

# SENATE BILL No. 547

May 25, 2007, Introduced by Senator KUIPERS and referred to the Committee on Education.

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 43a, 43b, 69, 69c, 69f, 75, 91, and 108 (MCL 38.1343a, 38.1343b, 38.1369, 38.1369c, 38.1369f, 38.1375, 38.1391, and 38.1408), sections 43a and 108 as amended by 2002 PA 94, sections 43b, 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. 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  
4 pursuant to section 42. A member who contributes to the member  
5 investment plan is entitled to the benefits provided in sections  
6 43b and 43c.

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

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

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

7 (5) Except as otherwise provided in subsection ~~(8)~~-(9), a  
 8 member who first became a member on or after January 1, 1990 **AND**  
 9 **BEFORE JULY 1, 2008** shall make the contributions described in  
 10 subsection (7).

11 (6) A member who first became a member on or after January  
 12 1, 1987 but before January 1, 1990 shall have 30 days from his or  
 13 her first date of employment to irrevocably elect to make the  
 14 contributions described in subsection (2).

15 (7) Except as otherwise provided in subsection ~~(8)~~-(9), a  
 16 member who first became a member on or after January 1, 1990 **AND**  
 17 **BEFORE JULY 1, 2008** shall contribute the following amounts to the  
 18 member investment plan:

<u>Member's annual school fiscal</u>	<u>Amount payable to the member</u>
<u>year earned compensation</u>	<u>investment plan</u>
21 Not over \$5,000.00	3% of member's compensation
22 Over \$5,000.00 but not over	\$150.00, plus 3.6% of the
23 \$15,000.00	excess over \$5,000.00
24 Over \$15,000.00	\$510.00, plus 4.3% of the
25	excess over \$15,000.00

26 (8) **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (9), A MEMBER**  
 27 **WHO FIRST BECAME A MEMBER ON OR AFTER JULY 1, 2008 SHALL**

1 CONTRIBUTE THE FOLLOWING AMOUNTS TO THE MEMBER INVESTMENT PLAN:

2 <u>MEMBER'S ANNUAL SCHOOL</u>	<u>AMOUNT PAYABLE TO THE MEMBER</u>
3 <u>FISCAL YEAR EARNED COMPENSATION</u>	<u>INVESTMENT PLAN</u>
4 NOT OVER \$5,000.00	3% OF MEMBER'S COMPENSATION
5 OVER \$5,000.00 BUT NOT OVER	\$150.00, PLUS 3.6% OF EXCESS
6 \$15,000.00	OVER \$5,000.00
7 OVER \$15,000.00	\$510.00, PLUS 6.4% OF THE
8	EXCESS OVER \$15,000.00

9 (9) ~~(8)~~—This section and sections 43b and 43c shall not  
 10 apply until the department receives notification from the United  
 11 States internal revenue service that contributions under this  
 12 section picked up by the employer pursuant to section 42 shall  
 13 not be included as gross income of the member until they are  
 14 distributed or made available to the member, retirant, retirement  
 15 allowance beneficiary, or refund beneficiary.

16 Sec. 43b. A member who contributes to the member investment  
 17 plan shall have the eligibility requirements of section 81 except  
 18 as follows:

19 (a) The age 55 requirement of section 81(1)(a) shall not  
 20 apply.

21 (b) ~~The~~ **FOR MEMBERS WHO BECAME MEMBERS ON OR BEFORE JUNE 30,**  
 22 **2008, THE** 10 years of credited service requirement of section  
 23 81(1)(b) shall be 5 years if the member is working as a public  
 24 school employee and the member received credited service in each  
 25 of the 5 school fiscal years immediately preceding the retirement  
 26 allowance effective date.

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**,  
8 together with regular interest from the end of the school fiscal  
9 year in which service was performed to the semiannual anniversary  
10 of the date following the payment, and shall have 5 years of  
11 reporting unit service credit under this act or former ~~Act No.~~  
12 ~~136 of the Public Acts of 1945~~ **1945 PA 136**, following the out of  
13 system public education service.

