
A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979," by amending sections 4, 6, 7, 8, 25, 26, 41, 42, 43a, 43b, 43c, 61, 81, 84, 86, 87, 88, 89, and 91 (MCL 38.1304, 38.1306, 38.1307, 38.1308, 38.1325, 38.1326, 38.1341, 38.1342, 38.1343a, 38.1343b, 38.1343c, 38.1361, 38.1381, 38.1384, 38.1386, 38.1387, 38.1388, 38.1389, and 38.1391), section 4 as amended by 2008 PA 354, sections 6 and 7 as amended by 1995 PA 272, sections 8, 25, and 26 as amended by 1997 PA 143, section 41 as amended by 2007 PA 15, section 42 as amended by 1996 PA 268, section 43a as amended by 2007 PA 111, sections 43b, 81, 84, and 89 as amended by 1989 PA 194, section 43c as amended by 1998 PA 213, section 61 as amended by 2006 PA 158, and section 91 as amended by 2007 PA
THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 4. (1) "Compound interest" means interest compounded annually on July 1 on the contributions on account as of the previous July 1 and computed at the rate of investment return determined under section 104a(1) for the last completed state fiscal year.

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

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

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

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

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

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

(8) Beginning January 1, 2002, except as otherwise provided in this subsection, "eligible retirement plan" means 1 or more of the following:
(a) An individual retirement account described in section 408(a) of the internal revenue code, 26 USC 408.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) "Final average compensation" means the aggregate amount
of a member's compensation earned within the averaging period in
which the aggregate amount of compensation was highest divided by
the member's number of years, including any fraction of a year,
of credited service during the averaging period. The averaging
period shall be 36 consecutive calendar months if the member
contributes to the member investment plan EXCEPT FOR A MEMBER
DESCRIBED IN SECTION 43A(7) WHOSE AVERAGING PERIOD SHALL BE 108
CONSECUTIVE CALENDAR MONTHS; otherwise, the averaging period
shall be 60 consecutive calendar months. If the member has less
than 1 year of credited service in the averaging period, the
number of consecutive calendar months in the averaging period
shall be increased to the lowest number of consecutive calendar months that contains 1 year of credited service.

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

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

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

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

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

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

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

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

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

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

(e) Service purchased before January 31, 1991 and performed
as an elementary or secondary teacher at a United States armed
forces military base in the United States or a foreign country.

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

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

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

(4) Except as otherwise provided in this subsection, "public
school academy" means a public school academy established under
part 6a or FORMER PART 6b of the school code of 1976, Act No. 451
of the Public Acts of 1976, being sections 380.501 to 380.507 and
805.11 to 380.518 of the Michigan Compiled Laws REVISED SCHOOL CODE, 1976 PA 451, MCL 380.501 TO 380.507 AND FORMER MCL 380.511 TO 380.518. Public school academy does not include any of the following:

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

(b) A public school academy corporation formed by a state public university that is not subject to Act No. 156 of the Public Acts of 1967—THE OPTIONAL RETIREMENT ACT OF 1967, 1967 PA 156, MCL 38.381 TO 38.388.

(5) Except as otherwise provided in this subsection, "public school employee" means an employee of a public local school district, intermediate school district, public school academy, tax supported community or junior college, eastern Michigan university, central Michigan university, northern Michigan university, western Michigan university, Ferris state university, Michigan technological university, Lake Superior state university, or district library as defined in section 69g if the conditions in section 69g(1) are met for that employee. Service at Michigan technological university shall be creditable only if the amount of the accumulated contributions in the state employees' retirement system created by the state employees' retirement act, Act No. 240 of the Public Acts of 1943, being sections 38.1 to 38.48 of the Michigan Compiled Laws 1943 PA 240,
MCL 38.1 TO 38.69, for service is paid to the retirement system. Service at Ferris state university shall be creditable as prior service or membership service only if the employee was employed at Ferris state university on a full-time basis for 2 or more years after May 17, 1949. Until January 1, 1988, public school employee also includes a person holding a Michigan teacher certificate and serving as an employee of the Michigan high school athletic association, other than a person whose effective date of employment with the Michigan high school athletic association is on or after December 31, 1986. Public school employee includes a public school employee on an approved leave of absence. Public school employee does not include a person who first becomes employed by a university described in this subsection on or after January 1, 1996. PUBLIC SCHOOL EMPLOYEE SHALL INCLUDE TEACHERS WORKING AT A REPORTING UNIT BUT WHO ARE EMPLOYED BY AN ENTITY OTHER THAN THE REPORTING UNIT, EXCEPT THAT TEACHERS WORKING AT A PUBLIC SCHOOL ACADEMY WHO ARE EMPLOYED BY AN ENTITY OTHER THAN THE PUBLIC SCHOOL ACADEMY SHALL BE TREATED AS A PUBLIC SCHOOL EMPLOYEE BEGINNING JULY 1, 2011. BEGINNING JULY 1, 2011, PUBLIC SCHOOL EMPLOYEE SHALL INCLUDE PERSONS OTHER THAN TEACHERS WORKING AT A PUBLIC SCHOOL ACADEMY WHO ARE EMPLOYED BY AN ENTITY OTHER THAN THE PUBLIC SCHOOL ACADEMY IF A PUBLIC SCHOOL ACADEMY MAKES SUCH AN ELECTION IN A MANNER AS DETERMINED BY THE RETIREMENT SYSTEM.

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

(2) "Regular interest" means interest at 1 or more rates per
annum determined by the retirement board and compounded annually.

