

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1227

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 4, 6, 7, 8, 41, 42, 61, and 91 (MCL 38.1304,
38.1306, 38.1307, 38.1308, 38.1341, 38.1342, 38.1361, and 38.1391),
section 4 as amended by 2008 PA 354, sections 6 and 7 as amended by
1995 PA 272, section 8 as amended by 1997 PA 143, section 41 as
amended by 2007 PA 15, section 42 as amended by 1996 PA 268,
section 61 as amended by 2006 PA 158, and section 91 as amended by
2007 PA 110, and by adding sections 43e, 81b, and 92a.

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

1 fiscal year.

2 (2) "Contributory service" means credited service other than
3 noncontributory service.

4 (3) "Deferred member" means a member who has ceased to be a
5 public school employee and has satisfied the requirements of
6 section 82 for a deferred vested service retirement allowance.

7 (4) "Department" means the department of **TECHNOLOGY**,
8 management, and budget.

9 (5) "Designated date" means September 30, 2006.

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

12 (7) "Distributee" includes a member or deferred member.
13 Distributee also includes the member's or deferred member's
14 surviving spouse or the member's or deferred member's spouse or
15 former spouse under an eligible domestic relations order, with
16 regard to the interest of the spouse or former spouse.

17 (8) Beginning January 1, 2002, except as otherwise provided in
18 this subsection, "eligible retirement plan" means 1 or more of the
19 following:

20 (a) An individual retirement account described in section
21 408(a) of the internal revenue code, 26 USC 408.

22 (b) An individual retirement annuity described in section
23 408(b) of the internal revenue code, 26 USC 408.

24 (c) An annuity plan described in section 403(a) of the
25 internal revenue code, 26 USC 403.

26 (d) A qualified trust described in section 401(a) of the
27 internal revenue code, 26 USC 401.

1 (e) An annuity contract described in section 403(b) of the
2 internal revenue code, 26 USC 403.

3 (f) An eligible plan under section 457(b) of the internal
4 revenue code, 26 USC 457, which is maintained by a state, political
5 subdivision of a state, or an agency or instrumentality of a state
6 or political subdivision of a state and which agrees to separately
7 account for amounts transferred into such eligible plan under
8 section 457(b) of the internal revenue code, 26 USC 457, from this
9 retirement system, that accepts the distributee's eligible rollover
10 distribution. However, in the case of an eligible rollover
11 distribution to a surviving spouse, an eligible retirement plan
12 means an individual retirement account or an individual retirement
13 annuity described above.

14 (g) Beginning January 1, 2008, except as otherwise provided in
15 this subsection, "eligible retirement plan" means a Roth individual
16 retirement account as described in section 408A of the internal
17 revenue code, 26 USC 408A.

18 (9) Beginning January 1, 2007, "eligible rollover
19 distribution" means a distribution of all or any portion of the
20 balance to the credit of the distributee. Eligible rollover
21 distribution does not include any of the following:

22 (a) A distribution made for the life or life expectancy of the
23 distributee or the joint lives or joint life expectancies of the
24 distributee and the distributee's designated beneficiary.

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

26 (c) A distribution to the extent that the distribution is
27 required under section 401(a)(9) of the internal revenue code, 26

1 USC 401.

2 (d) The portion of any distribution that is not includable in
3 federal gross income, except to the extent such portion of the
4 distribution is paid to any of the following:

5 (i) An individual retirement account or annuity described in
6 section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

7 (ii) A qualified plan described in section 401(a) of the
8 internal revenue code, 26 USC 401, or an annuity contract described
9 in section 403(b) of the internal revenue code, 26 USC 403, and the
10 plan providers agree to separately account for the amounts paid,
11 including any portion of the distribution that is includable in
12 federal gross income, and the portion of the distribution which is
13 not so includable.

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

22 (11) "Employee organization professional services released
23 time" or "professional services released time" means a portion of
24 the school fiscal year during which a member is released by the
25 reporting unit from his or her regularly assigned duties to engage
26 in employment matters for a public school employee organization to
27 which he or she belongs. The member's compensation received or

1 service rendered, or both, as applicable, by a member while on
2 professional services released time shall be reportable to the
3 retirement system if all of the conditions of section 71(5) and (6)
4 are satisfied.

5 (12) "Final average compensation" means the aggregate amount
6 of a member's compensation earned within the averaging period in
7 which the aggregate amount of compensation was highest divided by
8 the member's number of years, including any fraction of a year, of
9 credited service during the averaging period. The averaging period
10 shall be 36 consecutive calendar months if the member contributes
11 to the member investment plan; otherwise, the averaging period
12 shall be 60 consecutive calendar months. **THE MEMBER MAY SELECT THE**
13 **CALENDAR MONTHS UTILIZED IN THE CALCULATION BY NOTIFYING THE**
14 **RETIREMENT SYSTEM ON A FORM AND IN THE MANNER PROVIDED BY THE**
15 **RETIREMENT SYSTEM.** If the member has less than 1 year of credited
16 service in the averaging period, the number of consecutive calendar
17 months in the averaging period shall be increased to the lowest
18 number of consecutive calendar months that contains 1 year of
19 credited service.

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

24 (14) "Internal revenue code" means the United States internal
25 revenue code of 1986.

26 (15) "Long-term care insurance" means group insurance that is
27 authorized by the retirement system for retirants, retirement

1 allowance beneficiaries, and health insurance dependents, as that
2 term is defined in section 91, to cover the costs of services
3 provided to retirants, retirement allowance beneficiaries, and
4 health insurance dependents, from nursing homes, assisted living
5 facilities, home health care providers, adult day care providers,
6 and other similar service providers.

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

9 Sec. 6. (1) "Original member" means a member employed in
10 Michigan public schools before July 1, 1945.

11 (2) "Out of system public education service" means service
12 performed in public education meeting 1 or more of the following
13 requirements:

14 (a) Performed in other states in the United States or its
15 territorial possessions.

16 (b) Performed at the university of Michigan, Michigan state
17 university, Wayne state university, Grand Valley state university,
18 Oakland university, or Saginaw Valley university.

19 (c) Service purchased before January 31, 1991 and performed in
20 a juvenile training school operated by a county in this state.

21 (d) Service purchased before January 31, 1991 and performed in
22 a community mental health service program operated under former ~~Act~~
23 ~~No. 54 of the Public Acts of 1963~~ **1963 PA 54** for the severely
24 mentally retarded in day care programs, day training programs, or
25 day care training programs that were transferred to an intermediate
26 school district by direction of the department of education.

27 (e) Service purchased before January 31, 1991 and performed as

1 an elementary or secondary teacher at a United States armed forces
2 military base in the United States or a foreign country.

3 (f) Service purchased before January 31, 1991 and performed as
4 a teacher or administrator of American nationals in overseas public
5 elementary or secondary schools operated by the United States
6 department of defense.

7 (g) Performed by a person who first becomes employed by an
8 institution of higher education described in section 4, 5, or 6 of
9 article VIII of the state constitution of 1963 on or after January
10 1, 1996.

11 (3) "Prior service" means service performed before July 1,
12 1945.