14           (2) A member shall not be entitled to a retirement allowance  
15 based on out of system public education service that was  
16 performed after July 1, 1974, until the member pays into the  
17 retirement system for that service an amount equal to 5% of the  
18 member's full-time or equated full-time compensation earned in  
19 the school fiscal year before the school fiscal year in which the  
20 application to purchase and payment for the service credit is  
21 made, multiplied by the years of that service the member elects  
22 to purchase and unless, **FOR A MEMBER WHO BECOMES A MEMBER BEFORE**  
23 **JULY 1, 2008**, that service is followed by 5 years of reporting  
24 unit service credit under this act. **A MEMBER WHO BECOMES A MEMBER**  
25 **ON OR AFTER JULY 1, 2008 AND WHO PURCHASES SERVICE CREDIT UNDER**  
26 **THIS SECTION SHALL FOLLOW THE PURCHASE OF SERVICE CREDIT BY 10**  
27 **YEARS OF REPORTING UNIT SERVICE UNDER THIS ACT.**

1           (3) For the purposes of computing payment under this  
2 section, the compensation amount used shall not be less than the  
3 highest school fiscal year compensation previously earned by the  
4 member. If the compensation amount used for computing payment  
5 under this section exceeds the member's final average  
6 compensation determined at the time of retirement, the payment  
7 required under this section shall be recomputed using the  
8 member's final average compensation and a refund shall be made  
9 based upon the recomputation. Credit provided by this section  
10 shall not be used in satisfying the minimum of 10 years of  
11 service credit required under this act for a retirement  
12 allowance. A person who had employment with a community mental  
13 health service program as described in section 6(2) shall not be  
14 subject to the minimum of 10 years of service credit, if the  
15 other requirements of this section are met.

16           (4) A member shall not receive more than 15 years of out of  
17 system public education service. A member shall not receive more  
18 out of system public education service than service performed  
19 under this act or former ~~Act No. 136 of the Public Acts of 1945~~  
20 **1945 PA 136**, unless, before July 1, 1974, the member applied for  
21 out of system public education service credit based upon payment  
22 of contributions for that service credit as required under former  
23 ~~Act No. 136 of the Public Acts of 1945~~ **1945 PA 136**. The total out  
24 of system public education service credited shall be used to  
25 compute the member's retirement allowance if the minimum service  
26 requirements performed under this act or former ~~Act No. 136 of~~  
27 ~~the Public Acts of 1945~~ **1945 PA 136** are met.

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

7           (6) Out of system public education service shall not be  
8 creditable toward retirement under this act if the member is or  
9 will be receiving a retirement allowance for the same service  
10 from another retirement system.

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

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

19           Sec. 69c. (1) A member may elect to purchase service credit  
20 for service performed as an employee in a nonpublic elementary or  
21 secondary educational institution or a nonpublic 2- or 4-year  
22 institution of higher education in this state, in other states of  
23 the United States, or in the territorial possessions of the  
24 United States upon request and presentation of documentation of  
25 the employment rendered that is verifiable from official  
26 employment or payroll records or other acceptable documentation  
27 as determined by the retirement board, and upon payment to the

1 retirement system of the actuarial cost.

2 (2) Before January 31, 1991, a member may elect to purchase  
3 service credit for service performed as an employee in a foreign  
4 country at a school for United States personnel or dependents of  
5 the United States military or United States department of state  
6 personnel; service performed as a full-time teacher with the job  
7 corps created pursuant to section 422 of part B of title IV of  
8 the job training partnership act, Public Law 97-300, 29 U.S.C.  
9 USC 1692; service performed as a teacher in a trust territory or  
10 former trust territory of the United States; or service performed  
11 as a teacher on an Indian reservation in this country; upon  
12 request and presentation of documentation of the employment  
13 rendered that is verifiable from official employment or payroll  
14 records or other acceptable documentation as determined by the  
15 retirement board, and upon payment to the retirement system of  
16 the actuarial cost.

17 (3) ~~Service~~ **FOR A MEMBER WHO BECOMES A MEMBER BEFORE JULY 1,**  
18 **2008, SERVICE** shall not be credited under this section unless the  
19 service being purchased is followed by at least 5 years of  
20 reporting unit service credit under this act or former ~~Act No.~~  
21 ~~136 of the Public Acts of 1945~~ **1945 PA 136. FOR A MEMBER WHO**  
22 **BECOMES A MEMBER ON OR AFTER JULY 1, 2008, SERVICE SHALL NOT BE**  
23 **CREDITED UNDER THIS SECTION UNLESS THE SERVICE BEING PURCHASED IS**  
24 **FOLLOWED BY AT LEAST 10 YEARS OF REPORTING UNIT SERVICE UNDER**  
25 **THIS ACT.** Service purchased under this section shall not be used  
26 to satisfy the minimum of 10 years of service credit required to  
27 receive a retirement allowance under this act. The total service

1 credited under subsections (1) and (2) shall not exceed 5 years.

