

**SUBSTITUTE FOR
SENATE BILL NO. 547**

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 43a, 43b, 69c, 69f, 75, 91, and 108 (MCL 38.1343a, 38.1343b, 38.1369c, 38.1369f, 38.1375, 38.1391, and 38.1408), sections 43a and 108 as amended by 2002 PA 94, sections 43b, 69c, and 75 as amended and section 69f as added by 1989 PA 194, and section 91 as amended by 2004 PA 117, and by adding section 60.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

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

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

4 ~~(4) Except as otherwise provided in subsection (8), a~~**A**
 5 member who first became a member on or before December 31, 1986
 6 but did not perform membership service between December 31, 1986
 7 and January 1, 1990, and who returns to membership service on or
 8 after January 1, 1990 **AND BEFORE JULY 1, 2008** shall make the
 9 contributions described in subsection (7).

10 ~~(5) Except as otherwise provided in subsection (8), a~~**A**
 11 member who first became a member on or after January 1, 1990 **AND**
 12 **BEFORE JULY 1, 2008** shall make the contributions described in
 13 subsection (7).

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

18 ~~(7) Except as otherwise provided in subsection (8), a~~**A**
 19 member who first became a member on or after January 1, 1990 **AND**
 20 **BEFORE JULY 1, 2008** shall contribute the following amounts to the
 21 member investment plan:

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

1 excess over \$15,000.00

2 ~~—— (8) This section and sections 43b and 43c shall not apply~~
 3 ~~until the department receives notification from the United States~~
 4 ~~internal revenue service that contributions under this section~~
 5 ~~picked up by the employer pursuant to section 42 shall not be~~
 6 ~~included as gross income of the member until they are distributed~~
 7 ~~or made available to the member, retirant, retirement allowance~~
 8 ~~beneficiary, or refund beneficiary.~~

9 (8) A MEMBER WHO FIRST BECAME A MEMBER ON OR AFTER JULY 1,
 10 2008 SHALL CONTRIBUTE THE FOLLOWING AMOUNTS TO THE MEMBER
 11 INVESTMENT PLAN:

12 <u>MEMBER'S ANNUAL SCHOOL</u>	<u>AMOUNT PAYABLE TO THE MEMBER</u>
13 <u>FISCAL YEAR EARNED COMPENSATION</u>	<u>INVESTMENT PLAN</u>
14 NOT OVER \$5,000.00	3% OF MEMBER'S COMPENSATION
15 OVER \$5,000.00 BUT NOT OVER	\$150.00, PLUS 3.6% OF EXCESS
16 \$15,000.00	OVER \$5,000.00
17 OVER \$15,000.00	\$510.00, PLUS 6.4% OF THE
18	EXCESS OVER \$15,000.00

19 Sec. 43b. A member who contributes to the member investment
 20 plan shall have the eligibility requirements of section 81 except
 21 as follows:

22 (a) The age 55 requirement of section 81(1)(a) shall not
 23 apply.

24 (b) ~~The~~ **FOR MEMBERS WHO BECAME MEMBERS ON OR BEFORE JUNE 30,**
 25 **2008, THE** 10 years of credited service requirement of section
 26 81(1)(b) shall be 5 years if the member is working as a public

1 school employee and the member received credited service in each
2 of the 5 school fiscal years immediately preceding the retirement
3 allowance effective date.

4 **SEC. 60. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS**
5 **ACT, ON AND AFTER JULY 1, 2008, A MEMBER SHALL NOT PURCHASE**
6 **SERVICE CREDIT UNDER THIS ACT UNLESS THE MEMBER HAS BEEN GRANTED**
7 **AT LEAST 2 YEARS OF SERVICE CREDIT UNDER SECTION 68.**

8 Sec. 69c. (1) ~~A~~**EXCEPT AS OTHERWISE PROVIDED IN SECTION 60,**
9 A member may elect to purchase service credit for service
10 performed as an employee in a nonpublic elementary or secondary
11 educational institution or a nonpublic 2- or 4-year institution
12 of higher education in this state, in other states of the United
13 States, or in the territorial possessions of the United States
14 upon request and presentation of documentation of the employment
15 rendered that is verifiable from official employment or payroll
16 records or other acceptable documentation as determined by the
17 retirement board, and upon payment to the retirement system of
18 the actuarial cost.