13 ~~—— (4) Except as otherwise provided in this subsection, "public~~
14 ~~school academy" means a public school academy established under~~
15 ~~part 6a or 6b of the school code of 1976, Act No. 451 of the Public~~
16 ~~Acts of 1976, being sections 380.501 to 380.507 and 380.511 to~~
17 ~~380.518 of the Michigan Compiled Laws. Public school academy does~~
18 ~~not include any of the following:~~

19 ~~—— (a) A public school academy operated by a state public~~
20 ~~university that is not subject to the optional retirement act of~~
21 ~~1967, Act No. 156 of the Public Acts of 1967, being sections 38.381~~
22 ~~to 38.388 of the Michigan Compiled Laws.~~

23 ~~—— (b) A public school academy corporation formed by a state~~
24 ~~public university that is not subject to Act No. 156 of the Public~~
25 ~~Acts of 1967.~~

26 (4) "PUBLIC SCHOOL ACADEMY" MEANS THAT TERM AS DEFINED IN
27 SECTION 5 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.5.

1 (5) Except as otherwise provided in this subsection, "public
2 school employee" means an employee of a public local school
3 district, intermediate school district, public school academy, tax
4 supported community or junior college, eastern Michigan university,
5 central Michigan university, northern Michigan university, western
6 Michigan university, Ferris state university, Michigan
7 technological university, Lake Superior state university, or
8 district library as defined in section 69g if the conditions in
9 section 69g(1) are met for that employee. Service at Michigan
10 technological university shall be creditable only if the amount of
11 the accumulated contributions in the state employees' retirement
12 system created by the state employees' retirement act, ~~Act No. 240~~
13 ~~of the Public Acts of 1943, being sections 38.1 to 38.48 of the~~
14 ~~Michigan Compiled Laws 1943 PA 240, MCL 38.1 TO 38.69,~~ for service
15 is paid to the retirement system. Service at Ferris state
16 university shall be creditable as prior service or membership
17 service only if the employee was employed at Ferris state
18 university on a full-time basis for 2 or more years after May 17,
19 1949. Until January 1, 1988, public school employee also includes a
20 person holding a Michigan teacher certificate and serving as an
21 employee of the Michigan high school athletic association, other
22 than a person whose effective date of employment with the Michigan
23 high school athletic association is on or after December 31, 1986.
24 Public school employee includes a public school employee on an
25 approved leave of absence. Public school employee does not include
26 a person who first becomes employed by a university described in
27 this subsection on or after January 1, 1996. **BEGINNING JULY 1,**

1 2010, PUBLIC SCHOOL EMPLOYEE SHALL INCLUDE ALL PERSONS WORKING AT A
2 REPORTING UNIT WHO ARE EMPLOYED BY AN ENTITY OTHER THAN A REPORTING
3 UNIT BUT SHALL NOT INCLUDE A PERSON EMPLOYED FOR LIMITED
4 PROFESSIONAL SERVICE SUCH AS AN ATTORNEY OR ARCHITECT. PUBLIC
5 SCHOOL EMPLOYEE DOES NOT INCLUDE ANY PUBLIC SCHOOL ACADEMY EMPLOYEE
6 WHO RECEIVES RETIREMENT BENEFITS UNDER THE OPTIONAL RETIREMENT
7 PROGRAM PURSUANT TO THE OPTIONAL RETIREMENT ACT OF 1967, 1967 PA
8 156, MCL 38.381 TO 38.388.

9 Sec. 7. (1) "Refund beneficiary" means 1 or more persons whom
10 the member or former member nominates in writing and files with the
11 retirement system for the purpose of being paid accumulated
12 contributions in the event of the death of the member or former
13 member. If a valid nomination is not on file, the retirement board
14 shall pay the accumulated contributions to the legal representative
15 of the deceased member or deceased former member, if any, or to the
16 estate of the deceased member or deceased former member.

17 (2) "Regular interest" means interest at 1 or more rates per
18 annum determined by the retirement board and compounded annually.
19 THE REGULAR INTEREST FOR AMOUNTS ON DEPOSIT IN THE RESERVE FOR
20 EMPLOYEE CONTRIBUTIONS AS PROVIDED IN SECTION 43E SHALL BE
21 DETERMINED AND CREDITED IN THE SAME MANNER AS THE INTEREST ON
22 AMOUNTS IN THE RESERVE FOR THE MEMBER INVESTMENT PLAN UNDER SECTION
23 33.

24 (3) Except as otherwise provided in this subsection,
25 "reporting unit" means a public school district, intermediate
26 school district, public school academy, tax supported community or
27 junior college, or university, or an agency having employees on its

1 payroll who are members of this retirement system. The reporting
2 unit shall be the employer for purposes of this act. On and after
3 January 1, 1996, reporting unit does not include a university,
4 except to the extent that university has employees on its payroll
5 who are members of this retirement system.

6 (4) "Retirant" means a member who retires with a retirement
7 allowance payable from reserves of the retirement system.

8 (5) "Retirement allowance" means a payment for life or a
9 temporary period provided for in this act to which a retirant,
10 retirement allowance beneficiary, or refund beneficiary is
11 entitled.

12 (6) "Retirement allowance beneficiary" means a person who is
13 being paid or has entitlement to the payment of a retirement
14 allowance in the event of the death of a member, deferred member,
15 or retirant.

16 (7) "Retirement board" means the board provided to administer
17 this retirement system.

18 (8) "Retirement system" means the Michigan public school
19 employees' retirement system provided for in this act.

20 Sec. 8. (1) "Service" means personal service performed as a
21 public school employee or creditable under this act.

22 (2) "Simple interest" means interest at 1 or more rates per
23 annum determined by the retirement board.

24 (3) "State of Michigan service" means service performed as a
25 state employee in the classified or unclassified service under the
26 state employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69.

27 (4) "Teacher" means a person employed by a reporting unit who

1 is engaged in teaching, who is engaged in administering and
2 supervising teaching, or who is under a teacher's contract with a
3 reporting unit, **INCLUDING, BUT NOT LIMITED TO, TEACHERS, TEACHING**
4 **ASSISTANTS, GUIDANCE COUNSELORS, PRINCIPALS, SUPERINTENDENTS, AND**
5 **OTHER ADMINISTRATORS OVER AREAS THAT INTERACT DIRECTLY WITH**
6 **STUDENTS.**

7 (5) "Transitional public employment program" means
8 participation in public service employment programs in the areas of
9 environmental quality, health care, education, public safety, crime
10 prevention and control, prison rehabilitation, transportation,
11 recreation, maintenance of parks, streets, and other public
12 facilities, solid waste removal, pollution control, housing and
13 neighborhood improvements, rural development, conservation,
14 beautification, veterans' outreach, and other fields of human
15 betterment and community improvement as part of a program of
16 comprehensive manpower services authorized, undertaken, and
17 financed under the comprehensive employment and training act of
18 1973, former Public Law 93-203, 87 Stat. 839.

19 Sec. 41. (1) The annual level percentage of payroll
20 contribution rate to finance benefits being provided and to be
21 provided by the retirement system shall be determined by actuarial
22 valuation pursuant to subsection (2) upon the basis of the risk
23 assumptions that the retirement board and the department adopt
24 after consultation with the state treasurer and an actuary. An
25 annual actuarial valuation shall be made of the retirement system
26 in order to determine the actuarial condition of the retirement
27 system and the required contribution to the retirement system. An

1 annual actuarial gain-loss experience study of the retirement
2 system shall be made in order to determine the financial effect of
3 variations of actual retirement system experience from projected
4 experience.

