

HOUSE BILL No. 4511

March 22, 2007, Introduced by Reps. Gonzales, Cushingberry and Alma Smith and referred to the Committee on Appropriations.

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 2003 PA 17.

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

1 section 82 for a deferred vested service retirement allowance.

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

4 (5) "Designated date" means September 30, ~~1997~~2006.

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

1 distribution to a surviving spouse, an eligible retirement plan
2 means an individual retirement account or an individual retirement
3 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 the
9 distributee or the joint lives or joint life expectancies of the
10 distributee and the distributee's designated beneficiary.

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

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

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

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

22 (ii) A qualified defined contribution plan as described in
23 section 401(a) or 403(a) of the internal revenue code that agrees
24 to separately account for amounts transferred, including separately
25 accounting for the portion of the distribution that is includable
26 in gross income and the portion of the distribution which is not
27 includable in gross income.

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

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

19 (12) "Final average compensation" means the aggregate amount
20 of a member's compensation earned within the averaging period in
21 which the aggregate amount of compensation was highest divided by
22 the member's number of years, including any fraction of a year, of
23 credited service during the averaging period. The averaging period
24 shall be 36 consecutive calendar months if the member contributes
25 to the member investment plan; otherwise, the averaging period
26 shall be 60 consecutive calendar months. If the member has less
27 than 1 year of credited service in the averaging period, the number

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

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

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

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

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