT THAT CONTAINS THE PROVISIONS AND PROCEDURES OF TIER 3 IN CONFORMITY WITH THIS ACT AND THE INTERNAL REVENUE CODE.

(2) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO IS A PARTICIPANT OF TIER 3 AND WHO IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF A REPORTING UNIT ON OR AFTER JANUARY 1, 2013.

(3) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER SECTION 164 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 165.

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

SEC. 155. (1) THE DEPARTMENT SHALL DESIGNATE 3 OR MORE TIER 3 CONTRACTS OR ACCOUNT PLANS PROVIDED BY AT LEAST 3 DIFFERENT ENTITIES,

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TO BE OFFERED TO PARTICIPANTS IN TIER 3. NO TIER 3 PLAN OPTION SHALL BE DESIGNATED UNDER THIS SECTION UNLESS THE ENTITY MEETS ALL OF THE FOLLOWING REQUIREMENTS:

(A) IT IS AUTHORIZED TO CONDUCT BUSINESS IN THIS STATE WITH REGARD TO ANY ANNUITY CONTRACTS OR CERTIFICATES TO BE OFFERED UNDER THE PLAN.

(B) IT PROVIDES A DEFINED CONTRIBUTION PENSION PLAN AND ASSOCIATED PLAN SERVICES TO PUBLIC SECTOR EMPLOYEES IN AT LEAST 10 OTHER STATES.

(C) IT PROVIDES A TIER 3 OPTION THAT IS AN ANNUITY CONTRACT OR CUSTODIAL ACCOUNT THAT IS NOT REQUIRED TO BE HELD BY A SEPARATE PLAN TRUSTEE.

(2) IN DESIGNATING TIER 3 PLANS UNDER THIS SECTION, THE DEPARTMENT SHALL CONSIDER ALL OF THE FOLLOWING:

(A) THE EXPERIENCE OF THE ENTITY IN PROVIDING THE PLAN IN OTHER STATES.

(B) THE POTENTIAL EFFECTIVENESS OF THE PLAN IN THE RECRUITMENT AND RETENTION OF ACADEMIC OR ADMINISTRATIVE EMPLOYEES.

(C) THE NATURE AND EXTENT OF THE RIGHTS AND BENEFITS TO BE PROVIDED UNDER THE PLAN.

(D) THE RELATIONSHIP BETWEEN THE RIGHTS AND BENEFITS UNDER THE PLAN AND THE AMOUNT OF THE CONTRIBUTIONS MADE UNDER THAT PLAN.

(E) THE SUITABILITY OF THE RIGHTS AND BENEFITS UNDER THE PLAN TO THE NEEDS AND INTERESTS OF ACADEMIC OR ADMINISTRATIVE EMPLOYEES.

(F) THE CAPABILITY OF THE ENTITY OFFERING THE PLAN TO PROVIDE THE RIGHTS AND BENEFITS UNDER THE PLAN, AND TO MONITOR COMPLIANCE UNDER THE CONTRACT OR ACCOUNT WITH APPLICABLE FEDERAL TAX REQUIREMENTS INCORPORATED INTO THE CONTRACT OR ACCOUNT.

(G) ANY OTHER SUPPLEMENTAL MATTERS IT CONSIDERS RELEVANT.

(3) THE DEPARTMENT SHALL CONSULT WITH THE STATE TREASURER IN DETERMINING APPROPRIATE INVESTMENT VEHICLES OFFERED WITHIN THE DESIGNATED TIER 3 OPTION PLANS. THE DEPARTMENT IN CONSULTATION WITH THE STATE TREASURER SHALL PERIODICALLY REVIEW EACH TIER 3 PLAN DESIGNATED UNDER THIS SECTION AND THE ENTITY OFFERING THE PLAN TO ENSURE THAT THE REQUIREMENTS AND PURPOSES OF THIS ARTICLE ARE BEING MET. IF THE DEPARTMENT FINDS THAT THE ENTITY OFFERING A TIER 3 PLAN IS NOT IN COMPLIANCE WITH ANY REQUIREMENT OF THIS SECTION OR THE PLAN IS NOT SATISFACTORILY MEETING THE PURPOSES OF THIS ARTICLE, IT MAY RESCIND ITS DESIGNATION OF THE PLAN.