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

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

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

25 (7) As used in this section:

26 (a) "Nonpublic elementary or secondary educational  
27 institution" means an institution that offers or provides an

1 organized course of academic study primarily oriented toward the  
2 awarding of high school diplomas. Nonpublic elementary or  
3 secondary educational institution does not include a proprietary  
4 school.

5 (b) "Nonpublic 2- or 4-year institution of higher education"  
6 means an institution that offers an organized course of academic  
7 study primarily oriented toward the awarding of associate,  
8 baccalaureate, master's, doctoral, or other academic degrees.  
9 Nonpublic 2- or 4-year institution of higher education does not  
10 include a proprietary school.

11 (c) "Proprietary school" means a school that uses a certain  
12 plan or method to teach a trade, occupation, or vocation for a  
13 consideration, reward, or promise. Proprietary school includes,  
14 but is not limited to, a private business, trade, or home study  
15 school.

16 Sec. 69f. (1) A member may elect to purchase not more than 5  
17 years of service credit less the number of years of service  
18 credit purchased under sections 6(2)(c), (d), (e), and (f),  
19 64(3), (4), and (5), 69a, 69b, 69c(2), 69d, 69e, 74a, 74b, 77,  
20 and 78, upon request and payment to the retirement system of the  
21 actuarial cost.

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

25 (3) Service credit purchased under this section shall not be  
26 used to satisfy the service credit requirement set forth in  
27 section 81(1)(a) for a retirement allowance paid prior to age 46

1 as provided by section 43b(a).

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

7 (5) SERVICE PURCHASED UNDER THIS SECTION SHALL NOT BE  
8 CREDITED TO A MEMBER WHO BECOMES A MEMBER ON OR AFTER JULY 1,  
9 2008 UNLESS THE MEMBER FOLLOWS THE PURCHASE OF SERVICE CREDIT  
10 UNDER THIS SECTION WITH 10 YEARS OF REPORTING UNIT SERVICE UNDER  
11 THIS ACT.

12 Sec. 75. (1) A member who left or leaves service as a public  
13 school employee for purposes of maternity or paternity or child  
14 rearing, and returns to service as a public school employee, or a  
15 person performing out of system public education service who  
16 leaves that service for purposes of maternity, paternity, or  
17 child rearing and who subsequently becomes a member of this  
18 retirement system, without other intervening employment of more  
19 than 20 hours per week for each week for which service credit is  
20 claimed, may purchase service credit for the time period or  
21 periods during which the person was separated from service as a  
22 public school employee or during which the person was separated  
23 from performing out of system public education service because of  
24 maternity or paternity or child rearing, upon request and payment  
25 to the retirement system of the actuarial cost. The total service  
26 credited under this section shall not exceed 5 years. A member  
27 requesting purchase of service credit under this section shall

1 certify to the board the purpose for which the member took leave  
2 and was separated from service as a public school employee.

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

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

12 (4) A member who reduces hours of employment with a  
13 reporting unit for purposes of maternity, paternity, or child  
14 rearing or a person who reduces hours of out of system public  
15 education service for purposes of maternity, paternity, or child  
16 rearing and who subsequently becomes a member of this retirement  
17 system may purchase service credit for those hours by which  
18 employment was reduced if all other requirements of this section  
19 are met.

20 **(5) SERVICE PURCHASED UNDER THIS SECTION SHALL NOT BE**  
21 **CREDITED TO A MEMBER WHO BECOMES A MEMBER ON OR AFTER JULY 1,**  
22 **2008 UNLESS THE MEMBER HAS AT LEAST 10 YEARS OF REPORTING UNIT**  
23 **SERVICE UNDER THIS ACT.**

24 Sec. 91. (1) The retirement system shall pay the entire  
25 monthly premium or membership or subscription fee for hospital,  
26 medical-surgical, and sick care benefits for the benefit of a  
27 retirant or retirement allowance beneficiary who elects coverage

1 in the plan authorized by the retirement board and the  
2 department. **THIS SUBSECTION DOES NOT APPLY TO A RETIRANT WHO**  
3 **FIRST BECOMES A MEMBER AFTER JUNE 30, 2008.**