5 ~~(2) The contribution rate for benefits payable in the event of~~
6 ~~the death of a member before retirement or the disability of a~~
7 ~~member shall be computed using a terminal funding method of~~
8 ~~valuation.~~ Except as otherwise provided in this subsection, the
9 contribution rate for ~~other~~ benefits shall be computed using an
10 individual projected benefit entry age normal cost method of
11 valuation. Except as otherwise provided in this section, for the
12 1995-96 state fiscal year and for each subsequent fiscal year, the
13 contribution rate for health benefits provided under section 91
14 shall be computed using a cash disbursement method. For each fiscal
15 year after the fiscal year in which the actuarial accrued liability
16 for health benefits under section 91 is at least 100% funded by the
17 health advance funding subaccount created under section 34(2), the
18 contribution rate for health benefits provided under section 91
19 shall be computed using an individual projected benefit entry age
20 normal cost method of valuation. The contribution rate for service
21 likely to be rendered in the current year, the normal cost
22 contribution rate, shall be equal to the aggregate amount of
23 individual projected benefit entry age normal costs divided by 1%
24 of the aggregate amount of active members' valuation compensation.
25 Except as otherwise provided under this subsection, the
26 contribution rate for unfunded service rendered before the
27 valuation date, the unfunded actuarial accrued liability

1 contribution rate, shall be the aggregate amount of unfunded
2 actuarial accrued liabilities divided by 1% of the actuarial
3 present value over a period not to exceed 50 years of projected
4 valuation compensation, where unfunded actuarial accrued
5 liabilities are equal to the actuarial present value of benefits,
6 reduced by the actuarial present value of future normal cost
7 contributions and the actuarial value of assets on the valuation
8 date. ~~For the 2006-2007 state fiscal year, the contribution rate~~
9 ~~for unfunded service rendered before the valuation date shall be~~
10 ~~equal to 4.5% of the aggregate amount of unfunded actuarial accrued~~
11 ~~liabilities divided by 1% of the actuarial valuation annual~~
12 ~~compensation.~~

13 (3) Before November 1 of each year, the executive secretary of
14 the retirement board shall certify to the director of the
15 department the aggregate compensation estimated to be paid public
16 school employees for the current state fiscal year.

17 (4) On the basis of the estimate under subsection (3), the
18 annual actuarial valuation, and any adjustment required under
19 subsection (6), the director of the department shall compute the
20 sum due and payable to the retirement system and shall certify this
21 amount to the reporting units.

22 (5) The reporting units shall make payment of the amount
23 certified under subsection (4) to the director of the department in
24 12 equal monthly installments.

25 (6) Not later than 90 days after termination of each state
26 fiscal year, the executive secretary of the retirement board shall
27 certify to the director of the department and each reporting unit

1 the actual aggregate compensation paid to public school employees
2 during the preceding state fiscal year. Upon receipt of that
3 certification, the director of the department shall compute any
4 adjustment required to the amount due to a difference between the
5 estimated and the actual aggregate compensation and the estimated
6 and the actual actuarial employer contribution rate. The
7 difference, if any, shall be paid as provided in subsection (9).
8 This subsection does not apply in a fiscal year in which a deposit
9 occurs pursuant to subsection (14).

10 (7) The director of the department may require evidence of
11 correctness and may conduct an audit of the aggregate compensation
12 that the director of the department considers necessary to
13 establish its correctness.

14 (8) A reporting unit shall forward employee and employer
15 social security contributions and reports as required by the
16 federal old-age, survivors, disability, and hospital insurance
17 provisions of title II of the social security act, chapter 531, 49
18 Stat. 620, 42 USC 401 to 405, 406 to 418, 420 to 423, 424a to 426-
19 1, and 427 to 433.

20 (9) For an employer of an employee of a local public school
21 district or an intermediate school district, for differences
22 occurring in fiscal years beginning on or after October 1, 1993, a
23 minimum of 20% of the difference between the estimated and the
24 actual aggregate compensation and the estimated and the actual
25 actuarial employer contribution rate described in subsection (6),
26 if any, shall be paid by that employer in the next succeeding state
27 fiscal year and a minimum of 25% of the remaining difference shall

1 be paid by that employer in each of the following 4 state fiscal
2 years, or until 100% of the remaining difference is submitted,
3 whichever first occurs. For an employer of other public school
4 employees, for differences occurring in fiscal years beginning on
5 or after October 1, 1991, a minimum of 20% of the difference
6 between the estimated and the actual aggregate compensation and the
7 estimated and the actual actuarial employer contribution rate
8 described in subsection (6), if any, shall be paid by that employer
9 in the next succeeding state fiscal year and a minimum of 25% of
10 the remaining difference shall be paid by that employer in each of
11 the following 4 state fiscal years, or until 100% of the remaining
12 difference is submitted, whichever first occurs. In addition,
13 interest shall be included for each year that a portion of the
14 remaining difference is carried forward. The interest rate shall
15 equal the actuarially assumed rate of investment return for the
16 state fiscal year in which payment is made. This subsection does
17 not apply in a fiscal year in which a deposit occurs pursuant to
18 subsection (14).

19 (10) Beginning on the designated date, all assets held by the
20 retirement system shall be reassigned their fair market value, as
21 determined by the state treasurer, as of the designated date, and
22 in calculating any unfunded actuarial accrued liabilities, any
23 market gains or losses incurred before the designated date shall
24 not be considered by the retirement system's actuaries.

25 (11) Beginning on the designated date, the actuary used by the
26 retirement board shall assume a rate of return on investments of
27 8.00% per annum, as of the designated date, which rate may only be

1 changed with the approval of the retirement board and the director
2 of the department.

3 (12) Beginning on the designated date, the value of assets
4 used shall be based on a method that spreads over a 5-year period
5 the difference between actual and expected return occurring in each
6 year after the designated date and such methodology may only be
7 changed with the approval of the retirement board and the director
8 of the department.

9 (13) Beginning on the designated date, the actuary used by the
10 retirement board shall use a salary increase assumption that
11 projects annual salary increases of 4%. In addition to the 4%, the
12 retirement board shall use an additional percentage based upon an
13 age-related scale to reflect merit, longevity, and promotional
14 salary increase. The actuary shall use this assumption until a
15 change in the assumption is approved in writing by the retirement
16 board and the director of the department.

17 (14) For fiscal years that begin on or after October 1, 2001,
18 if the actuarial valuation prepared pursuant to this section
19 demonstrates that as of the beginning of a fiscal year, and after
20 all credits and transfers required by this act for the previous
21 fiscal year have been made, the sum of the actuarial value of
22 assets and the actuarial present value of future normal cost
23 contributions exceeds the actuarial present value of benefits, the
24 amount based on the annual level percent of payroll contribution
25 rate pursuant to subsections (1) and (2) may be deposited into the
26 health advance funding subaccount created by section 34.