(4) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND PROCEDURES OF TIER 3 IN CONFORMITY WITH THIS ARTICLE AND THE REQUIREMENTS OF THE INTERNAL REVENUE CODE.

(5) THE DIRECTOR SHALL USE A COMPETITIVE BIDDING PROCESS TO SELECT ANY MANAGERIAL, PROFESSIONAL, OR ADMINISTRATIVE SERVICES FOR THE PROPER ADMINISTRATION AND INVESTMENT OF ASSETS OF TIER 3.

(6) NOTWITHSTANDING ANY PROVISION OF THIS SECTION TO THE CONTRARY, A REPORTING UNIT MAY DESIGNATE ITS OWN TIER 3 CONTRACTS OR ACCOUNT PLANS BY AN ALTERNATE PROVIDER TO OFFER TO ITS EMPLOYEES WHO ARE QUALIFIED PARTICIPANTS OF TIER 3. A REPORTING UNIT SHALL SUBSTANTIALLY COMPLY WITH THIS SECTION IN DESIGNATING TIER 3 CONTRACTS OR ACCOUNT PLANS UNDER THIS SUBSECTION. A REPORTING UNIT SHALL NOT OFFER A DEFINED BENEFIT OPTION UNDER THIS SUBSECTION AND SHALL OFFER BENEFITS THAT DO NOT EXCEED THOSE OTHERWISE AVAILABLE TO TIER 3 QUALIFIED PARTICIPANTS UNDER THIS ARTICLE.

SEC. 156. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER TIER 3. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A HEARING THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF THE ADMINISTRATIVE PROCEDURES ACT

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OF 1969, 1969 PA 306, MCL 24.271 TO 24.287. AN INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER AUTHORIZED AGENT AT A HEARING CONDUCTED UNDER THIS SECTION.

(2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.224 TO 24.228, 24.231 TO 24.264, AND 24.291 TO 24.292, DO NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 3.

SEC. 157. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER OR ALTERNATE PROVIDER UNDER SECTION 155(6). THE LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT, 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 3.

SEC. 158. THE ADMINISTRATIVE EXPENSES OF TIER 3 SHALL BE PAID BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER DETERMINED BY THE DEPARTMENT.

SEC. 159. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A RETIREMENT PLAN ESTABLISHED BY A PUBLIC SECTOR EMPLOYER UNDER THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS SECTION, PUBLIC SECTOR EMPLOYER INCLUDES, BUT IS NOT LIMITED TO, A REPORTING UNIT.

SEC. 161. (1) THIS SECTION IS SUBJECT TO THE VESTING REQUIREMENTS OF SECTION 162.

(2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO THE QUALIFIED PARTICIPANT'S TIER 3 ACCOUNT AN AMOUNT EQUAL TO 4% OF THE QUALIFIED PARTICIPANT'S COMPENSATION.

(3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO CONTRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 3 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 3 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

(4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN ADDITION TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER TIER 3 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT MATCH CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

SEC. 162. A QUALIFIED PARTICIPANT IS IMMEDIATELY 100% VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 3. A QUALIFIED PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS OR HER BEHALF TO TIER 3 ACCORDING TO THE FOLLOWING SCHEDULE:

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

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

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

SEC. 164. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE DEPARTMENT. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF THE ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINATION IS SIGNED BY THE PARTICIPANT'S SPOUSE. HOWEVER, THE DEPARTMENT MAY WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES.

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SEC. 165. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 3 UPON BECOMING A FORMER QUALIFIED PARTICIPANT.

(2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF REFUND BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE DEPARTMENT, IN A LUMP-SUM DISTRIBUTION, SHALL DISTRIBUTE THE ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO THE DECEASED PARTICIPANT'S ESTATE.

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

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

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

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

(D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED BALANCE SHALL REMAIN IN TIER 3 UNTIL THE FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED BY FEDERAL LAW.

SEC. 165A. (1) A QUALIFIED PARTICIPANT WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME TOTALLY AND PERMANENTLY DISABLED FROM ANY GAINFUL EMPLOYMENT BY REASON OF PERSONAL INJURY OR MENTAL OR PHYSICAL ILLNESS WHILE SERVING AS AN EMPLOYEE OF THAT REPORTING UNIT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED PARTICIPANT HAD RETIRED UNDER SECTION 87, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 165.

