

**SUBSTITUTE FOR
HOUSE BILL NO. 5093**

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending section 84b (MCL 38.1384b), as amended by 2012 PA 359.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 84b. (1) Beginning February 1, 2013, the calculation of a
2 retirement allowance under this act for a member who did not make
3 the election under section 59(1) and who made or is considered to
4 have made the alternative election under section 59(2)(a) ~~shall~~
5 **MUST** include only the following items of credited service, as
6 applicable, multiplied by 1.5% of final average compensation as
7 provided in section 84:

8 (a) The years and fraction of a year of credited service
9 accrued to ~~that~~ **THE** member before the transition date.

1 (b) Service credit that was purchased before February 1, 2013.

2 (c) Service credit that is purchased under a payment plan
3 ~~pursuant to~~ **UNDER** this act that was in effect as of February 1,
4 2013.

5 (d) Credit for years of service under sections 73 and 108(10).

6 (2) Beginning February 1, 2013, the calculation of a
7 retirement allowance under this act for a member described in
8 subsection (1) ~~shall~~ **MUST** also include the following items of
9 credited service, as applicable, multiplied by 1.25% of final
10 average compensation:

11 (a) The years and fraction of a year of credited service
12 accrued to ~~that~~ **THE** member on and after the transition date.

13 (b) Service credit that was purchased on and after February 1,
14 2013, except as provided in subsection (1)(c).

15 (3) Beginning February 1, 2013, the calculation of a
16 retirement allowance under this act for a member who did not make
17 the election under section 59(1) and who made the alternative
18 election under section 59(2)(b) ~~shall~~ **MUST** include only the
19 following items of credited service, as applicable, multiplied by
20 1.5% of final average compensation as provided in section 84:

21 (a) The years and fraction of a year of credited service
22 accrued to ~~that~~ **THE** member before the transition date.

23 (b) Service credit that was purchased before February 1, 2013.

24 (c) Service credit that is purchased under a payment plan
25 ~~pursuant to~~ **UNDER** this act that was in effect as of January 31,
26 2013.

27 (d) Credit for years of service under sections 73 and 108(10).

1 (4) Beginning February 1, 2013, the calculation of a
2 retirement allowance under this act for a member described in
3 subsection (3) ~~shall~~**MUST** not include any year or fraction of a
4 year of service performed by ~~that~~**THE** member on and after the
5 transition date or any service credit that is purchased by ~~that~~**THE**
6 member after February 1, 2013, except as provided in subsection
7 (3)(c). Beginning with the first payroll date after the transition
8 date, and ending ~~upon~~**ON** the member's termination of service, the
9 employer of a member described in subsection (3) shall contribute
10 4% of the member's compensation as defined in section 122(2) to the
11 member's Tier 2 account. A member is vested in employer
12 contributions made under this subsection according to the vesting
13 provisions under section 132. A member ~~shall~~**MUST** be credited with
14 years of service accrued under Tier 1 as of the transition date for
15 purposes of meeting the applicable vesting requirements. **BEGINNING**
16 **WITH THE FIRST PAYROLL DATE AFTER FEBRUARY 1, 2018, ALL OF THE**
17 **FOLLOWING APPLY TO A MEMBER DESCRIBED IN SUBSECTION (3):**

18 (A) **UNLESS THE MEMBER AFFIRMATIVELY ELECTS NOT TO CONTRIBUTE**
19 **OR ELECTS TO CONTRIBUTE A LESSER AMOUNT, THE MEMBER SHALL**
20 **CONTRIBUTE 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2**
21 **ACCOUNT.**

22 (B) **THE MEMBER'S EMPLOYER SHALL MAKE A CONTRIBUTION TO THE**
23 **MEMBER'S TIER 2 ACCOUNT IN AN AMOUNT EQUAL TO 100% OF THE FIRST 3%**
24 **OF COMPENSATION CONTRIBUTED BY THE MEMBER UNDER SUBDIVISION (A).**

25 (C) **BEGINNING FEBRUARY 1, 2018, ALL CONTRIBUTIONS MADE BY AN**
26 **EMPLOYER UNDER SUBDIVISION (B) MUST BE PAID BY APPROPRIATION FROM**
27 **THE STATE SCHOOL AID FUND ESTABLISHED BY SECTION 11 OF ARTICLE IX**

1 OF THE STATE CONSTITUTION OF 1963, ASSUMING 100% PARTICIPATION BY
2 ALL MEMBERS DESCRIBED IN SUBSECTION (3).

3 (5) Beginning February 1, 2013, the calculation of a
4 retirement allowance under this act for a member who makes the
5 election and attainment date designation under section 59(1) ~~shall~~
6 **MUST** include only the following items of credited service, as
7 applicable, multiplied by 1.5% of final average compensation as
8 provided in section 84:

9 (a) The years and fraction of a year of credited service
10 accrued to ~~that~~ **THE** member on or before the attainment date.

11 (b) Service credit that was purchased on or before the
12 attainment date.

13 (c) Service credit that is purchased under a payment plan
14 ~~pursuant to~~ **UNDER** this act that was in effect as of the attainment
15 date.

16 (d) Credit for years of service under sections 73 and 108(10).

17 (6) Beginning February 1, 2013, the calculation of a
18 retirement allowance under this act for a member described in
19 subsection (5) ~~shall~~ **MUST** also include the following items of
20 credited service, as applicable, multiplied by 1.25% of final
21 average compensation:

22 (a) The years and fraction of a year of credited service
23 accrued to ~~that~~ **THE** member on and after the attainment date.

24 (b) Service credit that was purchased on and after the
25 attainment date, except as provided in subsection (5)(c).

26 (7) Beginning on the transition date, a member described in
27 subsection (1), (3), or (5) ~~shall~~ **MUST** continue to accumulate years

1 of service credit as necessary for the purpose of vesting in a
2 retirement allowance and to determine when a retirement allowance
3 may begin under this act, regardless of when the service credit was
4 accrued, except as otherwise provided in section 59(8). A member
5 described in subsection (1), (3), or (5) ~~shall~~**MUST** continue to be
6 treated as a member for all purposes, except as otherwise provided
7 in section 59(8) and except for the limitations on credited service
8 and calculation of a retirement allowance as provided in
9 subsections (1) through (6).

10 (8) The calculation of a retirement allowance under this act
11 for a member who makes the election under section 59(1) but who
12 does not make the attainment date designation under section 59(1)
13 ~~shall~~**MUST** include all items of credited service accrued to ~~that~~
14 **THE** member, regardless of when the service credit was accrued,
15 which ~~shall~~**MUST** be multiplied by 1.5% of final average
16 compensation as provided in section 84.

17 (9) As used in this section, "attainment date" means the final
18 day of the pay period in which the member attains 30 years of
19 credited service.