27 (15) Notwithstanding any other provision of this act, if the

1 retirement board establishes an arrangement and fund as described
2 in section 6 of the public employee retirement benefit protection
3 act, the benefits that are required to be paid from that fund shall
4 be paid from a portion of the employer contributions described in
5 this section or other eligible funds. The retirement board shall
6 determine the amount of the employer contributions or other
7 eligible funds that shall be allocated to that fund and deposit
8 that amount in that fund before it deposits any remaining employer
9 contributions or other eligible funds in the pension fund.

10 Sec. 42. (1) Beginning with the 1994-95 state fiscal year, a
11 reporting unit shall contribute the entire percentage, determined
12 under section 41(2), of the aggregate annual compensation of all
13 employees who are members under the noncontributory plan as
14 provided by section 63 to the reserve for employer contributions
15 and to the reserve for health benefits. The reporting unit
16 contribution under this subsection is the exclusive obligation of
17 the reporting unit payable out of general budget resources of the
18 reporting unit, including funds available under local millage and
19 other local resources and from the state school aid allocation to
20 the reporting unit, and shall not be a separate obligation by
21 specific reimbursement or otherwise of this state.

22 (2) As authorized by resolution or other enabling act of its
23 governing body, the employer shall pick up all contributions of a
24 member made pursuant to ~~section~~**SECTIONS 43a AND 43C** for all
25 compensation paid on or after January 1, 1987 and reported to the
26 retirement system. Although considered contributions of a member
27 for certain purposes under this act, all contributions picked up

1 shall be treated as paid by the employer in lieu of contributions
2 by the employee. Contributions picked up as provided in this
3 subsection shall be paid from the same source of funds that is used
4 for paying compensation to the member. The employer may pick up
5 these contributions by either a reduction to the member's cash
6 salary, an offset against a future salary increase, or a
7 combination of a reduction in salary and offset against a future
8 salary increase. This subsection does not apply, and the employer
9 shall not deduct, offset, or remit contributions, until the
10 department receives notification from the United States internal
11 revenue service that contributions picked up shall not be included
12 as gross income of the member until they are distributed or made
13 available to the member, retirant, retirement allowance
14 beneficiary, or refund beneficiary.

15 (3) The employer shall deduct from a member's compensation the
16 contributions for social security provided in ~~Act No. 205 of the~~
17 ~~Public Acts of 1951, being sections 38.851 to 38.871 of the~~
18 ~~Michigan Compiled Laws 1951 PA 205, MCL 38.851 TO 38.871.~~

19 Contributions shall be made while the member remains a public
20 school employee. Each reporting unit official shall deduct the
21 social security contributions from the compensation of each member
22 for each payroll period after the date the employee becomes a
23 member. Social security contributions shall be made notwithstanding
24 that the minimum compensation provided by law is changed. Each
25 member is considered to have agreed to the contributions prescribed
26 in this subsection.

27 (4) Each reporting unit official shall forward member

1 ~~investment plan contributions to the retirement system monthly. ON~~
2 **A SCHEDULE AND IN A MANNER DETERMINED BY THE RETIREMENT SYSTEM.**

3 (5) Each reporting unit official shall forward the entire
4 employer contribution required by this act to the retirement system
5 ~~monthly. ON A SCHEDULE AND IN A MANNER DETERMINED BY THE RETIREMENT~~
6 **SYSTEM.**

7 (6) ~~By January 11, April 11, July 11, and October 11 of each~~
8 ~~year, each reporting unit official shall file with the executive~~
9 ~~secretary of the retirement board a quarterly affidavit for the~~
10 ~~preceding 3 months. The affidavit shall certify the aggregate~~
11 ~~compensation that is reportable to the retirement system under~~
12 ~~section 3a, sources of contributions, wages paid from federal~~
13 ~~funds, and contributions required by law. Not later than July 11 of~~
14 ~~each year, a report shall be filed with the executive secretary of~~
15 ~~the retirement board, which shall list the persons employed,~~
16 ~~together with other information, including salary, service, and~~
17 ~~contributions, required for retirement reporting purposes. EACH~~
18 **REPORTING UNIT OFFICIAL SHALL SUBMIT TO THE RETIREMENT SYSTEM A**
19 **REPORT THAT INCLUDES THE INFORMATION FOR RETIREMENT PURPOSES,**
20 **INCLUDING, BUT NOT LIMITED TO, PERSONS EMPLOYED, WAGES, HOURS, AND**
21 **CONTRIBUTIONS REQUIRED UNDER THIS ACT. THE REPORT SHALL CONTAIN THE**
22 **INFORMATION ON A PAY PERIOD BASIS AND SHALL BE SUBMITTED TO THE**
23 **RETIREMENT SYSTEM NO LATER THAN THE LAST DAY OF THE SUBSEQUENT PAY**
24 **PERIOD. THE SUPERINTENDENT FOR A REPORTING UNIT OR THE CHIEF**
25 **ADMINISTRATOR FOR A REPORTING UNIT THAT DOES NOT HAVE A**
26 **SUPERINTENDENT SHALL COMPLETE AN ANNUAL CERTIFICATION THAT GIVES**
27 **AUTHORIZATION FOR THE EMPLOYEES OF THE REPORTING UNIT TO REPORT THE**

Senate Bill No. 1227 (H-9) as amended April 27, 2010
1 INFORMATION TO THE RETIREMENT SYSTEM.

2 (7) If a reporting unit fails to submit a report or
3 contributions, or both, according to the schedule established by
4 the retirement board, a late fee shall be paid by the reporting
5 unit. If the remittance of contributions is late, the late fee
6 shall include interest for each day that the remittance of
7 contributions is late. The retirement board periodically may
8 establish the late fee, which shall not be less than \$25.00, and
9 interest charges, which shall not be less than 6% per annum. IF A
10 REPORTING UNIT FAILS TO CORRECT ERRORS ON A REPORT BEFORE THE
11 ERRORS ARE DISCOVERED UNDER EXAMINATION OR IF SUCH ERRORS ARE
12 INTENTIONAL, THE REPORTING UNIT SHALL PAY THE LATE FEE AND INTEREST
13 CHARGES AS DESCRIBED IN THIS SUBSECTION FOR EACH DAY THAT THE
14 REPORT IS IN ERROR, UNLESS REASONABLE CAUSE IS SHOWN TO THE
15 SATISFACTION OF THE RETIREMENT SYSTEM.

16 (8) Upon written notice from the retirement board, the
17 superintendent of public instruction and the state treasurer shall
18 withhold payment of state funds, in part or in whole, payable from
19 the state school aid appropriation or higher education
20 appropriations to a reporting unit that fails to comply with this
21 section.