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

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

18 (4) The retirement system shall pay 90% of the monthly  
19 premium or membership or subscription fee for dental, vision, and  
20 hearing benefits for the benefit of a retirant or retirement  
21 allowance beneficiary who elects coverage in the plan authorized  
22 by the retirement board and the department. Payments shall begin  
23 under this subsection upon approval by the retirement board and  
24 the department of plan coverage and a plan provider. **THIS**  
25 **SUBSECTION DOES NOT APPLY TO A RETIRANT WHO FIRST BECOMES A**  
26 **MEMBER AFTER JUNE 30, 2008.**

27 (5) The retirement system shall pay up to 90% of the maximum

1 of the amount payable under subsection (1) toward the monthly  
2 premium or membership or subscription fee for hospital, medical-  
3 surgical, and sick care benefits coverage described in  
4 subsections (1) and (2) for each health insurance dependent of a  
5 retirant receiving benefits under subsection (1) or (2). Payment  
6 shall not exceed 90% of the actual monthly premium or membership  
7 or subscription fee. The retirement system shall pay 90% of the  
8 monthly premium or membership or subscription fee for dental,  
9 vision, and hearing benefits described in subsection (4) for the  
10 benefit of each health insurance dependent of a retirant  
11 receiving benefits under subsection (4). Payment for health  
12 benefits coverage for a health insurance dependent of a retirant  
13 shall not be made after the retirant's death, unless the retirant  
14 designated a retirement allowance beneficiary as provided in  
15 section 85 and the dependent was covered or eligible for coverage  
16 as a health insurance dependent of the retirant on the retirant's  
17 date of death. Payment for health benefits coverage shall not be  
18 made for a health insurance dependent after the later of the  
19 retirant's death or the retirement allowance beneficiary's death.  
20 Payment under this subsection and subsection (6) began October 1,  
21 1985 for health insurance dependents who on July 10, 1985 were  
22 covered by the hospital, medical-surgical, and sick care benefits  
23 plan authorized by the retirement board and the department.  
24 Payment under this subsection and subsection (6) for other health  
25 insurance dependents shall not begin before January 1, 1986. **THIS**  
26 **SUBSECTION DOES NOT APPLY TO A RETIRANT WHO FIRST BECOMES A**  
27 **MEMBER AFTER JUNE 30, 2008.**

1           (6) The payment described in subsection (5) shall also be  
2 made for each health insurance dependent of a deceased member or  
3 deceased duty disability retirant if a retirement allowance is  
4 being paid to a retirement allowance beneficiary because of the  
5 death of the member or duty disability retirant as provided in  
6 section 43c(c), 89, or 90 **OR AS OTHERWISE PROVIDED IN THIS ACT.**  
7 Payment for health benefits coverage for a health insurance  
8 dependent shall not be made after the retirement allowance  
9 beneficiary's death.

10           (7) The payments provided by this section shall not be made  
11 on behalf of a retiring section 82 deferred member or health  
12 insurance dependent of a deferred member having less than 21 full  
13 years of attained credited service or the retiring deferred  
14 member's retirement allowance beneficiary, and shall not be made  
15 on behalf of a retirement allowance beneficiary of a deferred  
16 member who dies before retiring. The retirement system shall pay,  
17 on behalf of a retiring section 82 deferred member or health  
18 insurance dependent of a deferred member or a retirement  
19 allowance beneficiary of a deceased deferred member, either of  
20 whose allowance is based upon not less than 21 years of attained  
21 credited service, 10% of the payments provided by this section,  
22 increased by 10% for each attained full year of credited service  
23 beyond 21 years, not to exceed 100%. This subsection applies to  
24 any member who **FIRST BECAME A MEMBER ON OR BEFORE JUNE 30, 2008**  
25 **AND** attains deferred status under section 82 after October 31,  
26 1980.

