

**SUBSTITUTE FOR
HOUSE BILL NO. 4285**

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending section 4 (MCL 38.1304), as amended by 2002 PA 94,
and by adding section 92.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 4. (1) "Compound interest" means interest compounded
2 annually on July 1 on the contributions on account as of the
3 previous July 1 and computed at the rate of investment return
4 determined under section 104a(1) for the last completed state
5 fiscal year.
- 6 (2) "Contributory service" means credited service other than
7 noncontributory service.
- 8 (3) "Deferred member" means a member who has ceased to be a
9 public school employee and has satisfied the requirements of
10 section 82 for a deferred vested service retirement allowance.

1 (4) "Department" means the department of management and
2 budget.

3 (5) "Designated date" means September 30, 1997.

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

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

12 (8) Beginning January 1, 2002, except as otherwise provided
13 in this subsection, "eligible retirement plan" means an
14 individual retirement account described in section 408(a) of the
15 internal revenue code, an individual retirement annuity described
16 in section 408(b) of the internal revenue code, an annuity plan
17 described in section 403(a) of the internal revenue code, or a
18 qualified trust described in section 401(a) of the internal
19 revenue code, an annuity contract described in section 403(b) of
20 the internal revenue code, or an eligible plan under section
21 457(b) of the internal revenue code which is maintained by a
22 state, political subdivision of a state, or an agency or
23 instrumentality of a state or political subdivision of a state
24 and which agrees to separately account for amounts transferred
25 into such eligible plan under section 457(b) of the internal
26 revenue code from this retirement system, that accepts the
27 distributee's eligible rollover distribution. However, in the

1 case of an eligible rollover distribution to a surviving spouse,
2 an eligible retirement plan means an individual retirement
3 account or an individual retirement annuity described above.

4 (9) Beginning January 1, 2002, "eligible rollover
5 distribution" means a distribution of all or any portion of the
6 balance to the credit of the distributee. Eligible rollover
7 distribution does not include any of the following:

8 (a) A distribution made for the life or life expectancy of
9 the distributee or the joint lives or joint life expectancies of
10 the distributee and the distributee's designated beneficiary.

11 (b) A distribution for a specified period of 10 years or
12 more.

13 (c) A distribution to the extent that the distribution is
14 required under section 401(a)(9) of the internal revenue code.

15 (d) The portion of any distribution that is not includable in
16 federal gross income, determined without regard to the exclusion
17 for net unrealized appreciation with respect to employer
18 securities, except to the extent that the portion of a
19 distribution that is not includable in federal gross income is
20 paid to either of the following:

21 (i) An individual retirement account or annuity described in
22 section 408(a) or (b) of the internal revenue code.

23 (ii) A qualified defined contribution plan as described in
24 section 401(a) or 403(a) of the internal revenue code that agrees
25 to separately account for amounts transferred, including
26 separately accounting for the portion of the distribution that is
27 includable in gross income and the portion of the distribution

1 which is not includable in gross income.

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

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

21 (12) "Final average compensation" means the aggregate amount
22 of a member's compensation earned within the averaging period in
23 which the aggregate amount of compensation was highest divided by
24 the member's number of years, including any fraction of a year,
25 of credited service during the averaging period. The averaging
26 period shall be 36 consecutive calendar months if the member
27 contributes to the member investment plan; otherwise, the

1 averaging period shall be 60 consecutive calendar months. If the
2 member has less than 1 year of credited service in the averaging
3 period, the number of consecutive calendar months in the
4 averaging period shall be increased to the lowest number of
5 consecutive calendar months that contains 1 year of credited
6 service.

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

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

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

21 (16) ~~—(15)—~~ "Member investment plan" means the program of
22 member contributions described in section 43a.

23 Sec. 92. Beginning on July 1, 2004, upon written
24 application of a retirant, the retirement system shall withhold
25 from the retirant's retirement allowance the entire monthly
26 premium for voluntary long-term care insurance for the retirant,
27 the retirement allowance beneficiary, and health insurance

1 dependents, as that term is defined in section 91, who elect
2 coverage in a long-term care insurance plan that is authorized by
3 the retirement system. If the entire monthly premium for
4 retirants, retirement allowance beneficiaries, and health
5 insurance dependents is greater than the retirement allowance,
6 the retirement system shall withhold the entire retirement
7 allowance and apply it to the premium balance.