22 SEC. 43E. (1) [EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,]
23 BEGINNING OCTOBER 1, 2010, ALL MEMBERS SHALL
24 CONTRIBUTE 3% OF THE MEMBER'S COMPENSATION TO THE APPROPRIATE
25 FUNDING ACCOUNT IN THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE
26 FUNDING ACT. [FOR THE STATE FISCAL YEAR THAT BEGINS OCTOBER 1, 2010,
27 MEMBERS WHOSE YEARLY SALARY IS LESS THAN \$18,000.00 SHALL CONTRIBUTE
1.5% OF THE MEMBER'S COMPENSATION TO THE APPROPRIATE FUNDING ACCOUNT IN
THE PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT. FOR EACH STATE
FISCAL YEAR THAT BEGINS ON OR AFTER OCTOBER 1, 2011, MEMBERS WHOSE YEARLY
SALARY IS LESS THAN \$18,000.00 SHALL CONTRIBUTE 3% OF THE MEMBER'S
COMPENSATION TO THE APPROPRIATE FUNDING ACCOUNT IN THE PUBLIC EMPLOYEE
RETIREMENT HEALTH CARE FUNDING ACT.] THE MEMBER CONTRIBUTIONS SHALL BE
DEDUCTED BY THE
EMPLOYER AND REMITTED AS EMPLOYER CONTRIBUTIONS TO THE RETIREMENT
SYSTEM PURSUANT TO SECTION 42. THE RETIREMENT SYSTEM SHALL

1 DETERMINE A METHOD OF DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN
2 THIS SECTION FROM THE COMPENSATION OF EACH MEMBER FOR EACH PAYROLL
3 AND EACH PAYROLL PERIOD.

4 (2) AS USED IN THIS ACT, "FUNDING ACCOUNT" MEANS THE
5 APPROPRIATE IRREVOCABLE TRUST CREATED IN THE PUBLIC EMPLOYEE
6 RETIREMENT HEALTH CARE FUNDING ACT FOR THE DEPOSIT OF FUNDS AND THE
7 PAYMENT OF RETIREMENT HEALTH CARE BENEFITS.

8 Sec. 61. (1) Except as otherwise provided in this section, if
9 a retirant is receiving a retirement allowance other than a
10 disability allowance payable under this act or under former 1945 PA
11 136, on account of either age or years of personal service
12 performed, or both, and becomes employed by a reporting unit, the
13 following shall take place:

14 (a) The retirant shall not be entitled to a new final average
15 compensation or additional service credit under this retirement
16 system unless additional service is performed equivalent to 5 or
17 more years of service credit or, if the retirant has contributed to
18 the member investment plan, the equivalent of 3 or more years of
19 service credit. The retirant may elect to have the retirement
20 allowance recomputed based on the added credit or the final average
21 compensation resulting from the added service, or both. A
22 retirement allowance shall not be recomputed until the retirant
23 pays into the retirement system an amount equal to the retirant's
24 new final average compensation multiplied by the percentage
25 determined under section 41(2) for normal cost and unfunded
26 actuarial accrued liabilities, not including the percentage
27 required for the funding of health benefits, multiplied by the

1 total service credit in the period in which the retirant's
2 additional service was performed.

3 (b) The retirant's retirement allowance shall be reduced by
4 the lesser of the amount that the earnings in a calendar year
5 exceed the amount permitted without a reduction of benefits under
6 the social security act, chapter 531, 49 Stat. 620, or 1/3 of the
7 retirant's final average compensation. For purposes of computing
8 allowable earnings under this subdivision, the final average
9 compensation shall be increased by 5% for each full year of
10 retirement.

11 (2) The retirement system may offset retirement benefits
12 payable under this act against amounts owed to the retirement
13 system by a retirant or retirement allowance beneficiary.

14 (3) Subsection (1) does not apply to a retirant if all of the
15 following circumstances exist:

16 (a) The retirant is a former teacher or administrator employed
17 in a teaching or research capacity by a university that is
18 considered a reporting unit for the limited purpose described in
19 section 7(3).

20 (b) The retirant is not eligible to use any service or
21 compensation attributable to the employment described in
22 subdivision (a) for a recomputation of his or her retirement
23 allowance.

24 (c) A university ~~that~~**WHICH** employs a retirant pursuant to
25 this subsection shall report such employment to the retirement
26 system by July 1 of each year. The report to be filed shall include
27 the name of the retirant, the capacity in which the retirant is

1 employed, and the total annual compensation paid to the retirant.

2 (4) Until July 1, 2011, subsection (1) does not apply to a
3 retirant if all of the following circumstances exist:

4 (a) The retirant is employed by a reporting unit that has an
5 approved emergency situation, not including a situation caused by a
6 labor dispute, that necessitates the hiring of a retirant in the
7 capacity of a teacher, principal, stationary engineer,
8 administrator, or other category as determined by the
9 superintendent of public instruction to prevent depriving students
10 of an education. The chief executive officer or superintendent of
11 the school district shall include with the written notification
12 documentation showing that more than 8% of all classes in the
13 district during the 1998-99 school year are taught by full-time
14 substitute teachers who are not certificated in the subjects or
15 grade levels which they teach. Within 30 days after receipt of the
16 notification and documentation under this subdivision, the
17 department of education shall notify the chief executive officer or
18 superintendent and the retirement system of its approval or
19 disapproval of the emergency situation. If disapproved by the
20 department of education, this subsection does not apply.

21 (b) The retirant is employed under an emergency situation
22 described in subdivision (a) for a period not to exceed 6 years.

23 (c) The retirant is not eligible to use any service or
24 compensation attributable to the employment described in
25 subdivision (a) for a recomputation of his or her retirement
26 allowance.

27 (5) ~~On or before July 1, 1999, the~~ **THE** state superintendent of

1 public instruction shall compile a listing of critical shortage
2 disciplines. This listing shall be updated annually.

3 (6) Until July 1, 2011, subsection (1) does not apply to a
4 retirant if all of the following circumstances exist:

5 (a) The retirant is employed by a reporting unit that has a
6 situation, not including a situation caused by a labor dispute,
7 that necessitates the hiring of a retirant in an area that has been
8 identified by the state superintendent of public instruction as a
9 critical shortage discipline pursuant to subsection (5).

10 (b) The retirant is employed under a situation described in
11 subdivision (a) for a period not to exceed 6 years.

12 (c) The retirant is not eligible to use any service or
13 compensation attributable to the employment described in
14 subdivision (a) for a recomputation of his or her retirement
15 allowance.

16 (7) ~~The provisions of subsections (4) and~~ **SUBSECTION** (6) shall
17 only apply for retirants who have been retired for at least 12
18 months before becoming employed under this section.

19 **(8) EXCEPT AS PROVIDED IN SUBSECTION (9), A MEMBER MAY RETIRE**
20 **WITHOUT BEING SUBJECT TO SUBSECTION (1) IF THE MEMBER MEETS ALL OF**
21 **THE FOLLOWING:**

22 **(A) THE MEMBER RECEIVED A MINIMUM TOTAL OF 1/2 OF A YEAR OF**
23 **SERVICE CREDIT GRANTED UNDER SECTION 68 FOR EACH OF THE 5 SCHOOL**
24 **FISCAL YEARS IMMEDIATELY PRECEDING THE MEMBER'S RETIREMENT**
25 **ALLOWANCE EFFECTIVE DATE.**

26 **(B) THE MEMBER TERMINATED SERVICE AS A PUBLIC SCHOOL EMPLOYEE**
27 **ON OR AFTER JUNE 15, 2010.**

1 (C) AT THE TIME OF TERMINATION THE MEMBER MET THE SERVICE
2 REQUIREMENT TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS ACT.