19 (2) Before January 31, 1991, a member may elect to purchase
20 service credit for service performed as an employee in a foreign
21 country at a school for United States personnel or dependents of
22 the United States military or United States department of state
23 personnel; service performed as a full-time teacher with the job
24 corps created pursuant to section 422 of part B of title IV of
25 the job training partnership act, Public Law 97-300, 29 ~~U.S.C.~~
26 **USC** 1692; service performed as a teacher in a trust territory or
27 former trust territory of the United States; or service performed

1 as a teacher on an Indian reservation in this country; upon
2 request and presentation of documentation of the employment
3 rendered that is verifiable from official employment or payroll
4 records or other acceptable documentation as determined by the
5 retirement board, and upon payment to the retirement system of
6 the actuarial cost.

7 (3) Service shall not be credited under this section unless
8 the service being purchased is followed by at least 5 years of
9 reporting unit service credit under this act or former ~~Act No.~~
10 ~~136 of the Public Acts of 1945~~ **PA 136**. Service purchased
11 under this section shall not be used to satisfy the minimum of 10
12 years of service credit required to receive a retirement
13 allowance under this act. The total service credited under
14 subsections (1) and (2) shall not exceed 5 years.

15 (4) If a member who made payment for service under this
16 section dies and a retirement allowance beneficiary has not been
17 designated, or if the member withdraws from service before his or
18 her retirement becomes effective, the payment made by the member
19 shall be refunded to the member or to the member's refund
20 beneficiary upon request.

21 (5) Service shall not be credited under this section if the
22 member is or will be receiving a pension or annuity for the same
23 service from another retirement system.

24 (6) A person who became a retirant with a retirement
25 allowance effective date on or after January 1, 1988 and on or
26 before December 21, 1988 shall be entitled to purchase service
27 credit for service performed as an employee in a nonpublic

1 elementary or secondary educational institution or a nonpublic 2-
2 or 4-year institution of higher education as provided by this
3 section. Service credit purchased pursuant to this subsection
4 shall be purchased before July 1, 1989, or the expiration of 6
5 months after December 21, 1988, whichever is later. The monthly
6 retirement allowance of a retirant entitled to purchase service
7 credit under this subsection shall be recomputed based upon the
8 additional service credit. The recomputed monthly amount shall be
9 payable beginning on the first day of the month following the
10 month in which payment is received by the retirement system.

11 (7) As used in this section:

12 (a) "Nonpublic elementary or secondary educational
13 institution" means an institution that offers or provides an
14 organized course of academic study primarily oriented toward the
15 awarding of high school diplomas. Nonpublic elementary or
16 secondary educational institution does not include a proprietary
17 school.

18 (b) "Nonpublic 2- or 4-year institution of higher education"
19 means an institution that offers an organized course of academic
20 study primarily oriented toward the awarding of associate,
21 baccalaureate, master's, doctoral, or other academic degrees.
22 Nonpublic 2- or 4-year institution of higher education does not
23 include a proprietary school.

24 (c) "Proprietary school" means a school that uses a certain
25 plan or method to teach a trade, occupation, or vocation for a
26 consideration, reward, or promise. Proprietary school includes,
27 but is not limited to, a private business, trade, or home study

1 school.

2 Sec. 69f. (1) ~~A~~**EXCEPT AS OTHERWISE PROVIDED IN SECTION 60,**
3 **A** member may elect to purchase not more than 5 years of service
4 credit less the number of years of service credit purchased under
5 sections 6(2)(c), (d), (e), and (f), 64(3), (4), and (5), 69a,
6 69b, 69c(2), 69d, 69e, 74a, 74b, 77, and 78, upon request and
7 payment to the retirement system of the actuarial cost.

8 (2) Service credit purchased under this section may not be
9 used to satisfy the minimum of 10 years of service credit
10 required to receive a retirement allowance under this act.

11 (3) Service credit purchased under this section shall not be
12 used to satisfy the service credit requirement set forth in
13 section 81(1)(a) for a retirement allowance paid prior to age 46
14 as provided by section 43b(a).

15 (4) If a member who made payment for service under this
16 section dies and a retirement allowance is not payable, or if the
17 member withdraws from service and a retirement allowance is not
18 payable, the payment made by the member shall be refunded to the
19 member or to the member's refund beneficiary upon request.