THE REGULAR INTEREST FOR AMOUNTS ON DEPOSIT ON BEHALF OF MEMBERS
AS DESCRIBED IN SECTION 43A(7) SHALL NOT BE LESS THAN 0% AND
SHALL NOT BE MORE THAN 7% PER ANNUM DETERMINED BY THE RETIREMENT
BOARD AND COMPOUNDED ANNUALLY. THE REGULAR INTEREST FOR AMOUNTS
ON DEPOSIT IN THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS PROVIDED
IN SECTION 43E SHALL BE DETERMINED AND CREDITED IN THE SAME
MANNER AS THE INTEREST ON AMOUNTS IN THE RESERVE FOR THE MEMBER
INVESTMENT PLAN UNDER SECTION 33.

(3) Except as otherwise provided in this subsection,
"reporting unit" means a public school district, intermediate
school district, public school academy, tax supported community
or junior college, or university, or an agency having employees
on its payroll who are members of this retirement system. The
reporting unit shall be the employer for purposes of this act. On
and after January 1, 1996, reporting unit does not include a
university, except to the extent that university has employees on
its payroll who are members of this retirement system.

(4) "Retirant" means a member who retires with a retirement
allowance payable from reserves of the retirement system.
(5) "Retirement allowance" means a payment for life or a temporary period provided for in this act to which a retirant, retirement allowance beneficiary, or refund beneficiary is entitled.

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

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

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

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

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

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

(4) "Teacher" means a person employed by a reporting unit who is engaged in teaching, who is engaged in administering and supervising teaching, or who is under a teacher's contract with a reporting unit, INCLUDING, BUT NOT LIMITED TO, TEACHERS, TEACHING ASSISTANTS, GUIDANCE COUNSELORS, PRINCIPALS, SUPERINTENDENTS, AND OTHER ADMINISTRATORS OVER AREAS THAT INTERACT DIRECTLY WITH STUDENTS.
(5) "TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER UNDER THIS ACT.

(6) "TIER 2" MEANS THE STATE OF MICHIGAN DEFERRED COMPENSATION PLAN I UNDER SECTION 457 OF THE INTERNAL REVENUE CODE, OR ANOTHER RETIREMENT PLAN ESTABLISHED PURSUANT TO THE INTERNAL REVENUE CODE THAT IS AVAILABLE TO QUALIFIED PARTICIPANTS UNDER ARTICLE 7.

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

Sec. 25. (1) The board shall have only the rights, authority, and discretion in the proper discharge of its duties provided in this act and former 1945 PA 136.

(2) The retirement board may promulgate rules pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, for the implementation and administration of this act. THE RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION, OPERATION,
1 **INVESTMENT, OR DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.**

2 Sec. 26. (1) **THIS SECTION DOES NOT APPLY TO TIER 2.**

3 (2) The state treasurer shall be treasurer of the retirement system and shall have investment authority, including the custodianship of the funds of the retirement system, and shall have fiduciary responsibility with regard to the investment of funds of the retirement system.

4 (3) The state treasurer shall deposit the funds of the retirement system in the same manner and subject to the law governing the deposit of state funds by the treasurer. Income earned by the retirement system's funds shall be credited to the respective reserves under this act that earned the income.

5 Sec. 41. (1) The annual level percentage of payroll contribution rate to finance benefits being provided and to be provided by the retirement system shall be determined by actuarial valuation pursuant to subsection (2) upon the basis of the risk assumptions that the retirement board and the department adopt after consultation with the state treasurer and an actuary. An annual actuarial valuation shall be made of the retirement system in order to determine the actuarial condition of the retirement system and the required contribution to the retirement system. An annual actuarial gain-loss experience study of the retirement system shall be made in order to determine the financial effect of variations of actual retirement system experience from projected experience.

6 (2) The contribution rate for benefits payable in the event of the death of a member before retirement or the disability of a
member shall be computed using a terminal funding method of valuation. Except as otherwise provided in this subsection, the contribution rate for other benefits shall be computed using an individual projected benefit entry age normal cost method of valuation. Except as otherwise provided in this section, for the 1995-96 state fiscal year and for each subsequent fiscal year, the contribution rate for health benefits provided under section 91 shall be computed using a cash disbursement method. For each fiscal year after the fiscal year in which the actuarial accrued liability for health benefits under section 91 is at least 100% funded by the health advance funding subaccount created under section 34(2), the contribution rate for health benefits provided under section 91 shall be computed using an individual projected benefit entry age normal cost method of valuation. The contribution rate for service likely to be rendered in the current year, the normal cost contribution rate, shall be equal to the aggregate amount of individual projected benefit entry age normal costs divided by 1% of the aggregate amount of active members' valuation compensation. Except as otherwise provided under this subsection, the contribution rate for unfunded service rendered before the valuation date, the unfunded actuarial accrued liability contribution rate, shall be the aggregate amount of unfunded actuarial accrued liabilities divided by 1% of the actuarial present value over a period not to exceed 50 years of projected valuation compensation, where unfunded actuarial accrued liabilities are equal to the actuarial present value of benefits, reduced by the actuarial present value of future normal
cost contributions and the actuarial value of assets on the valuation date. For the 2006-2007 state fiscal year, the contribution rate for unfunded service rendered before the valuation date shall be equal to 4.5% of the aggregate amount of unfunded actuarial accrued liabilities divided by 1% of the actuarial valuation annual compensation.

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

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

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

(6) Not later than 90 days after termination of each state fiscal year, the executive secretary of the retirement board shall certify to the director of the department and each reporting unit the actual aggregate compensation paid to public school employees during the preceding state fiscal year. Upon receipt of that certification, the director of the department shall compute any adjustment required to the amount due to a difference between the estimated and the actual aggregate compensation and the estimated and the actual actuarial employer
contribution rate. The difference, if any, shall be paid as provided in subsection (9). This subsection does not apply in a fiscal year in which a deposit occurs pursuant to subsection (14).