3 (D) PRIOR TO TERMINATING REPORTING UNIT SERVICE, THE MEMBER
4 MAY AGREE TO ACCEPT A POSTRETIREMENT OPTION POSITION WITH A
5 REPORTING UNIT THAT REPORTED WAGES AND HOURS FOR THE MEMBER TO THE
6 RETIREMENT SYSTEM FOR THE FULL SCHOOL FISCAL YEAR IMMEDIATELY
7 PRECEDING THE MEMBER'S RETIREMENT ALLOWANCE EFFECTIVE DATE.

8 (E) THE POSTRETIREMENT OPTION POSITION DESCRIBED IN
9 SUBDIVISION (D) HAS A WORK SCHEDULE THAT MEETS ALL OF THE
10 FOLLOWING:

11 (i) A REDUCTION OF AT LEAST 50% FROM THE MEMBER'S HOURS,
12 EXCLUDING OVERTIME, REPORTED TO THE RETIREMENT SYSTEM IN THE FULL
13 SCHOOL FISCAL YEAR IMMEDIATELY PRECEDING RETIREMENT.

14 (ii) THE WORK SCHEDULE COMMENCES NO LATER THAN 3 MONTHS
15 FOLLOWING TERMINATION OF REPORTING UNIT SERVICE.

16 (9) FOR EACH FISCAL YEAR THAT BEGINS ON OR AFTER JULY 1, 2011,
17 THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE RETIREMENT BOARD
18 MAY ELECT TO DISCONTINUE POSTRETIREMENT OPTION POSITIONS AS
19 DESCRIBED IN SUBSECTION (8).

20 (10) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A
21 RETIRANT WHO OTHERWISE MET THE REQUIREMENTS OF SUBSECTION (8) BUT
22 EXCEEDS THE NUMBER OF HOURS WORKED AS PROVIDED IN SUBSECTION
23 (8) (E) (i) SHALL BE SUBJECT TO THE EARNINGS LIMITATION AS PROVIDED IN
24 SUBSECTION (1).

25 (11) A REPORTING UNIT HAS THE SOLE DISCRETION TO DETERMINE IF,
26 AND THE EXTENT TO WHICH, A POSTRETIREMENT OPTION POSITION UNDER
27 THIS SECTION WILL BE MADE AVAILABLE TO A TERMINATING MEMBER OR

1 RETIRANT.

2 (12) POSTRETIREMENT OPTION EMPLOYMENT SHALL BE FOR AN INITIAL
3 PERIOD NOT TO EXCEED 1 SCHOOL FISCAL YEAR. AT THE END OF THE
4 INITIAL AND ANY SUBSEQUENT PERIOD, THE REPORTING UNIT HAS THE SOLE
5 DISCRETION TO DETERMINE IF THE OFFER OF A POSTRETIREMENT OPTION
6 POSITION WILL BE RENEWED, RENEWED WITH MODIFICATIONS, OR
7 TERMINATED. POSTRETIREMENT OPTION POSITIONS MAY BE RENEWED FOR UP
8 TO 1 SCHOOL FISCAL YEAR AT A TIME, BUT NOT TO EXCEED A TOTAL OF 3
9 SCHOOL FISCAL YEARS. A RETIRANT MAY NOT BE EMPLOYED IN A
10 POSTRETIREMENT OPTION POSITION, OR A COMBINATION OF POSTRETIREMENT
11 OPTION POSITIONS, FOR A TOTAL OF MORE THAN 3 SCHOOL FISCAL YEARS.

12 (13) A RETIRANT WILL NOT EARN ANY SERVICE CREDIT UNDER THIS
13 ACT WHILE EMPLOYED IN A POSTRETIREMENT OPTION POSITION. NO CHANGE
14 TO A RETIRANT'S RETIREMENT ALLOWANCE SHALL BE MADE ON ACCOUNT OF
15 EMPLOYMENT IN A POSTRETIREMENT OPTION POSITION.

16 (14) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT AND
17 EXCEPT AS PROVIDED IN THIS SUBSECTION, IF A RETIRANT EXCEEDS THE
18 EARNINGS LIMITATION IN SUBSECTION (1), THE RETIRANT SHALL REIMBURSE
19 THE RETIREMENT SYSTEM AN AMOUNT EQUAL TO THE RETIRANT HEALTH CARE
20 COSTS PAID BY THE RETIREMENT SYSTEM THAT IS PROPORTIONATE TO THE
21 AMOUNT OF WAGES BY WHICH HE OR SHE EXCEEDED THE EARNINGS
22 LIMITATION, AS CALCULATED BY THE RETIREMENT SYSTEM. THIS SUBSECTION
23 DOES NOT APPLY TO A RETIRANT WHO IS EXCLUDED FROM THE APPLICATION
24 OF SUBSECTION (1) BASED ON SUBSECTIONS (3) TO (7), OR SUBSECTION
25 (8) IF THE RETIRANT HAS NOT EXCEEDED THE NUMBER OF HOURS WORKED AS
26 PROVIDED IN SUBSECTION (8) (E) (i).

27 (15) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A

1 RETIRANT WHO WORKS AT A REPORTING UNIT BUT WHO IS EMPLOYED BY AN
2 ENTITY OTHER THAN A REPORTING UNIT OR IS AN INDEPENDENT CONTRACTOR
3 SHALL REIMBURSE THE RETIREMENT SYSTEM AN AMOUNT EQUAL TO THE AMOUNT
4 OF WAGES EARNED BY THE RETIRANT WHILE WORKING AT A REPORTING UNIT
5 MULTIPLIED BY THE CONTRIBUTION RATE DETERMINED UNDER SECTION 41.
6 THE AMOUNTS REQUIRED UNDER THIS SUBSECTION SHALL BE DEDUCTED BY,
7 AND PAID TO, THE RETIREMENT SYSTEM FROM THE RETIRANT'S MONTHLY
8 RETIREMENT ALLOWANCE UNDER THIS ACT.

9 SEC. 81B. (1) NOTWITHSTANDING SECTION 81, A MEMBER MAY RETIRE
10 WITH A RETIREMENT ALLOWANCE COMPUTED ACCORDING TO THIS SECTION IF
11 ALL OF THE FOLLOWING APPLY:

12 (A) THE MEMBER FILES A WRITTEN APPLICATION WITH THE RETIREMENT
13 BOARD WITHIN THE INCENTIVIZED RETIREMENT APPLICATION PERIOD STATING
14 A RETIREMENT ALLOWANCE EFFECTIVE DATE THAT IS ON OR AFTER JUNE 15,
15 2010 BUT NOT LATER THAN OCTOBER 1, 2010. A MEMBER MAY WITHDRAW A
16 WRITTEN APPLICATION SUBMITTED BY A MEMBER ON OR BEFORE MAY 31,
17 2010. A WRITTEN APPLICATION SUBMITTED BY A MEMBER AND NOT WITHDRAWN
18 ON OR BEFORE MAY 31, 2010 IS IRREVOCABLE.

19 (B) ON THE LAST DAY OF THE MONTH IMMEDIATELY PRECEDING THE
20 RETIREMENT ALLOWANCE EFFECTIVE DATE STATED IN THE APPLICATION, THE
21 MEMBER'S COMBINED AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR
22 GREATER THAN 80 YEARS OR THE MEMBER IS ELIGIBLE TO RETIRE UNDER
23 THIS ACT.