20 Sec. 75. (1) ~~A~~**EXCEPT AS OTHERWISE PROVIDED IN SECTION 60, A**
21 member who left or leaves service as a public school employee for
22 purposes of maternity or paternity or child rearing, and returns
23 to service as a public school employee, or a person performing
24 out of system public education service who leaves that service
25 for purposes of maternity, paternity, or child rearing and who
26 subsequently becomes a member of this retirement system, without
27 other intervening employment of more than 20 hours per week for

1 each week for which service credit is claimed, may purchase
2 service credit for the time period or periods during which the
3 person was separated from service as a public school employee or
4 during which the person was separated from performing out of
5 system public education service because of maternity or paternity
6 or child rearing, upon request and payment to the retirement
7 system of the actuarial cost. The total service credited under
8 this section shall not exceed 5 years. A member requesting
9 purchase of service credit under this section shall certify to
10 the board the purpose for which the member took leave and was
11 separated from service as a public school employee.

12 (2) Service credit purchased under this section ~~may~~**SHALL**
13 not be used to satisfy the minimum of 10 years of service credit
14 required to receive a retirement allowance under this act.

15 (3) If a member who made payment under this section dies and
16 a retirement allowance beneficiary has not been designated, or if
17 the member leaves reporting unit service before his or her
18 retirement becomes effective, the payment made by the member
19 shall be refunded upon request to the member or to the member's
20 refund beneficiary.

21 (4) A member who reduces hours of employment with a
22 reporting unit for purposes of maternity, paternity, or child
23 rearing or a person who reduces hours of out of system public
24 education service for purposes of maternity, paternity, or child
25 rearing and who subsequently becomes a member of this retirement
26 system may purchase service credit for those hours by which
27 employment was reduced if all other requirements of this section

1 are met.

2 Sec. 91. (1) The retirement system shall pay the entire
3 monthly premium or membership or subscription fee for hospital,
4 medical-surgical, and sick care benefits for the benefit of a
5 retirant or retirement allowance beneficiary who elects coverage
6 in the plan authorized by the retirement board and the
7 department. **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (8), THIS**
8 **SUBSECTION DOES NOT APPLY TO A RETIRANT WHO FIRST BECOMES A**
9 **MEMBER AFTER JUNE 30, 2008.**

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

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

24 (4) The retirement system shall pay 90% of the monthly
25 premium or membership or subscription fee for dental, vision, and
26 hearing benefits for the benefit of a retirant or retirement
27 allowance beneficiary who elects coverage in the plan authorized

1 by the retirement board and the department. Payments shall begin
2 under this subsection upon approval by the retirement board and
3 the department of plan coverage and a plan provider. **EXCEPT AS**
4 **OTHERWISE PROVIDED IN SUBSECTION (8), THIS SUBSECTION DOES NOT**
5 **APPLY TO A RETIRANT WHO FIRST BECOMES A MEMBER AFTER JUNE 30,**
6 **2008.**

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

1 1985 for health insurance dependents who on July 10, 1985 were
2 covered by the hospital, medical-surgical, and sick care benefits
3 plan authorized by the retirement board and the department.

4 Payment under this subsection and subsection (6) for other health
5 insurance dependents shall not begin before January 1, 1986.

6 **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (8), THIS SUBSECTION**
7 **DOES NOT APPLY TO A RETIRANT WHO FIRST BECOMES A MEMBER AFTER**
8 **JUNE 30, 2008.**

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

17 (7) The payments provided by this section shall not be made
18 on behalf of a retiring section 82 deferred member or health
19 insurance dependent of a deferred member having less than 21 full
20 years of attained credited service or the retiring deferred
21 member's retirement allowance beneficiary, and shall not be made
22 on behalf of a retirement allowance beneficiary of a deferred
23 member who dies before retiring. The retirement system shall pay,
24 on behalf of a retiring section 82 deferred member or health
25 insurance dependent of a deferred member or a retirement
26 allowance beneficiary of a deceased deferred member, either of
27 whose allowance is based upon not less than 21 years of attained

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1 credited service, 10% of the payments provided by this section,
 2 increased by 10% for each attained full year of credited service
 3 beyond 21 years, not to exceed 100%. This subsection applies to
 4 any member who **FIRST BECAME A MEMBER ON OR BEFORE JUNE 30, 2008**
 5 **AND** attains deferred status under section 82 after October 31,
 6 1980.