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

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

(9) For an employer of an employee of a local public school district or an intermediate school district, for differences occurring in fiscal years beginning on or after October 1, 1993, a minimum of 20% of the difference between the estimated and the actual aggregate compensation and the estimated and the actual actuarial employer contribution rate described in subsection (6), if any, shall be paid by that employer in the next succeeding state fiscal year and a minimum of 25% of the remaining difference shall be paid by that employer in each of the following 4 state fiscal years, or until 100% of the remaining difference is submitted, whichever first occurs. For an employer of other public school employees, for differences occurring in fiscal years beginning on or after October 1, 1991, a minimum of
20% of the difference between the estimated and the actual aggregate compensation and the estimated and the actual actuarial employer contribution rate described in subsection (6), if any, shall be paid by that employer in the next succeeding state fiscal year and a minimum of 25% of the remaining difference shall be paid by that employer in each of the following 4 state fiscal years, or until 100% of the remaining difference is submitted, whichever first occurs. In addition, interest shall be included for each year that a portion of the remaining difference is carried forward. The interest rate shall equal the actuarially assumed rate of investment return for the state fiscal year in which payment is made. This subsection does not apply in a fiscal year in which a deposit occurs pursuant to subsection (14).

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

(11) Beginning—EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, BEGINNING on the designated date, the actuary used by the retirement board shall assume a rate of return on investments of 8.00% per annum, as of the designated date, which rate may only be changed with the approval of the retirement board and the director of the department. BEGINNING ON JULY 1, 2010, THE ACTUARY USED BY THE RETIREMENT BOARD SHALL ASSUME A RATE OF
RETURN ON INVESTMENTS OF 7.00% PER ANNUM, WHICH RATE MAY ONLY BE
CHANGED WITH THE APPROVAL OF THE RETIREMENT BOARD AND THE
DIRECTOR OF THE DEPARTMENT FOR INVESTMENTS ASSOCIATED WITH
MEMBERS AS DESCRIBED IN SECTION 43A(7).

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

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

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

(15) Notwithstanding any other provision of this act, if the
retirement board establishes an arrangement and fund as described
in section 6 of the public employee retirement benefit protection
act, the benefits that are required to be paid from that fund
shall be paid from a portion of the employer contributions
described in this section or other eligible funds. The retirement
board shall determine the amount of the employer contributions or
other eligible funds that shall be allocated to that fund and
deposit that amount in that fund before it deposits any remaining
employer contributions or other eligible funds in the pension
fund.

SEC. 41B. (1) BEGINNING JULY 1, 2010, THE RETIREMENT SYSTEM
MAY DETERMINE A SEPARATE EMPLOYER CONTRIBUTION RATE FOR MEMBERS
WHO ARE DESCRIBED IN SECTION 43A(7). EXCEPT AS PROVIDED IN THIS
SECTION, THE RETIREMENT SYSTEM SHALL DETERMINE THE SEPARATE
EMPLOYER CONTRIBUTION RATE IN THE MANNER PRESCRIBED IN SECTION
41.

(2) THE RETIREMENT SYSTEM SHALL NOT DETERMINE A SEPARATE
EMPLOYER CONTRIBUTION RATE FOR MEMBERS WHO ARE DESCRIBED IN
SECTION 84A, BUT MEMBERS DESCRIBED IN SECTION 84A SHALL BE
TREATED AS MEMBERS FOR PURPOSES OF TIER 1, INCLUDING THE
DETERMINATION OF THE CONTRIBUTION RATE IN SECTION 41. EXCEPT AS
PROVIDED IN SUBSECTION (3), THE CONTRIBUTION FOR MEMBERS
DESCRIBED IN SECTION 84A SHALL BE DEPOSITED INTO THE RESERVE FOR
EMPLOYER CONTRIBUTIONS.

(3) An amount equal to the total projected contributions required under Section 131 to the Tier 2 accounts of members as described in Section 84A who are also qualified participants shall be calculated, paid and collected in addition to, and in the same manner as, the employer contribution amount calculated under Section 41. This amount shall not be deposited into the reserve for employer contributions, but shall be withheld by the retirement system and paid to the qualified participants account in Tier 2 on behalf of the qualified participant's employer in an amount required under Section 131.

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

(2) As authorized by resolution or other enabling act of its governing body, the employer shall pick up all contributions of a member made pursuant to SECTIONS 43a AND 43C for all compensation paid on or after January 1, 1987 and reported to the
retirement system. Although considered contributions of a member for certain purposes under this act, all contributions picked up shall be treated as paid by the employer in lieu of contributions by the employee. Contributions picked up as provided in this subsection shall be paid from the same source of funds that is used for paying compensation to the member. The employer may pick up these contributions by either a reduction to the member's cash salary, an offset against a future salary increase, or a combination of a reduction in salary and offset against a future salary increase. This subsection does not apply, and the employer shall not deduct, offset, or remit contributions, until the department receives notification from the United States internal revenue service that contributions picked up shall not be included as gross income of the member until they are distributed or made available to the member, retirant, retirement allowance beneficiary, or refund beneficiary.

(3) The employer shall deduct from a member's compensation the contributions for social security provided in Act No. 205 of the Public Acts of 1951, being sections 38.851 to 38.871 of the Michigan Compiled Laws 1951 PA 205, MCL 38.851 TO 38.871. Contributions shall be made while the member remains a public school employee. Each reporting unit official shall deduct the social security contributions from the compensation of each member for each payroll period after the date the employee becomes a member. Social security contributions shall be made notwithstanding that the minimum compensation provided by law is changed. Each member is considered to have agreed to the
(4) Each reporting unit official shall forward member investment plan contributions to the retirement system monthly:
ON A SCHEDULE AND IN A MANNER DETERMINED BY THE RETIREMENT SYSTEM.