24 (C) THE MEMBER WAS EMPLOYED AS A PUBLIC SCHOOL EMPLOYEE FOR
25 THE 6-MONTH PERIOD ENDING MAY 1, 2010. A MEMBER WHO IS ON LAYOFF OR
26 ON AN APPROVED LEAVE OF ABSENCE STATUS FROM REPORTING UNIT
27 EMPLOYMENT IS CONSIDERED TO HAVE MET THE EMPLOYMENT REQUIREMENT OF

1 THIS SUBDIVISION.

2 (2) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION, A
3 MEMBER WHO RETIRES ON OR BEFORE JULY 1, 2010 SHALL RECEIVE A
4 RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF YEARS AND
5 FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.7% OF THE
6 MEMBER'S FINAL AVERAGE COMPENSATION CALCULATED ON A FINAL AVERAGE
7 COMPENSATION OF \$114,000.00 OR LESS. FOR MEMBERS WHOSE FINAL
8 AVERAGE COMPENSATION IS GREATER THAN \$114,000.00, THE RETIREMENT
9 ALLOWANCE SHALL BE CALCULATED SO THAT THE MEMBER RECEIVES A PORTION
10 OF HIS OR HER RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF
11 YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.7%
12 OF HIS OR HER FINAL AVERAGE COMPENSATION UP TO A FINAL AVERAGE
13 COMPENSATION OF \$114,000.00 AND THE REMAINING PORTION OF THE
14 RETIREMENT ALLOWANCE SHALL BE CALCULATED AS EQUAL TO THE MEMBER'S
15 NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
16 MULTIPLIED BY 1.5% OF THE PORTION OF FINAL AVERAGE COMPENSATION
17 OVER \$114,000.00. A MEMBER WHO RETIRES AS PROVIDED IN THIS SECTION
18 AFTER JULY 1, 2010 AND BEFORE OCTOBER 1, 2010 SHALL RECEIVE A
19 RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF YEARS AND
20 FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.6% OF THE
21 MEMBER'S FINAL AVERAGE COMPENSATION CALCULATED ON A FINAL AVERAGE
22 COMPENSATION OF \$114,000.00 OR LESS. FOR MEMBERS WHOSE FINAL
23 AVERAGE COMPENSATION IS GREATER THAN \$114,000.00, THE RETIREMENT
24 ALLOWANCE SHALL BE CALCULATED SO THAT THE MEMBER RECEIVES A PORTION
25 OF HIS OR HER RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF
26 YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.6%
27 OF HIS OR HER FINAL AVERAGE COMPENSATION UP TO A FINAL AVERAGE

1 COMPENSATION OF \$114,000.00 AND THE REMAINING PORTION OF THE
2 RETIREMENT ALLOWANCE SHALL BE CALCULATED AS EQUAL TO THE MEMBER'S
3 NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
4 MULTIPLIED BY 1.5% OF THE PORTION OF FINAL AVERAGE COMPENSATION
5 OVER \$114,000.00. THE RETIREMENT ALLOWANCE RECEIVED UNDER THIS
6 SECTION IS NOT SUBJECT TO REDUCTION UNDER SECTION 84(2).

7 (3) THE SUPERINTENDENT FOR A REPORTING UNIT OR THE CHIEF
8 ADMINISTRATOR FOR A REPORTING UNIT THAT DOES NOT HAVE A
9 SUPERINTENDENT MAY REQUEST THAT THE EFFECTIVE DATE OF RETIREMENT
10 UNDER SUBSECTION (1) OF A MEMBER EMPLOYED BY THAT REPORTING UNIT BE
11 EXTENDED TO A DATE NOT LATER THAN JULY 1, 2011. TO MAKE A REQUEST
12 UNDER THIS SUBSECTION, THE SUPERINTENDENT OR CHIEF ADMINISTRATOR
13 SHALL SUBMIT A WRITTEN REQUEST AND THE WRITTEN CONCURRENCE OF THE
14 MEMBER TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION ON OR BEFORE
15 JUNE 1, 2010. UPON RECEIPT OF THE WRITTEN REQUEST AND CONCURRENCE,
16 THE SUPERINTENDENT OF PUBLIC INSTRUCTION MAY EXTEND THE EFFECTIVE
17 DATE OF RETIREMENT OF A MEMBER OTHERWISE ELIGIBLE TO RETIRE UNDER
18 SUBSECTION (1) TO A DATE NOT LATER THAN JULY 1, 2011. THE
19 SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL SUBMIT WRITTEN
20 NOTIFICATION TO THE OFFICE OF RETIREMENT SERVICES OF ALL EXTENSIONS
21 APPROVED ON OR BEFORE JUNE 15, 2010.

22 (4) FOR PURPOSES OF THIS SECTION, "INCENTIVIZED RETIREMENT
23 APPLICATION PERIOD" MEANS THE PERIOD BEGINNING ON MAY 1, 2010 AND
24 ENDING ON MAY 31, 2010.

25 (5) ANY ADDITIONAL COSTS TO THE RETIREMENT SYSTEM AS A RESULT
26 OF THE RETIREMENT ALLOWANCE CALCULATIONS UNDER THIS SECTION SHALL
27 BE AMORTIZED OVER A 5-YEAR PERIOD.

1 Sec. 91. (1) Except as otherwise provided in this section, the
2 retirement system shall pay the entire monthly premium or
3 membership or subscription fee for hospital, medical-surgical, and
4 sick care benefits for the benefit of a retirant or retirement
5 allowance beneficiary who elects coverage in the plan authorized by
6 the retirement board and the department. Except as otherwise
7 provided in subsection (8), this subsection does not apply to a
8 retirant who first becomes a member after June 30, 2008.

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

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

22 (4) The retirement system shall pay 90% of the monthly premium
23 or membership or subscription fee for dental, vision, and hearing
24 benefits for the benefit of a retirant or retirement allowance
25 beneficiary who elects coverage in the plan authorized by the
26 retirement board and the department. Payments shall begin under
27 this subsection upon approval by the retirement board and the

1 department of plan coverage and a plan provider. Except as
2 otherwise provided in subsection (8), this subsection does not
3 apply to a retirant who first becomes a member after June 30, 2008.

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

1 subsection and subsection (6) for other health insurance dependents
2 shall not begin before January 1, 1986. Except as otherwise
3 provided in subsection (8), this subsection does not apply to a
4 retirant who first becomes a member after June 30, 2008.

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

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

1 under section 82 after October 31, 1980.

