

# HOUSE BILL No. 4976

June 21, 2007, Introduced by Rep. Ball and referred to the Committee on Oversight and Investigations.

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

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 69. (1) As a condition for granting membership or prior  
2 service credit under this act for out of system public education  
3 service, a member shall pay to the retirement system an amount  
4 equal to the amount the member would have contributed pursuant to  
5 the schedule governing member contributions in effect at the time  
6 of that service had the service been performed under this act or  
7 former ~~Act No. 136 of the Public Acts of 1945~~ **1945 PA 136**, together

1 with regular interest from the end of the school fiscal year in  
2 which service was performed to the semiannual anniversary of the  
3 date following the payment, and shall have 5 years of reporting  
4 unit service credit under this act or former ~~Act No. 136 of the~~  
5 ~~Public Acts of 1945~~ **1945 PA 136**, following the out of system public  
6 education service.

7 (2) A member shall not be entitled to a retirement allowance  
8 based on out of system public education service that was performed  
9 after July 1, 1974, until the member pays into the retirement  
10 system for that service an amount equal to 5% of the member's full-  
11 time or equated full-time compensation earned in the school fiscal  
12 year before the school fiscal year in which the application to  
13 purchase and payment for the service credit is made, multiplied by  
14 the years of that service the member elects to purchase and unless  
15 that service is followed by 5 years of reporting unit service  
16 credit under this act. **A MEMBER WHO PURCHASES SERVICE CREDIT ON OR**  
17 **AFTER AUGUST 1, 2007 SHALL COMPLETE AT LEAST 10 YEARS OF REPORTING**  
18 **UNIT SERVICE UNDER THIS ACT BEFORE THE MEMBER PURCHASES SERVICE**  
19 **CREDIT UNDER THIS SECTION.**

20 (3) For the purposes of computing payment under this section,  
21 the compensation amount used shall not be less than the highest  
22 school fiscal year compensation previously earned by the member. If  
23 the compensation amount used for computing payment under this  
24 section exceeds the member's final average compensation determined  
25 at the time of retirement, the payment required under this section  
26 shall be recomputed using the member's final average compensation  
27 and a refund shall be made based upon the recomputation. Credit

1 provided by this section shall not be used in satisfying the  
2 minimum of 10 years of service credit required under this act for a  
3 retirement allowance. A person who had employment with a community  
4 mental health service program as described in section 6(2) shall  
5 not be subject to the minimum of 10 years of service credit, if the  
6 other requirements of this section are met.

7 (4) A member shall not receive more than 15 years of out of  
8 system public education service. A member shall not receive more  
9 out of system public education service than service performed under  
10 this act or former ~~Act No. 136 of the Public Acts of 1945~~ **PA**  
11 **136**, unless, before July 1, 1974, the member applied for out of  
12 system public education service credit based upon payment of  
13 contributions for that service credit as required under former ~~Act~~  
14 ~~No. 136 of the Public Acts of 1945~~ **PA 136**. The total out of  
15 system public education service credited shall be used to compute  
16 the member's retirement allowance if the minimum service  
17 requirements performed under this act or former ~~Act No. 136 of the~~  
18 ~~Public Acts of 1945~~ **PA 136** are met.

19 (5) If a member who made payment for out of system public  
20 education service dies and a retirement allowance beneficiary has  
21 not been designated, or if the member withdraws from service before  
22 his or her retirement becomes effective, the payment made by the  
23 member shall be refunded to the member or to the member's refund  
24 beneficiary upon request.

25 (6) Out of system public education service shall not be  
26 creditable toward retirement under this act if the member is or  
27 will be receiving a retirement allowance for the same service from

1 another retirement system.

2 (7) Out of system public education service shall not be  
3 creditable under this act unless similar service performed in a  
4 reporting unit would be creditable.

5 (8) Before January 31, 1991, a member may elect to purchase  
6 service credit as an elementary or secondary teacher at a United  
7 States armed forces military base in the United States or a foreign  
8 country upon payment to the retirement board of the actuarial cost.

9 Sec. 69c. (1) A member may elect to purchase service credit  
10 for service performed as an employee in a nonpublic elementary or  
11 secondary educational institution or a nonpublic 2- or 4-year  
12 institution of higher education in this state, in other states of  
13 the United States, or in the territorial possessions of the United  
14 States upon request and presentation of documentation of the  
15 employment rendered that is verifiable from official employment or  
16 payroll records or other acceptable documentation as determined by  
17 the 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 the  
25 job training partnership act, Public Law 97-300, 29 ~~U.S.C.~~ **USC**  
26 1692; service performed as a teacher in a trust territory or former  
27 trust territory of the United States; or service performed as a