7 (8) FOR A MEMBER OR DEFERRED MEMBER WHO FIRST BECOMES A
 8 MEMBER AFTER JUNE 30, 2008, THE RETIREMENT SYSTEM SHALL PAY UP TO
 9 90% OF THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR
 10 THE HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE BENEFITS PLAN, THE
 11 DENTAL PLAN, VISION PLAN, AND HEARING PLAN, OR ANY COMBINATION OF
 12 THE PLANS FOR THE BENEFIT OF THE RETIRANT AND HIS OR HER
 13 RETIREMENT ALLOWANCE BENEFICIARY AND THE RETIRANT'S HEALTH
 14 INSURANCE DEPENDENTS, OR FOR THE BENEFIT OF THE DECEASED MEMBER'S
 15 RETIREMENT ALLOWANCE BENEFICIARY IF THE RETIRANT OR DECEASED
 16 MEMBER HAS 30 YEARS OR MORE OF SERVICE CREDIT UNDER THIS ACT, AND
 17 THE RETIRANT, DECEASED RETIRANT, OR DECEASED MEMBER WAS AT LEAST
 18 60 YEARS OF AGE AT THE TIME OF APPLICATION FOR BENEFITS UNDER
 19 THIS SECTION. <<IF THE RETIRANT OR DECEASED MEMBER IS LESS THAN 60 YEARS
 OF AGE AT THE TIME OF APPLICATION FOR BENEFITS UNDER THIS SECTION, THE
 RETIREMENT SYSTEM SHALL PAY 90% OF THE MONTHLY PREMIUM OR MEMBERSHIP OR
 SUBSCRIPTION FEE FOR THE HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE
 BENEFITS PLAN, THE DENTAL PLAN, VISION PLAN, AND HEARING PLAN, OR ANY
 COMBINATION OF THE PLANS FOR THE BENEFIT OF THE RETIRANT AND HIS OR HER
 RETIREMENT ALLOWANCE BENEFICIARY AND THE RETIRANT'S HEALTH INSURANCE
 DEPENDENTS, OR FOR THE BENEFIT OF THE DECEASED MEMBER'S RETIREMENT
 ALLOWANCE BENEFICIARY IF THE RETIRANT OR DECEASED MEMBER HAS 30 OR MORE
 YEARS OF SERVICE CREDIT GRANTED UNDER SECTION 68.>> IF A RETIRANT,
 DECEASED RETIRANT, OR DECEASED
 20 MEMBER DESCRIBED IN THIS SUBSECTION HAS 10 OR MORE BUT LESS THAN
 21 30 YEARS OF SERVICE CREDIT UNDER THIS ACT AND THE RETIRANT WAS AT
 22 LEAST 60 YEARS OF AGE AT THE TIME OF APPLICATION FOR BENEFITS
 23 UNDER THIS SECTION, THE RETIREMENT SYSTEM SHALL PAY A PORTION OF
 24 THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR THE
 25 PLANS OR COMBINATION OF PLANS EQUAL TO THE PRODUCT OF 3% AND THE
 26 RETIRANT'S, DECEASED RETIRANT'S, OR DECEASED MEMBER'S YEARS OF
 27 SERVICE. THIS SUBSECTION DOES NOT APPLY TO A MEMBER WHO RECEIVES

1 A DISABILITY RETIREMENT ALLOWANCE UNDER SECTION 86 OR 87 OR TO A
2 DECEASED MEMBER'S RETIREMENT ALLOWANCE BENEFICIARY UNDER SECTION
3 90.

4 (9) THE RETIREMENT SYSTEM SHALL NOT PAY THE PREMIUMS OR
5 MEMBERSHIP OR SUBSCRIPTION FEES UNDER SUBSECTION (8) UNTIL THE
6 RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY REQUESTS ENROLLMENT
7 IN THE PLANS OR COMBINATION OF PLANS IN WRITING IN THE MANNER
8 PRESCRIBED BY THE RETIREMENT SYSTEM.