27           (8) **FOR A MEMBER OR DEFERRED MEMBER WHO FIRST BECOMES A**

1 MEMBER AFTER JUNE 30, 2008, THE RETIREMENT SYSTEM SHALL PAY UP TO  
2 90% OF THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR  
3 THE HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE BENEFITS PLAN, THE  
4 DENTAL PLAN, VISION PLAN, OR HEARING PLAN, OR ANY COMBINATION OF  
5 THE PLANS FOR THE BENEFIT OF THE RETIRANT AND HIS OR HER HEALTH  
6 INSURANCE BENEFICIARIES, OR FOR THE BENEFIT OF THE RETIRANT'S OR  
7 DECEASED MEMBER'S RETIREMENT ALLOWANCE BENEFICIARY IF THE  
8 RETIRANT OR DECEASED MEMBER HAS 30 YEARS OR MORE OF SERVICE  
9 CREDIT OR EMPLOYMENT WITH A REPORTING UNIT OR UNITS UNDER THIS  
10 ACT, AND THE RETIRANT OR DECEASED MEMBER WAS AT LEAST 60 YEARS OF  
11 AGE AT THE TIME OF APPLICATION FOR BENEFITS UNDER THIS SECTION.  
12 IF A RETIRANT OR DECEASED MEMBER DESCRIBED IN THIS SUBSECTION HAS  
13 10 OR MORE BUT LESS THAN 30 YEARS OF SERVICE CREDIT OR EMPLOYMENT  
14 WITH A REPORTING UNIT OR UNITS UNDER THIS ACT AND THE RETIRANT  
15 WAS AT LEAST 60 YEARS OF AGE AT THE TIME OF APPLICATION FOR  
16 BENEFITS UNDER THIS SECTION, THE RETIREMENT SYSTEM SHALL PAY A  
17 PORTION OF THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE  
18 FOR THE PLANS OR COMBINATION OF PLANS EQUAL TO THE PRODUCT OF 3%  
19 AND THE RETIRANT'S OR DECEASED MEMBER'S YEARS OF SERVICE.

20 (9) THE RETIREMENT SYSTEM SHALL NOT PAY THE PREMIUMS OR  
21 MEMBERSHIP OR SUBSCRIPTION FEES UNDER SUBSECTION (8) UNTIL THE  
22 RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY REQUESTS ENROLLMENT  
23 IN THE PLANS OR COMBINATION OF PLANS IN WRITING IN THE MANNER  
24 PRESCRIBED BY THE RETIREMENT SYSTEM. SUBSECTION (8) DOES NOT  
25 APPLY TO A MEMBER WHO RECEIVES A DISABILITY RETIREMENT ALLOWANCE  
26 UNDER SECTION 86 OR 87 OR TO A DECEASED MEMBER'S RETIREMENT  
27 ALLOWANCE BENEFICIARY UNDER SECTION 90.

1           (10) ~~(8)~~—Any retirant or retirement allowance beneficiary  
2 excluded from payments under this section may participate in the  
3 hospital, medical-surgical, and sick care benefits plan, the  
4 dental plan, vision plan, or hearing plan, or any combination of  
5 the plans described in this section in the manner prescribed by  
6 the retirement system at his or her own cost.

7           (11) ~~(9)~~—The hospital, medical-surgical, and sick care  
8 benefits plan, dental plan, vision plan, and hearing plan that  
9 covers retirants, retirement allowance beneficiaries, and health  
10 insurance dependents pursuant to this section shall contain a  
11 coordination of benefits provision that provides all of the  
12 following:

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

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

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

1 plan provided pursuant to this section.

2 (12) ~~(10)~~—For purposes of this section:

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

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

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

10 (iii) 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 25 years of age, who is enrolled  
13 as a full-time student, and who is or was at the time of the  
14 retirant's or deceased member's death a dependent of the retirant  
15 or deceased member as defined in section 152 of the internal  
16 revenue code.

17 (iv) An unmarried child, by birth or adoption, of the  
18 retirant or deceased member who is incapable of self-sustaining  
19 employment because of mental or physical disability, and who is  
20 or was at the time of the retirant's or deceased member's death a  
21 dependent of the retirant or deceased member as defined in  
22 section 152 of the 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  
25 of 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. ~~USC~~ 1396 to 1396f, 1396g-1  
7 to 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. ~~USC~~ 1395 to 1395b, 1395b-2,  
11 1395b-6 to 1395b-7, 1395c to 1395i, 1395i-2 to 1395i-5, 1395j to  
12 1395t, 1395u to 1395w, 1395w-2 to 1395w-4, 1395w-21 to 1395w-28,  
13 1395x to 1395yy, and 1395bbb to 1395ggg.