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

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

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

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

Sec. 43a. (1) The contributions of a member who contributes to the member investment plan shall be deducted by the employer
and remitted as employer contributions to the retirement system pursuant to section 42. A member OTHER THAN A MEMBER DESCRIBED IN SUBSECTION (7) who contributes to the member investment plan is entitled to the benefits provided in sections 43b and 43c.

(2) Until December 31, 1989, a member who first became a member on or before December 31, 1989, and who elected or elects on or before December 31, 1989 to contribute to the member investment plan shall contribute 4% of the member's compensation to the member investment plan and beginning January 1, 1990 shall contribute 3.9% of the member's compensation to the member investment plan UNTIL THE MEMBER'S FIRST PAY DATE ON OR AFTER JULY 1, 2010. BEGINNING WITH THE MEMBER'S FIRST PAY DATE ON OR AFTER JULY 1, 2010, A MEMBER AS DESCRIBED IN THIS SUBSECTION SHALL CONTRIBUTE 6.9% OF THE MEMBER'S COMPENSATION TO THE MEMBER INVESTMENT PLAN.

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

(4) A member who first became a member on or before December
31, 1986 but did not perform membership service between December
31, 1986 and January 1, 1990, and who returns to membership
service on or after January 1, 1990 and before July 1, 2010 shall make the contributions described in subsection (7).

(5)

(5) A member who first became a member on or after January
1, 1990 and before July 1, 2008 shall make the contributions
described in subsection (7).

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

(5) (7) A member who first became a member on or after
January 1, 1990 and before July 1, 2010 shall
contribute the following amounts to the member investment plan
BEGINNING ON THE MEMBER'S FIRST PAY DATE ON OR AFTER JULY 1,
2010:
1 Member's annual school fiscal year earned compensation
2 Amount payable to the member investment plan
3 Not over $5,000.00 3% of member's compensation
4 Over $5,000.00 but not over $150.00, plus 3.6% of the
5 $15,000.00 excess over $5,000.00
6 Over $15,000.00 $510.00, plus 4.3%–7.3% of the
7 excess over $15,000.00

(6) A member who first became a member on or after July 1, 2008 shall contribute the following amounts until the member's first pay date beginning after July 1, 2010 to the member investment plan:

12 Member's annual school fiscal year earned compensation
13 Amount payable to the member investment plan
14 Not over $5,000.00 3% of member's compensation
15 Over $5,000.00 but not over $150.00, plus 3.6% of excess
16 $15,000.00 over $5,000.00
17 Over $15,000.00 $510.00, plus 6.4% of the
18 excess over $15,000.00

(7) A member who first became a member on or after July 1,
2010 shall contribute the following amounts to the member
INVESTMENT PLAN:

MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED COMPENSATION

AMOUNT PAYABLE TO THE MEMBER AMOUNT PAYABLE TO THE MEMBER

NOT OVER $5,000.00 3% OF MEMBER'S COMPENSATION

OVER $5,000.00 BUT NOT OVER $150.00, PLUS 3.6% OF EXCESS

OVER $5,000.00 OVER $5,000.00

OVER $15,000.00 $510.00, PLUS 4.3% OF THE

EXCESS OVER $15,000.00

(8) A MEMBER WHO FIRST BECAME A MEMBER ON OR AFTER JANUARY 1, 1990 AND BEFORE JULY 1, 2008 SHALL CONTRIBUTE THE FOLLOWING AMOUNTS TO THE MEMBER INVESTMENT PLAN UNTIL THE MEMBER'S FIRST PAY DATE ON OR AFTER JULY 1, 2010:

MEMBER'S ANNUAL SCHOOL FISCAL YEAR EARNED COMPENSATION

AMOUNT PAYABLE TO THE MEMBER AMOUNT PAYABLE TO THE MEMBER

NOT OVER $5,000.00 3% OF MEMBER'S COMPENSATION

OVER $5,000.00 BUT NOT OVER $150.00, PLUS 3.6% OF EXCESS

OVER $5,000.00 OVER $5,000.00

OVER $15,000.00 $510.00, PLUS 7.3% OF THE

EXCESS OVER $15,000.00

Sec. 43b. A member OTHER THAN A MEMBER DESCRIBED IN SECTION
who contributes to the member investment plan shall have
the eligibility requirements of section 81 except as follows:
   (a) The age 55 requirement of section 81(1)(a) shall not
apply.
   (b) The 10 years of credited service requirement of section
81(1)(b) shall be 5 years if the member is working as a public
school employee and the member received credited service in each
of the 5 school fiscal years immediately preceding the retirement
allowance effective date.

Sec. 43c. A member OTHER THAN A MEMBER DESCRIBED IN SECTION
43A(7) who contributes to the member investment plan, or the
retirement allowance beneficiary of that member, shall be
entitled to all of the following:
   (a) A 36-month averaging period for the computation of final
average compensation, as provided in section 4.
   (b) An annual increase in the retirement allowance. The
first increase will occur on the first October 1 that is at least
1 full year after the effective date of the retirement allowance.
Subsequent annual increases will occur on October 1 of each
subsequent year. The amount of the annual increase shall be equal
to 3% of the retirement allowance that would be payable as of the
date of the increase without application of this subdivision.
However, if the retirement allowance is being paid under section
85(2), the increase shall be based on the retirement allowance
that would have been paid under the payment option selected by
the member under section 85(1).
   (c) The credited service eligibility requirement applicable
to the survivor benefits provided in section 89 shall be reduced as follows:

(i) The 15 years of credited service requirement shall be 10 years.