9 (10) A MEMBER WHO RETIRES UNDER SECTION 43B OR 81 AND WHO
10 ELECTS TO PURCHASE SERVICE CREDIT ON OR AFTER JULY 1, 2008 SHALL
11 NOT BE ELIGIBLE FOR HEALTH BENEFITS UNDER THIS SECTION UNTIL THE
12 FIRST DATE THAT THE MEMBER WOULD HAVE BEEN ELIGIBLE TO RETIRE
13 UNDER SECTION 43B OR 81 IF HE OR SHE HAD NOT PURCHASED THE
14 SERVICE CREDIT AND HAD ACCRUED A SUFFICIENT AMOUNT OF SERVICE
15 CREDIT PURSUANT TO SECTION 68. A MEMBER WHO BECOMES A MEMBER ON
16 OR AFTER JULY 1, 2008 SHALL NOT BE ELIGIBLE FOR HEALTH BENEFITS
17 UNDER THIS SUBSECTION UNTIL AT LEAST THE TIME OF APPLICATION
18 UNDER SUBSECTION (8). THE RETIREMENT SYSTEM SHALL APPLY A METHOD
19 THAT ENABLES IT TO MAKE THE DETERMINATION UNDER THIS SUBSECTION.

20 (11) EXCEPT FOR A MEMBER WHO RETIRES UNDER SECTION 86 OR 87
21 OR A MEMBER WHO MEETS THE REQUIREMENTS UNDER SUBSECTION (7), THE
22 RETIREMENT SYSTEM SHALL NOT PAY THE BENEFITS PROVIDED IN
23 SUBSECTION (1) UNLESS THE MEMBER WAS EMPLOYED AND HAS RECEIVED A
24 MINIMUM TOTAL OF 1/2 OF A YEAR OF SERVICE CREDIT GRANTED PURSUANT
25 TO SECTION 68 DURING THE 2 SCHOOL FISCAL YEARS IMMEDIATELY
26 PRECEDING THE MEMBER'S RETIREMENT ALLOWANCE EFFECTIVE DATE OR THE
27 MEMBER HAS RECEIVED A MINIMUM OF 1/10 OF A YEAR OF SERVICE CREDIT

1 GRANTED PURSUANT TO SECTION 68 DURING EACH OF THE 5 SCHOOL FISCAL
2 YEARS IMMEDIATELY PRECEDING THE MEMBER'S RETIREMENT ALLOWANCE
3 EFFECTIVE DATE.

4 (12) ~~(8)~~—Any retirant or retirement allowance beneficiary
5 excluded from payments under this section may participate in the
6 hospital, medical-surgical, and sick care benefits plan, the
7 dental plan, vision plan, or hearing plan, or any combination of
8 the plans described in this section in the manner prescribed by
9 the retirement system at his or her own cost.

10 (13) ~~(9)~~—The hospital, medical-surgical, and sick care
11 benefits plan, dental plan, vision plan, and hearing plan that
12 covers retirants, retirement allowance beneficiaries, and health
13 insurance dependents pursuant to this section shall contain a
14 coordination of benefits provision that provides all of the
15 following:

16 (a) If the person covered under the hospital, medical-
17 surgical, and sick care benefits plan is also eligible for
18 medicare or medicaid, or both, then the benefits under medicare
19 or medicaid, or both, shall be determined before the benefits of
20 the hospital, medical-surgical, and sick care benefits plan
21 provided pursuant to this section.

22 (b) If the person covered under any of the plans provided by
23 this section is also covered under another plan that contains a
24 coordination of benefits provision, the benefits shall be
25 coordinated as provided by the coordination of benefits act, 1984
26 PA 64, MCL 550.251 to 550.255.

27 (c) If the person covered under any of the plans provided by

1 this section is also covered under another plan that does not
2 contain a coordination of benefits provision, the benefits under
3 the other plan shall be determined before the benefits of the
4 plan provided pursuant to this section.

5 (14) ~~(10)~~—For purposes of this section:

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

7 (i) The spouse of the retirant or the surviving spouse to
8 whom the retirant or deceased member was married at the time of
9 the retirant's or deceased member's death.

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

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

20 (iv) An unmarried child, by birth or adoption, of the
21 retirant or deceased member who is incapable of self-sustaining
22 employment because of mental or physical disability, and who is
23 or was at the time of the retirant's or deceased member's death a
24 dependent of the retirant or deceased member as defined in
25 section 152 of the internal revenue code.

26 (v) The parents of the retirant or deceased member, or the
27 parents of his or her spouse, who are residing in the household

1 of the retirant or retirement allowance beneficiary.