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

6 (3) ~~Service~~ **FOR A MEMBER WHO PURCHASES SERVICE CREDIT BEFORE**  
7 **JULY 31, 2007, SERVICE** shall not be credited under this section  
8 unless the service being purchased is followed by at least 5 years  
9 of reporting unit service credit under this act or former ~~Act No.~~  
10 ~~136 of the Public Acts of 1945~~ **1945 PA 136. FOR A MEMBER WHO**  
11 **PURCHASES SERVICE CREDIT ON OR AFTER AUGUST 1, 2007, SERVICE SHALL**  
12 **NOT BE CREDITED UNDER THIS SECTION UNLESS THE MEMBER HAS COMPLETED**  
13 **AT LEAST 10 YEARS OF REPORTING UNIT SERVICE UNDER THIS ACT BEFORE**  
14 **THE SERVICE IS CREDITED.** Service purchased under this section shall  
15 not be used to satisfy the minimum of 10 years of service credit  
16 required to receive a retirement allowance under this act. The  
17 total service credited under subsections (1) and (2) shall not  
18 exceed 5 years.

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

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

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

15           (7) As used in this section:

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

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

27           (c) "Proprietary school" means a school that uses a certain

1 plan or method to teach a trade, occupation, or vocation for a  
2 consideration, reward, or promise. Proprietary school includes, but  
3 is not limited to, a private business, trade, or home study school.

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

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

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

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

21       **(5) SERVICE PURCHASED UNDER THIS SECTION SHALL NOT BE CREDITED**  
22 **TO A MEMBER WHO PURCHASES SERVICE CREDIT ON OR AFTER AUGUST 1, 2007**  
23 **UNLESS THE MEMBER COMPLETES AT LEAST 10 YEARS OF REPORTING UNIT**  
24 **SERVICE UNDER THIS ACT BEFORE THE MEMBER PURCHASES SERVICE CREDIT**  
25 **UNDER THIS SECTION.**

26       Sec. 75. (1) A member who left or leaves service as a public  
27 school employee for purposes of maternity or paternity or child

1 rearing, and returns to service as a public school employee, or a  
2 person performing out of system public education service who leaves  
3 that service for purposes of maternity, paternity, or child rearing  
4 and who subsequently becomes a member of this retirement system,  
5 without other intervening employment of more than 20 hours per week  
6 for each week for which service credit is claimed, may purchase  
7 service credit for the time period or periods during which the  
8 person was separated from service as a public school employee or  
9 during which the person was separated from performing out of system  
10 public education service because of maternity or paternity or child  
11 rearing, upon request and payment to the retirement system of the  
12 actuarial cost. The total service credited under this section shall  
13 not exceed 5 years. A member requesting purchase of service credit  
14 under this section shall certify to the board the purpose for which  
15 the member took leave and was separated from service as a public  
16 school employee.

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

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

25 (4) A member who reduces hours of employment with a reporting  
26 unit for purposes of maternity, paternity, or child rearing or a  
27 person who reduces hours of out of system public education service



1 for purposes of maternity, paternity, or child rearing and who  
2 subsequently becomes a member of this retirement system may  
3 purchase service credit for those hours by which employment was  
4 reduced if all other requirements of this section are met.

5 (5) SERVICE PURCHASED UNDER THIS SECTION SHALL NOT BE CREDITED  
6 TO A MEMBER WHO PURCHASES SERVICE CREDIT ON OR AFTER JULY 1, 2008  
7 UNLESS THE MEMBER COMPLETES AT LEAST 10 YEARS OF REPORTING UNIT  
8 SERVICE UNDER THIS ACT BEFORE THE MEMBER PURCHASES SERVICE CREDIT  
9 UNDER THIS SECTION.

10 Sec. 91. (1) The retirement system shall pay the entire  
11 monthly premium or membership or subscription fee for hospital,  
12 medical-surgical, and sick care benefits for the benefit of a  
13 retirant or retirement allowance beneficiary who elects coverage in  
14 the plan authorized by the retirement board and the department.

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

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

1           (4) The retirement system shall pay 90% of the monthly premium  
2 or membership or subscription fee for dental, vision, and hearing  
3 benefits for the benefit of a retirant or retirement allowance  
4 beneficiary who elects coverage in the plan authorized by the  
5 retirement board and the department. Payments shall begin under  
6 this subsection upon approval by the retirement board and the  
7 department of plan coverage and a plan provider.

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

1 subsection and subsection (6) began October 1, 1985 for health  
2 insurance dependents who on July 10, 1985 were covered by the  
3 hospital, medical-surgical, and sick care benefits plan authorized  
4 by the retirement board and the department. Payment under this  
5 subsection and subsection (6) for other health insurance dependents  
6 shall not begin before January 1, 1986.