(ii) The 10 years of credited service requirement shall be 5 years.

SEC. 43E. ANY MEMBER WHO IS NOT REQUIRED TO CONTRIBUTE TO THE MEMBER INVESTMENT PLAN UNDER SECTION 43A SHALL CONTRIBUTE 3% OF THE MEMBER'S COMPENSATION TO THE RESERVE FOR EMPLOYEE CONTRIBUTIONS. THE MEMBER CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AND REMITTED AS EMPLOYER CONTRIBUTIONS TO THE RETIREMENT SYSTEM PURSUANT TO SECTION 42.

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

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

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

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

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

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

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

(c) A university that employs a retirant pursuant to this subsection shall report such employment to the retirement system by July 1 of each year. The report to be filed shall include the name of the retirant, the capacity in which the retirant is employed, and the total annual compensation paid to the retirant.

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

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

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

(5) On or before July 1, 1999, the state superintendent of public instruction shall compile a listing of critical shortage disciplines. This listing shall be updated annually.

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

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

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

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

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

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

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

(B) THE MEMBER TERMINATED SERVICE AS A PUBLIC SCHOOL EMPLOYEE ON OR AFTER JUNE 30, 2010.

(C) AT THE TIME OF TERMINATION THE MEMBER WAS AT LEAST 60 YEARS OF AGE AND MET THE SERVICE REQUIREMENT TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS ACT.

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

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

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

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

(9) FOR EACH FISCAL YEAR THAT BEGINS ON OR AFTER JULY 1, 2011, THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE RETIREMENT BOARD MAY ELECT TO DISCONTINUE POSTRETIREMENT OPTION POSITIONS AS DESCRIBED IN SUBSECTION (8).
(10) Notwithstanding any other provision of this Act, a retirant who otherwise met the requirements of subsection (8) but exceeds the number of hours worked as provided in subsection (8)(E)(i) shall be subject to the earnings limitation as provided in subsection (1).

(11) A reporting unit has the sole discretion to determine if, and the extent to which, a postretirement option position under this section will be made available to a terminating member or retirant.

(12) Postretirement option employment shall be for an initial period not to exceed 1 school fiscal year. At the end of the initial and any subsequent period, the reporting unit has the sole discretion to determine if the offer of a postretirement option position will be renewed, renewed with modifications, or terminated. Postretirement option positions may be renewed for up to 1 school fiscal year at a time, but not to exceed a total of 3 school fiscal years. A retirant may not be employed in a postretirement option position, or a combination of postretirement option positions, for a total of more than 3 school fiscal years.

(13) A retirant will not earn any service credit under this act while employed in a postretirement option position. No change to a retirant's retirement allowance shall made on account of employment in a postretirement option position.

(14) Notwithstanding any other provision of this act and except as provided in this subsection, if a retirant exceeds the earnings limitation in subsection (1), the retirant shall
REIMBURSE THE RETIREMENT SYSTEM AN AMOUNT EQUAL TO THE RETIRANT
HEALTH CARE COSTS PAID BY THE RETIREMENT SYSTEM THAT IS
PROPORTIONATE TO THE AMOUNT OF WAGES BY WHICH HE OR SHE EXCEEDED
THE EARNINGS LIMITATION, AS CALCULATED BY THE RETIREMENT SYSTEM.
THIS SUBSECTION DOES NOT APPLY TO A RETIRANT WHO IS EXCLUDED FROM
THE APPLICATION OF SUBSECTION (1) BASED ON SUBSECTIONS (3) TO
(7), OR SUBSECTION (8) IF THE RETIRANT HAS NOT EXCEEDED THE
NUMBER OF HOURS WORKED AS PROVIDED IN SUBSECTION (8)(E)(i).

Sec. 81. (1) A—EXCEPT AS PROVIDED IN SECTION 81C, A member
who no longer is working as a public school employee or in any
other capacity for which service credit performed in this state
is allowed under this act, upon the member's written application
to the retirement system, shall be entitled to a retirement
allowance provided for in section 84 if 1 of the following
applies:

(a) The member is 55 years of age or older and has 30 or
more years of credited service as provided under this act of
which at least 15 years were served as a public school employee.

(b) The member is 60 years of age or older and has
accumulated 10 or more years of credited service as a public
school employee.

(c) The member is 55 years of age or older and has 15 or
more years of credited service, but less than 30 years of
credited service of which the last 5 consecutive years are
immediately preceding the member's retirement allowance effective
date.

(2) For—EXCEPT AS PROVIDED IN SECTION 81C, FOR a member who
contributes to the member investment plan, the eligibility requirements of subsection (1) shall be modified as provided in section 43b.

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

(A) THE MEMBER FILES A WRITTEN APPLICATION WITH THE RETIREMENT BOARD WITHIN THE INCENTIVIZED RETIREMENT APPLICATION PERIOD STATING A RETIREMENT ALLOWANCE EFFECTIVE DATE THAT IS ON OR AFTER JULY 1, 2010 BUT NOT LATER THAN SEPTEMBER 1, 2010. A MEMBER MAY WITHDRAW A WRITTEN APPLICATION SUBMITTED BY A MEMBER ON OR BEFORE MAY 31, 2010. A WRITTEN APPLICATION SUBMITTED BY A MEMBER AND NOT WITHDRAWN ON OR BEFORE MAY 31, 2010 IS IRREVOCABLE.

(B) ON THE LAST DAY OF THE MONTH IMMEDIATELY PRECEDING THE RETIREMENT ALLOWANCE EFFECTIVE DATE STATED IN THE APPLICATION, THE MEMBER'S AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER THAN THE REQUIREMENTS TO QUALIFY FOR A RETIREMENT ALLOWANCE UNDER SECTION 81 THAT IS NOT SUBJECT TO REDUCTION PURSUANT TO SECTION 84(2).