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

22 ~~———— (2) Except as otherwise provided in this section, employer-~~  
23 ~~financed benefits provided by the retirement system under this~~  
24 ~~act shall not exceed \$10,000.00 per year for a retirant who has~~  
25 ~~15 or more years of credited service at retirement.~~

26 ~~———— (3) Employer financed benefits provided by the retirement~~  
27 ~~system under this act shall not exceed the limitation under~~

1 ~~subsection (2) unless application of this subsection results in a~~  
2 ~~higher limitation. The higher limitation of this subsection~~  
3 ~~applies to employer financed benefits provided by the retirement~~  
4 ~~system and, for purposes of section 415(b) of the internal~~  
5 ~~revenue code, applies to aggregated benefits received from all~~  
6 ~~qualified pension plans administered by the department of~~  
7 ~~management and budget, office of retirement systems. Employer-~~  
8 ~~financed benefits provided by the retirement system shall not~~  
9 ~~exceed the lesser of the following:~~

10 ~~—— (a) One of the following amounts that is applicable to the~~  
11 ~~member:~~

12 ~~—— (i) If a member retires at age 62 or older, \$90,000.00 or the~~  
13 ~~adjusted amount described in subsection (4) per year.~~

14 ~~—— (ii) If a member retires at or after age 55 but before age~~  
15 ~~62, the actuarially reduced amount of the limitation prescribed~~  
16 ~~in subparagraph (i) per year. The retirement system shall use an~~  
17 ~~interest rate of 5% per year compounded annually to calculate the~~  
18 ~~actuarial reduction in this subparagraph. However, the limitation~~  
19 ~~in this subparagraph shall not be actuarially reduced below~~  
20 ~~\$75,000.00.~~

21 ~~—— (iii) If a member retires before age 55, the actuarially~~  
22 ~~reduced amount of the limitation prescribed in subparagraph (ii)~~  
23 ~~per year. The retirement system shall use an interest rate of 5%~~  
24 ~~per year compounded annually to calculate the actuarial reduction~~  
25 ~~in this subparagraph.~~

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

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

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

1 CONFLICT BETWEEN THIS SECTION AND ANOTHER SECTION OF THIS ACT,  
2 THIS SECTION PREVAILS.

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

10 (4) ~~(6)~~—The retirement system shall return post-tax member  
11 contributions made by a member and received by the retirement  
12 system to a member upon retirement, pursuant to internal revenue  
13 service regulations and approved internal revenue service  
14 exclusion ratio tables.

15 (5) ~~(7)~~—The required beginning date for retirement  
16 allowances and other distributions shall not be later than April  
17 1 of the calendar year following the calendar year in which the  
18 employee attains age 70-1/2 or April 1 of the calendar year  
19 following the calendar year in which the employee retires.

20 (6) ~~(8)~~—If the retirement system is terminated, the interest  
21 of the members, deferred members, retirants, and retirement  
22 allowance beneficiaries in the retirement system is  
23 nonforfeitable to the extent funded as described in section  
24 411(d) (3) of the internal revenue code and the related internal  
25 revenue service regulations applicable to governmental plans.

26 (7) ~~(9)~~—Notwithstanding any other provision of this act to  
27 the contrary that would limit a distributee's election under this

1 act, a distributee may elect, at the time and in the manner  
2 prescribed by the retirement board, to have any portion of an  
3 eligible rollover distribution paid directly to an eligible  
4 retirement plan specified by the distributee in a direct  
5 rollover. This subsection applies to distributions made on or  
6 after January 1, 1993.

7 (8) ~~(10)~~ For purposes of determining actuarial equivalent  
8 retirement allowances under sections 45 and 85(1)(b), (1)(c),  
9 (1)(d), and (2), the actuarially assumed interest rate shall be  
10 8% with utilization of the 1983 group annuity and mortality  
11 table.

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

19 (9) ~~(12)~~ Notwithstanding any other provision of this act,  
20 the compensation of a member of the retirement system shall be  
21 taken into account for any year under the retirement system only  
22 to the extent that it does not exceed the compensation limit  
23 established in section 401(a)(17) of the internal revenue code,  
24 as adjusted by the commissioner of internal revenue. This  
25 subsection applies to any person who first becomes a member of  
26 the retirement system on or after October 1, 1996.

27 (10) ~~(13)~~ Notwithstanding any other provision of this act,

1 contributions, benefits, and service credit with respect to  
2 qualified military service will be provided under the retirement  
3 system in accordance with section 414(u) of the internal revenue  
4 code. This subsection applies to all qualified military service  
5 on or after December 12, 1994.

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