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

15 (7) The payments provided by this section shall not be made on  
16 behalf of a retiring section 82 deferred member or health insurance  
17 dependent of a deferred member having less than 21 full years of  
18 attained credited service or the retiring deferred member's  
19 retirement allowance beneficiary, and shall not be made on behalf  
20 of a retirement allowance beneficiary of a deferred member who dies  
21 before retiring. The retirement system shall pay, on behalf of a  
22 retiring section 82 deferred member or health insurance dependent  
23 of a deferred member or a retirement allowance beneficiary of a  
24 deceased deferred member, either of whose allowance is based upon  
25 not less than 21 years of attained credited service, 10% of the  
26 payments provided by this section, increased by 10% for each  
27 attained full year of credited service beyond 21 years, not to

1 exceed 100%. This subsection applies to any member who attains  
2 deferred status under section 82 after October 31, 1980.

3 (8) THIS SUBSECTION ONLY APPLIES TO A MEMBER WHO ELECTS TO  
4 PURCHASE SERVICE CREDIT ON OR AFTER AUGUST 1, 2007. EXCEPT AS  
5 PROVIDED IN SECTION 73, A MEMBER WHO ELECTS TO PURCHASE SERVICE  
6 CREDIT ON OR AFTER AUGUST 1, 2007 SHALL HAVE HIS OR HER BENEFITS  
7 UNDER THIS SECTION DETERMINED BY THE RETIREMENT SYSTEM IN THE  
8 MANNER PRESCRIBED IN THIS SUBSECTION. THE RETIREMENT SYSTEM SHALL  
9 FIRST DETERMINE WHETHER THE PURCHASE OF SERVICE CREDIT ALLOWED THE  
10 MEMBER TO RETIRE EARLIER THAN THE MEMBER WOULD HAVE RETIRED WITHOUT  
11 THE PURCHASE OF SERVICE CREDIT. THE RETIREMENT SYSTEM SHALL THEN  
12 DETERMINE THE DIFFERENCE BETWEEN THE MEMBER'S EFFECTIVE DATE AND  
13 THE EFFECTIVE DATE THAT THE MEMBER WOULD HAVE RETIRED IF THE MEMBER  
14 HAD NOT PURCHASED THE SERVICE CREDIT DURING THE TIME HE OR SHE WAS  
15 A MEMBER. THE MEMBER WHO IS SUBJECT TO THIS SUBSECTION SHALL NOT BE  
16 ELIGIBLE FOR HEALTH CARE BENEFITS UNDER THIS SECTION UNTIL THE  
17 EFFECTIVE DATE THAT THE MEMBER WOULD HAVE RETIRED IF THE MEMBER HAD  
18 NOT PURCHASED THE SERVICE CREDIT DURING THE TIME HE OR SHE WAS A  
19 MEMBER. EXCEPT FOR A MEMBER WHO RETIRES UNDER SECTION 86 OR 87 OR A  
20 MEMBER WHO MEETS THE REQUIREMENTS UNDER SUBSECTION (7), THE  
21 RETIREMENT SYSTEM SHALL NOT PAY THE BENEFITS PROVIDED IN SUBSECTION  
22 (1) UNLESS THE MEMBER WAS EMPLOYED AND HAS RECEIVED A MINIMUM TOTAL  
23 OF 1/2 OF A YEAR OF SERVICE CREDIT GRANTED PURSUANT TO SECTION 68  
24 DURING THE 2 SCHOOL FISCAL YEARS IMMEDIATELY PRECEDING THE MEMBER'S  
25 RETIREMENT ALLOWANCE EFFECTIVE DATE OR THE MEMBER HAS RECEIVED A  
26 MINIMUM OF 1/10 OF A YEAR OF SERVICE CREDIT GRANTED PURSUANT TO  
27 SECTION 68 DURING EACH OF THE 5 SCHOOL FISCAL YEARS IMMEDIATELY

1   **PRECEDING THE MEMBER'S RETIREMENT ALLOWANCE EFFECTIVE DATE.**

2           (9) ~~(8)~~—Any retirant or retirement allowance beneficiary  
3 excluded from payments under this section may participate in the  
4 hospital, medical-surgical, and sick care benefits plan, the dental  
5 plan, vision plan, or hearing plan, or any combination of the plans  
6 described in this section in the manner prescribed by the  
7 retirement system at his or her own cost.

8           (10) ~~(9)~~—The hospital, medical-surgical, and sick care  
9 benefits plan, dental plan, vision plan, and hearing plan that  
10 covers retirants, retirement allowance beneficiaries, and health  
11 insurance dependents pursuant to this section shall contain a  
12 coordination of benefits provision that provides all of the  
13 following:

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

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

25           (c) If the person covered under any of the plans provided by  
26 this section is also covered under another plan that does not  
27 contain a coordination of benefits provision, the benefits under

1 the other plan shall be determined before the benefits of the plan  
2 provided pursuant to this section.

3 (11) ~~(10)~~—For purposes of this section:

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

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

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

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

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

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

26 (vi) An unmarried child who is not the child by birth or  
27 adoption of the retirant or deceased member but who otherwise

1 qualifies to be a health insurance dependent under subparagraph  
2 (ii), (iii), or (iv), if the retirant or deceased member is the legal  
3 guardian of the unmarried child.

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

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

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