(C) THE MEMBER WAS EMPLOYED AS A PUBLIC SCHOOL EMPLOYEE FOR THE 6-MONTH PERIOD ENDING APRIL 15, 2010. A MEMBER WHO IS ON LAYOFF STATUS FROM REPORTING UNIT EMPLOYMENT IS CONSIDERED TO HAVE MET THE EMPLOYMENT REQUIREMENT OF THIS SUBDIVISION.

(2) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION, A MEMBER SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED
SERVICE MULTIPLIED BY 1.6% OF THE MEMBER'S FINAL AVERAGE COMPENSATION.


(4) FOR PURPOSES OF THIS SECTION, "INCENTIVIZED RETIREMENT APPLICATION PERIOD" MEANS THE PERIOD BEGINNING ON APRIL 15, 2010 AND ENDING ON MAY 15, 2010.

(5) ANY ADDITIONAL COSTS TO THE RETIREMENT SYSTEM AS A RESULT OF THE RETIREMENT ALLOWANCE CALCULATIONS UNDER SUBSECTION (2) SHALL BE AMORTIZED OVER A 5-YEAR PERIOD.

SEC. 81C. (1) A MEMBER AS DESCRIBED IN SECTION 43A(7) WHO NO LONGER IS WORKING AS A PUBLIC SCHOOL EMPLOYEE OR IN ANY OTHER CAPACITY FOR WHICH SERVICE CREDIT PERFORMED IN THIS STATE IS
ALLOWED UNDER THIS ACT, UPON THE MEMBER'S WRITTEN APPLICATION TO
THE RETIREMENT SYSTEM, SHALL BE ENTITLED TO A RETIREMENT
ALLOWANCE PROVIDED FOR IN SECTION 84(1) IF THE MEMBER IS 65 YEARS
OF AGE OR OLDER AND HAS ACCUMULATED 10 OR MORE YEARS OF CREDITED
SERVICE PURSUANT TO SECTION 68 AS A PUBLIC SCHOOL EMPLOYEE.

(2) THE ELIGIBILITY REQUIREMENTS OF SUBSECTION (1) SHALL NOT
BE MODIFIED AS PROVIDED IN SECTION 43B.

(3) THE REDUCTION PROVIDED FOR IN SECTION 84(2) SHALL NOT
APPLY TO A PERSON WHO RETIRES PURSUANT TO THIS SECTION.

(4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A
MEMBER DESCRIBED IN SECTION 43A(7) SHALL NOT PURCHASE OR TRANSFER
SERVICE CREDIT UNDER ARTICLE 4 AND SHALL NOT HAVE ANY PURCHASED
OR TRANSFERRED SERVICE CREDIT INCLUDED IN THE CALCULATION OF A
RETIREMENT ALLOWANCE UPON RETIREMENT.

Sec. 84. (1) Except as provided in subsection (2) AND
SECTION 84A, upon the member's retirement from service as
provided in section 81, a member shall receive a retirement
allowance that equals the product of the member's total years,
and fraction of a year, of credited service multiplied by 1.5% of
the member's final average compensation. A member shall not be
allowed to use more than 15 years of out of system public
education service, or more out of system public education service
than service performed under this act or former Act No. 136 of
the Public Acts of 1945-1945 PA 136 unless, before July 1, 1974,
the member applied for out of system public education service
credit based upon payment of contributions for the service as
required under section 69, or former acts in which case the total
out of system public education service credited, not to exceed 15 years, shall be used to compute the member's retirement allowance if the minimum service requirements performed under this act or former acts or as a state employee under the state employees' retirement act, Act No. 240 of the Public Acts of 1943, as amended, 1943 PA 240, MCL 38.1 TO 38.69, are met. Credit for state of Michigan service shall be on the same basis for eligibility for retirement provided in this act as if the service were performed under this act, former Act No. 136 of the Public Acts of 1945, 1945 PA 136, former Act No. 56 of the Public Acts of 1941, 1941 PA 56, or former Act No. 184 of the Public Acts of 1937-1937 PA 184.

(2) If a member having less than 30 years credited service retires before the member's sixtieth birthday as provided in section 81, the member's retirement allowance provided in subsection (1) shall be reduced 1/2 of 1% for each month, and fraction of a month, within the period from the effective date of the member's retirement to the date of the member's sixtieth birthday, and shall continue at that same percentage after becoming 60 years of age.

(3) The reduction of 1/2 of 1% for each month and fraction of a month from the member's retirement allowance effective date to the date of the member's sixtieth birthday provided for in former Act No. 136 of the Public Acts of 1945-1945 PA 136, applicable to a member who retired before July 1, 1974 and before attainment of age 60, shall not apply to a member who retired before that date, at age 55 or more, having 30 or more years of
credited service. The retirement allowance shall be recalculated disregarding the reduction and the person receiving the retirement allowance shall be eligible to receive an adjusted retirement allowance based on the recalculation beginning January 1, 1986, but shall not be eligible to receive the adjusted amount attributable to any month beginning before January 1, 1986.

(4) The reduction provided for in subsection (2) shall not apply to a member who retires under either section 86 or 87, or to a retirement allowance beneficiary who is granted an allowance under section 43c(c), 89, or 90.

(5) The retirement allowance of a person who satisfies the requirements of this subsection shall be recalculated based on 1.5% of final average compensation times years of credited service. The person receiving the retirement allowance shall be eligible to receive an adjusted retirement allowance based on the recalculation beginning January 1, 1986, but shall not be eligible to receive the adjusted amount attributable to any month beginning before January 1, 1986. A retirement allowance shall be recalculated under this subsection if 1 of the following applies:

(a) The retirement allowance was payable to a retirant or retirement allowance beneficiary under chapter II of former Act No. 136 of the Public Acts of 1945 and the retirement allowance effective date was on or after July 1, 1956 but before July 1, 1974.