(2) IF A QUALIFIED PARTICIPANT DIES AS A RESULT OF INJURY OR ILLNESS ARISING OUT OF AND IN THE COURSE OF THE QUALIFIED PARTICIPANT'S REPORTING UNIT SERVICE FOR WHICH WORKER'S DISABILITY COMPENSATION IS PAID, OR A DUTY DISABILITY RETIRANT WHO IS IN RECEIPT OF WEEKLY WORKER'S DISABILITY COMPENSATION ON ACCOUNT OF THE RETIRANT'S REPORTING UNIT SERVICE DIES FROM THE SAME CAUSES FOR WHICH THE FORMER QUALIFIED PARTICIPANT RETIRED WITHIN 36 MONTHS AFTER THE FORMER QUALIFIED PARTICIPANT'S RETIREMENT, AND IN EITHER CASE THE DEATH OR THE ILLNESS OR INJURY RESULTING IN DEATH IS FOUND BY THE RETIREMENT BOARD TO HAVE RESULTED, WITHOUT THE QUALIFIED PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S WILLFUL NEGLIGENCE, FROM THE PERFORMANCE OF THE QUALIFIED PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT SHALL BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 84 HAD THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED UNDER SECTION 90, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 165.

(3) A QUALIFIED PARTICIPANT WHO HAS AT LEAST 10 YEARS OF CREDITED SERVICE WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME TOTALLY AND PERMANENTLY DISABLED FOR PURPOSES OF EMPLOYMENT BY HIS OR HER REPORTING UNIT BY REASON OF PERSONAL INJURY OR MENTAL OR PHYSICAL ILLNESS BEFORE TERMINATION OF REPORTING UNIT SERVICE AND EMPLOYMENT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED PARTICIPANT HAD RETIRED UNDER SECTION 86, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 165.

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(4) IF A QUALIFIED PARTICIPANT WHO MEETS THE SERVICE REQUIREMENTS OF SECTION 89 DIES AS A RESULT OF INJURY OR ILLNESS THAT DOES NOT ARISE OUT OF AND IN THE COURSE OF THE QUALIFIED PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT SHALL BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 89 HAD THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED UNDER SECTION 89, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 165.

(5) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, OR BENEFICIARY OF A DECEASED PARTICIPANT, WHICH PARTICIPANT IS ELIGIBLE FOR A DISABILITY RETIREMENT ALLOWANCE UNDER THIS SECTION, IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER SECTION 91 IN ALL RESPECTS AND UNDER THE SAME TERMS AS A RETIRANT AND HIS OR HER BENEFICIARIES UNDER TIER 1. HOWEVER, A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, OR BENEFICIARY OF A DECEASED PARTICIPANT WHO IS ELIGIBLE FOR THE PAYMENT OF HEALTH INSURANCE COVERAGE PREMIUMS BY THE RETIREMENT SYSTEM AS A RESULT OF BENEFITS PROVIDED UNDER THIS SUBSECTION IS NOT VESTED IN ANY EMPLOYER CONTRIBUTIONS UNDER SECTION 91A THAT ARE PROVIDED UNDER SECTION 166 AND HE OR SHE FORFEITS THE EMPLOYER CONTRIBUTIONS AND EARNINGS ON THOSE CONTRIBUTIONS.

SEC. 166. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE FOR THE TIER 2 HEALTH REIMBURSEMENT ACCOUNT PROVISIONS OF SECTION 91A AND SHALL BE TREATED IN THE SAME MANNER AS PRESCRIBED IN SECTION 91A AS A MEMBER WHO IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2013.

SEC. 167. (1) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE PURSUANT TO SECTION 161(2) AND (3) AND EARNINGS ON THOSE EMPLOYER CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE PURSUANT TO SECTION 161(3) AND (4) AND EARNINGS ON THOSE EMPLOYEE CONTRIBUTIONS, ARE SUBJECT TO FORFEITURE PURSUANT TO THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT, 1994 PA 350, MCL 38.2701 TO 38.2705.

(2) THE DIRECTOR HAS THE RIGHT OF SETOFF TO RECOVER OVERPAYMENTS MADE UNDER THIS ARTICLE AND TO SATISFY ANY CLAIMS ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT FROM TIER 3.

(3) THE DIRECTOR SHALL CORRECT ERRORS IN THE RECORDS AND ACTIONS UNDER THIS ARTICLE, AND SHALL SEEK TO RECOVER OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.>>

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

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

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