2 (8) For a member or deferred member who first becomes a member
3 after June 30, 2008, the retirement system shall pay up to 90% of
4 the monthly premium or membership or subscription fee for the
5 hospital, medical-surgical, and sick care benefits plan, the dental
6 plan, vision plan, and hearing plan, or any combination of the
7 plans for the benefit of the retirant and his or her retirement
8 allowance beneficiary and health insurance dependents, or for the
9 benefit of the deceased member's retirement allowance beneficiary
10 if the retirant or deceased member has 25 years or more of service
11 credit under this act, and the retirant, deceased retirant, or
12 deceased member was at least 60 years of age at the time of
13 application for benefits under this section. If the retirant or
14 deceased member is less than 60 years of age at the time of
15 application for benefits under this section, the retirement system
16 shall pay 90% of the monthly premium or membership or subscription
17 fee for the hospital, medical-surgical, and sick care benefits
18 plan, the dental plan, vision plan, and hearing plan, or any
19 combination of the plans for the benefit of the retirant and his or
20 her retirement allowance beneficiary and the retirant's health
21 insurance dependents, or for the benefit of the deceased member's
22 retirement allowance beneficiary if the retirant or deceased member
23 has 25 or more years of service credit granted under section 68. If
24 a retirant, deceased retirant, or deceased member described in this
25 subsection has 10 or more but less than 25 years of service credit
26 under this act and the retirant was at least 60 years of age at the
27 time of application for benefits under this section, the retirement

1 system shall pay a portion of the monthly premium or membership or
2 subscription fee for the plans or combination of plans equal to the
3 product of 3% and the retirant's, deceased retirant's, or deceased
4 member's years of service for the first 10 years and 4% for each
5 year after the first 10 years. This subsection does not apply to a
6 member who receives a disability retirement allowance under section
7 86 or 87 or to a deceased member's retirement allowance beneficiary
8 under section 90.

9 (9) The retirement system shall not pay the premiums or
10 membership or subscription fees under subsection (8) until the
11 retirant or retirement allowance beneficiary requests enrollment in
12 the plans or combination of plans in writing in the manner
13 prescribed by the retirement system. Not more than 1 year's service
14 credit shall be counted for purposes of subsection (8) and this
15 subsection in any school fiscal year.

16 (10) A member who retires under section 43b or 81 and who
17 elects to purchase service credit on or after July 1, 2008 is not
18 eligible for payments under this section for the hospital, medical-
19 surgical, and sick care benefits plan, the dental plan, vision
20 plan, or hearing plan, or any combination of the plans described in
21 this section until the first date that the member would have been
22 eligible to retire under section 43b or 81 if he or she had not
23 purchased the service credit and had accrued a sufficient amount of
24 service credit under section 68. A member who first becomes a
25 member on or after July 1, 2008 shall not be eligible for health
26 benefits under this subsection until at least the time of
27 application under subsection (8). The retirement system shall apply

1 a method that enables it to make the determination under this
2 subsection.

3 (11) Except for a member who retires under section 86 or 87 or
4 a member who meets the requirements under subsection (7) or (8),
5 the retirement system shall not pay the benefits provided in
6 subsection (1) or (4) unless the member was employed and has
7 received a minimum total of 1/2 of a year of service credit granted
8 pursuant to section 68 during the 2 school fiscal years immediately
9 preceding the member's retirement allowance effective date or the
10 member has received a minimum of 1/10 of a year of service credit
11 granted pursuant to section 68 during each of the 5 school fiscal
12 years immediately preceding the member's retirement allowance
13 effective date. **THIS SUBSECTION DOES NOT APPLY TO A MEMBER WHO IS**
14 **UNABLE TO MEET THE SERVICE CREDIT REQUIREMENTS OF THIS SUBSECTION**
15 **BECAUSE OF 1 OR MORE PERIODS OF UNPAID LEAVES OF ABSENCE AS A**
16 **RESULT OF A MENTAL OR PHYSICAL DISABILITY.**

17 (12) Any retirant or retirement allowance beneficiary excluded
18 from payments under this section may participate in the hospital,
19 medical-surgical, and sick care benefits plan, the dental plan,
20 vision plan, or hearing plan, or any combination of the plans
21 described in this section in the manner prescribed by the
22 retirement system at his or her own cost.

23 (13) The hospital, medical-surgical, and sick care benefits
24 plan, dental plan, vision plan, and hearing plan that covers
25 retirants, retirement allowance beneficiaries, and health insurance
26 dependents pursuant to this section shall contain a coordination of
27 benefits provision that provides all of the following:

1 (a) If the person covered under the hospital, medical-
2 surgical, and sick care benefits plan is also eligible for medicare
3 or medicaid, or both, then the benefits under medicare or medicaid,
4 or both, shall be determined before the benefits of the hospital,
5 medical-surgical, and sick care benefits plan provided pursuant to
6 this section.

7 (b) If the person covered under any of the plans provided by
8 this section is also covered under another plan that contains a
9 coordination of benefits provision, the benefits shall be
10 coordinated as provided by the coordination of benefits act, 1984
11 PA 64, MCL 550.251 to 550.255.

12 (c) If the person covered under any of the plans provided by
13 this section is also covered under another plan that does not
14 contain a coordination of benefits provision, the benefits under
15 the other plan shall be determined before the benefits of the plan
16 provided pursuant to this section.

17 (14) Beginning January 1, 2009, upon the death of the
18 retirant, a retirement allowance beneficiary who became a
19 retirement allowance beneficiary under section 85(8) or (9) is not
20 a health insurance dependent and is not entitled to health benefits
21 under this section except as provided in this subsection. Beginning
22 January 1, 2009, a surviving spouse selected as a retirement
23 allowance beneficiary under section 85(8) or (9) may elect the
24 insurance coverages provided in this section provided that payment
25 for the elected coverages is the responsibility of the surviving
26 spouse and is paid in a manner prescribed by the retirement system.

27 (15) For purposes of this section:

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

2 (i) Except as provided in subsection (14), the spouse of the
3 retirant or the surviving spouse to whom the retirant or deceased
4 member was married at the time of the retirant's or deceased
5 member's death.

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

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

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

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

24 (vi) An unmarried child who is not the child by birth or
25 adoption of the retirant or deceased member but who otherwise
26 qualifies to be a health insurance dependent under subparagraph
27 (ii), (iii), or (iv), if the retirant or deceased member is the legal

1 guardian of the unmarried child.

2 (b) "Medicaid" means benefits under the federal medicaid
3 program established under title XIX of the social security act, 42
4 USC 1396 to 1396v.

5 (c) "Medicare" means benefits under the federal medicare
6 program established under title XVIII of the social security act,
7 42 USC 1395 to 1395hhh.

8 SEC. 92A. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING
9 SEPTEMBER 30, 2010, \$4,500,000.00 TO THE OFFICE OF RETIREMENT
10 SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET
11 FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT
12 ADDED THIS SECTION.

13 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK
14 PROJECT APPROPRIATION AND ANY UNENCUMBERED OR UNALLOTTED FUNDS ARE
15 CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING IS IN
16 COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND BUDGET ACT,
17 1984 PA 431, MCL 18.1451A:

18 (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES UNDER
19 THE AMENDATORY ACT THAT ADDED THIS SECTION.

20 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN
21 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

22 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
23 \$4,500,000.00.

24 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS
25 SEPTEMBER 30, 2011.

26 Enacting section 1. If any section or part of a section of
27 this act is for any reason held to be invalid or unconstitutional,

1 the holding does not affect the validity of the remaining sections
2 of this act or the act in its entirety.

3 Enacting section 2. This amendatory act does not take effect
4 unless House Bill No. 4073 of the 95th Legislature is enacted into
5 law.