(b) The retirement allowance was payable to a plan II retirant or retirement allowance beneficiary under chapter I of former Act No. 136 of the Public Acts of 1945 and the
retirement allowance effective date was before July 1, 1974.

(6) A member retiring pursuant to section 81 who acquires at least 5 years of combined credited service under this act or under former Act No. 136 of the Public Acts of 1945, 1945 PA 136, and who is already in receipt of a retirement allowance under chapter II of former Act No. 136 of the Public Acts of 1945, 1945 PA 136, may elect to return to the retirement system any retirement allowance payments received, and receive a single retirement allowance computed on the combined years of service credited under this act and any former act.

SEC. 84A. (1) A MEMBER WHO FIRST REACHES 30 YEARS OF EARNED SERVICE CREDIT ON OR AFTER OCTOBER 1, 2010 SHALL HAVE NO MORE THAN 30 YEARS OF EARNED SERVICE CREDIT INCLUDED IN THE CALCULATION OF A RETIREMENT ALLOWANCE UPON RETIREMENT.

(2) A MEMBER WHO HAS MORE THAN 30 YEARS OF EARNED SERVICE CREDIT AS OF OCTOBER 1, 2010 SHALL HAVE NO MORE THAN THE YEARS OF EARNED SERVICE CREDIT ACCRUED AS OF OCTOBER 1, 2010 INCLUDED IN THE CALCULATION OF A RETIREMENT ALLOWANCE UPON RETIREMENT.

(3) BEGINNING ON OCTOBER 1, 2010, ANY MEMBER DESCRIBED IN SUBSECTIONS (1) OR (2) SHALL CEASE ACCRUING EARNED SERVICE CREDIT IN TIER 1 FOR PURPOSES OF CALCULATING A RETIREMENT ALLOWANCE AND SHALL BECOME A QUALIFIED PARTICIPANT IN TIER 2 UNDER SECTION 124. THE RETIREMENT SYSTEM SHALL DETERMINE THE METHOD AND TIME FRAME FOR PARTICIPATION IN TIER 2.

(4) THIS SECTION DOES NOT APPLY TO A MEMBER DESCRIBED IN SECTION 43A(7) OR TO A MEMBER WHOSE EFFECTIVE DATE OF RETIREMENT HAS BEEN EXTENDED UNDER SECTION 81B(3).
(5) FOR PURPOSES OF THIS SECTION, "EARNED SERVICE CREDIT" DOES NOT INCLUDE ANY SERVICE CREDIT THAT IS PURCHASED UNDER THIS ACT.

Sec. 86. (1) A member whom the retirement board finds to have become totally and permanently disabled for purposes of employment by his or her reporting unit by reason of personal injury or mental or physical illness before termination of reporting unit service and employment shall receive a disability allowance if all of the following requirements are met:

(a) The member has not met age and service requirements of section 81(a)–81(1)(A) OR, IF THE MEMBER IS DESCRIBED IN SECTION 43A(7), THE MEMBER HAS NOT MET AGE AND SERVICE REQUIREMENTS OF SECTION 81C(1).

(b) The member has at least 10 years of credited service in effect before termination of employment.

(c) The member or reporting unit makes written application to the retirement board not more than 12 months after the date the member terminated public school employment.

(d) The person undergoes an examination by 1 or more practicing physicians or medical officers designated by the retirement board who certify to the retirement board that the member is totally and permanently disabled for performing the duties for the member's position or similar position for which the member is qualified by reason of training, experience, or both.

(2) The retirement board may extend the application time limit provided in subsection (1) not more than 24 months for a
member or deferred member who satisfies the other requirements of subsection (1), if evidence of extenuating circumstances is presented to the satisfaction of the retirement board.

(3) The member's disability retirement allowance shall be computed pursuant to section 84. The effective date of the disability retirant's allowance shall be determined pursuant to section 83.

Sec. 87. (1) A member whom the retirement board finds to have become totally and permanently disabled from any gainful employment by reason of personal injury or mental or physical illness while serving as an employee of that reporting unit shall receive a duty disability retirement allowance if all of the following requirements are met:

(a) The member has not met age and service requirements of section 81(a) or (b) OR, IF THE MEMBER IS DESCRIBED IN SECTION 43A(7), THE MEMBER HAS NOT MET AGE AND SERVICE REQUIREMENTS OF SECTION 81C(1).

(b) The member is in receipt of weekly worker's disability compensation on account of employment by a reporting unit.

(c) The member or reporting unit makes written application to the retirement board not more than 12 months after the date the member terminated public school employment.

(d) The member undergoes an examination by 1 or more practicing physicians or medical officers designated by the retirement board who certify to the retirement board that the member is totally and permanently disabled for performing the duties for the member's position for which the member is
qualified by reason of training, or experience, or both.

(2) The member's duty disability retirement allowance shall be computed pursuant to section 84. The effective date of the duty disability retirant's allowance shall be the first of the month following the month in which the member terminates employment and is in receipt of weekly worker's disability compensation. The years of service credit used in computing the retirant's duty disability retirement allowance shall not be less than 10 years. If the member has less than 5 consecutive years of credited service, the average of the member's annual compensation shall be used.

(3) Upon recovery and return to reporting unit service or upon termination of the statutory period for the payment of a disability retirant's worker's disability compensation, if any, arising on account of the retirant's reporting unit service, the retirant shall be given service credit for the period and the retirant's disability retirement allowance shall be adjusted to include the additional credit.