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

7 (b) "Medicaid" means benefits under the federal medicaid
8 program established under title XIX of the social security act,
9 chapter 531, ~~49 Stat. 620,~~ 42 U.S.C.—USC 1396 to 1396f, 1396g-1
10 to 1396r-6, and 1396r-8 to 1396v.

11 (c) "Medicare" means benefits under the federal medicare
12 program established under title XVIII of the social security act,
13 chapter 531, ~~49 Stat. 620,~~ 42 U.S.C.—USC 1395 to 1395b, 1395b-2,
14 1395b-6 to 1395b-7, 1395c to 1395i, 1395i-2 to 1395i-5, 1395j to
15 1395t, 1395u to 1395w, 1395w-2 to 1395w-4, 1395w-21 to 1395w-28,
16 1395x to 1395yy, and 1395bbb to 1395ggg.

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

25 ~~———— (2) Except as otherwise provided in this section, employer-~~
26 ~~financed benefits provided by the retirement system under this~~
27 ~~act shall not exceed \$10,000.00 per year for a retirant who has~~

1 ~~15 or more years of credited service at retirement.~~
2 ~~—— (3) Employer financed benefits provided by the retirement~~
3 ~~system under this act shall not exceed the limitation under~~
4 ~~subsection (2) unless application of this subsection results in a~~
5 ~~higher limitation. The higher limitation of this subsection~~
6 ~~applies to employer financed benefits provided by the retirement~~
7 ~~system and, for purposes of section 415(b) of the internal~~
8 ~~revenue code, applies to aggregated benefits received from all~~
9 ~~qualified pension plans administered by the department of~~
10 ~~management and budget, office of retirement systems. Employer-~~
11 ~~financed benefits provided by the retirement system shall not~~
12 ~~exceed the lesser of the following:~~
13 ~~—— (a) One of the following amounts that is applicable to the~~
14 ~~member:~~
15 ~~—— (i) If a member retires at age 62 or older, \$90,000.00 or the~~
16 ~~adjusted amount described in subsection (4) per year.~~
17 ~~—— (ii) If a member retires at or after age 55 but before age~~
18 ~~62, the actuarially reduced amount of the limitation prescribed~~
19 ~~in subparagraph (i) per year. The retirement system shall use an~~
20 ~~interest rate of 5% per year compounded annually to calculate the~~
21 ~~actuarial reduction in this subparagraph. However, the limitation~~
22 ~~in this subparagraph shall not be actuarially reduced below~~
23 ~~\$75,000.00.~~
24 ~~—— (iii) If a member retires before age 55, the actuarially~~
25 ~~reduced amount of the limitation prescribed in subparagraph (ii)~~
26 ~~per year. The retirement system shall use an interest rate of 5%~~
27 ~~per year compounded annually to calculate the actuarial reduction~~

1 ~~in this subparagraph.~~

2 ~~—— (b) 100% of the member's average compensation for high 3~~
3 ~~years as described in section 415(b)(3) of the internal revenue~~
4 ~~code.~~

5 ~~—— (4) Section 415(d) of the internal revenue code requires the~~
6 ~~secretary of the treasury or his or her delegate to annually~~
7 ~~adjust the \$10,000.00 limitation described in subsection (2) and~~
8 ~~the \$90,000.00 limitation described in subsection (3)(a)(i) for~~
9 ~~increases in cost of living, beginning in 1988. This section~~
10 ~~shall be administered using the limitations applicable to each~~
11 ~~calendar year as adjusted by the secretary of the treasury or his~~
12 ~~or her delegate under section 415(d) of the internal revenue~~
13 ~~code. The retirement system shall adjust the benefits subject to~~
14 ~~the limitation each year to conform with the adjusted limitation.~~

15 **(2) THE RETIREMENT SYSTEM SHALL BE ADMINISTERED IN**
16 **COMPLIANCE WITH THE PROVISIONS OF SECTION 415 OF THE INTERNAL**
17 **REVENUE CODE, 26 USC 415, AND REGULATIONS UNDER THAT SECTION THAT**
18 **ARE APPLICABLE TO GOVERNMENTAL PLANS. EMPLOYER-FINANCED BENEFITS**
19 **PROVIDED BY THE RETIREMENT SYSTEM UNDER THIS ACT SHALL NOT EXCEED**
20 **THE APPLICABLE LIMITATIONS SET FORTH IN SECTION 415 OF THE**
21 **INTERNAL REVENUE CODE, 26 USC 415, AS ADJUSTED BY THE**
22 **COMMISSIONER OF INTERNAL REVENUE UNDER SECTION 415(D) OF THE**
23 **INTERNAL REVENUE CODE, 26 USC 415, TO REFLECT COST-OF-LIVING**
24 **INCREASES, AND THE RETIREMENT SYSTEM SHALL ADJUST THE BENEFITS**
25 **SUBJECT TO THE LIMITATION EACH CALENDAR YEAR TO CONFORM WITH THE**
26 **ADJUSTED LIMITATION. FOR PURPOSES OF SECTION 415(B) OF THE**
27 **INTERNAL REVENUE CODE, 26 USC 415, THE APPLICABLE LIMITATION**

1 SHALL APPLY TO AGGREGATED BENEFITS RECEIVED FROM ALL QUALIFIED
2 PENSION PLANS FOR WHICH THE OFFICE OF RETIREMENT SERVICES
3 COORDINATES ADMINISTRATION OF THAT LIMITATION. IF THERE IS A
4 CONFLICT BETWEEN THIS SECTION AND ANOTHER SECTION OF THIS ACT,
5 THIS SECTION PREVAILS.

6 (3) ~~(5)~~—The assets of the retirement system shall be held in
7 trust and invested for the sole purpose of meeting the legitimate
8 obligations of the retirement system and shall not be used for
9 any other purpose. The assets shall not be used for or diverted
10 to a purpose other than for the exclusive benefit of the members,
11 deferred members, retirants, and retirement allowance
12 beneficiaries.

13 (4) ~~(6)~~—The retirement system shall return post-tax member
14 contributions made by a member and received by the retirement
15 system to a member upon retirement, pursuant to internal revenue
16 service regulations and approved internal revenue service
17 exclusion ratio tables.

18 (5) ~~(7)~~—The required beginning date for retirement
19 allowances and other distributions shall not be later than April
20 1 of the calendar year following the calendar year in which the
21 employee attains age 70-1/2 or April 1 of the calendar year
22 following the calendar year in which the employee retires.

23 (6) ~~(8)~~—If the retirement system is terminated, the interest
24 of the members, deferred members, retirants, and retirement
25 allowance beneficiaries in the retirement system is
26 nonforfeitable to the extent funded as described in section
27 411(d)(3) of the internal revenue code and the related internal

1 revenue service regulations applicable to governmental plans.

2 (7) ~~(9)~~—Notwithstanding any other provision of this act to
3 the contrary that would limit a distributee's election under this
4 act, a distributee may elect, at the time and in the manner
5 prescribed by the retirement board, to have any portion of an
6 eligible rollover distribution paid directly to an eligible
7 retirement plan specified by the distributee in a direct
8 rollover. This subsection applies to distributions made on or
9 after January 1, 1993.

10 (8) ~~(10)~~—For purposes of determining actuarial equivalent
11 retirement allowances under sections 45 and 85(1)(b), (1)(c),
12 (1)(d), and (2), the actuarially assumed interest rate shall be
13 8% with utilization of the 1983 group annuity and mortality
14 table.

15 ~~——(11) Notwithstanding any other provision of this section,~~
16 ~~the retirement system shall be administered in compliance with~~
17 ~~the provisions of section 415 of the internal revenue code and~~
18 ~~revenue service regulations under that section that are~~
19 ~~applicable to governmental plans. If there is a conflict between~~
20 ~~this section and another section of this or any other act of this~~
21 ~~state, this section prevails.~~

22 (9) ~~(12)~~—Notwithstanding any other provision of this act,
23 the compensation of a member of the retirement system shall be
24 taken into account for any year under the retirement system only
25 to the extent that it does not exceed the compensation limit
26 established in section 401(a)(17) of the internal revenue code,
27 as adjusted by the commissioner of internal revenue. This

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

3 (10) ~~(13)~~ 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. This subsection applies to all qualified military service
8 on or after December 12, 1994.

9 Enacting section 1. If any section or part of a section of
10 this act is for any reason held to be invalid or
11 unconstitutional, the holding does not affect the validity of the
12 remaining sections of this act or the act in its entirety.