Sec. 88. (1) The retirement board may require a duty or nonduty disability retirant to submit to a medical examination by a practicing physician or a medical officer designated by the retirement board as necessary for proof of eligibility for continuance of the disability allowance. The retirement board may require each disability retirant who is 59 years of age or less or 64 years of age or less for a disability retirant who was a member described in section 43A(7) to submit a sworn affidavit during January of each year, in the form and manner prescribed by
the retirement board, attesting that the retirant believes
himself or herself to be totally and permanently disabled for the
same reason for which the disability allowance was granted, and
disclosing any significant change in physical or mental condition
that occurred during the preceding 12-month period because of
medical treatment. A retirant who submits information with intent
to deceive may have the disability retirement allowance revoked
by the retirement board.

(2) The retirement board may discontinue a nonduty
disability retirement allowance if medical examination reports
indicate that the retirant no longer is disabled. If a nonduty
disability retirant refuses to submit to an examination, the
retirant's disability retirement allowance may be discontinued
until withdrawal of the refusal. If a refusal continues for 12
months, the retirant's rights to a nonduty disability retirement
allowance shall be revoked by the retirement board. However, upon
the retirant's sixtieth birthday OR SIXTY-FIFTH BIRTHDAY FOR A
RETIRANT WHO WAS A MEMBER DESCRIBED IN SECTION 43A(7), the
retirant shall be paid a retirement allowance based on the final
average compensation, service, and benefit formula as of the
effective date of the retirant's nonduty disability retirement
allowance if the retirant's contributions are left on deposit. If
the nonduty disability retirant returns to membership service
after termination of a disability allowance, the retirant shall
again become a member of the retirement system. The retirant's
credited service in effect at the time of disability retirement
shall be restored.
(3) If, upon examination of a duty disability retirant, the medical report indicates that the retirant no longer is disabled and is capable of resuming public school employment, the retirant shall be restored to active service with the reporting unit from which the person terminated employment and the duty disability retirement allowance shall cease. Payment of the duty disability retirement allowance shall continue until the retirant is actually returned to reporting unit service in a position for which the retirant is qualified by reason of training, or experience, or both. The retirant again shall become a member of the retirement system and the retirant's credited service in effect at the time of duty disability retirement shall be restored. If the retirant refuses to either submit to a medical examination or to return to reporting unit service and if either refusal continues for 12 months, the retirant's rights to a duty disability retirement shall cease. A lump sum payment shall be made of the difference between the retirant's accumulated contributions at time of retirement and the aggregate amount of the retirant's disability retirement allowance payments, unless the retirant has acquired 10 or more years of credited service before the time of his or her duty disability allowance. In that event, upon the retirant's sixtieth birthday or sixty-fifth birthday for a retirant who was a member described in Section 43A(7), the retirant shall be paid a retirement allowance based upon the final average compensation, service, and benefit formula as of the effective date of the duty disability retirement allowance, if the retirant's contributions as a member are left
on deposit.

(4) If a disability retirant becomes engaged in gainful employment, and if the total of the retirant's income from the employment and retirement allowance exceeds the retirant's final average compensation, the retirement allowance shall be reduced to an amount which when added to the amount earned by the retirant equals the retirant's final average compensation. For purposes of computing allowable earnings under this subsection, the final average compensation shall be increased by 2% for each 12 months elapsed after the date the retirement allowance commenced. This subsection shall not apply on or after the date the duty or nonduty disability retirant otherwise would have been eligible for an age and service retirement allowance if the retirant had not become disabled, but the retirant shall be subject to section 61.

Sec. 89. (1) If a member who continues as a public school employee on or after either the date the member has 15 years of credited service in effect, or the date of the member's sixtieth birthday OR SIXTY-FIFTH BIRTHDAY FOR A MEMBER DESCRIBED IN SECTION 43A(7), if the member has 10 years of credited service in effect, dies before the effective date of his or her retirement and leaves a surviving spouse to whom the deceased member was married at time of death, the surviving spouse shall receive a retirement allowance computed in the same manner as if the deceased member had retired effective the day preceding the date of the deceased member's death, elected the option set forth in subsection (3), and nominated the surviving spouse as retirement
allowance beneficiary. The surviving spouse's retirement allowance shall terminate upon the surviving spouse's death. A surviving spouse who on June 27, 1984, is receiving a retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945 shall be eligible to continue receiving that retirement allowance regardless of the surviving spouse's remarriage. A surviving spouse whose retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945 was terminated due to the surviving spouse's remarriage shall be eligible to receive that allowance beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the allowance attributable to any month beginning before the month of reinstatement under this section. A surviving spouse of a person who was a deferred member on October 31, 1980, who becomes eligible to receive a retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945, shall be eligible to receive that retirement allowance and that allowance shall not be subject to termination because of the surviving spouse's remarriage.

(2) If the other requirements of subsection (1) are met but a surviving spouse does not exist, each of the deceased member's surviving children less than 18 years of age shall receive an allowance of an equal share of the retirement allowance which would have been paid to the spouse if living at the time of the
deceased member's death. Payments under this subsection shall cease upon the surviving child's marriage, adoption, or becoming 18 years of age, whichever occurs first.

(3) A member who continues as a public school employee on or after either the date the member has 15 years of credited service in effect, or the date of the member's sixtieth birthday OR SIXTY-FIFTH BIRTHDAY FOR A MEMBER DESCRIBED IN SECTION 43A(7), if the member has 10 years of credited service in effect, may elect the option provided in section 85(1)(b) and nominate a retirement allowance beneficiary as provided in section 85(3). The election shall be in writing and filed with the retirement board in a manner and form prescribed by the retirement board. The election shall be void upon the member's retirement, termination of employment except as provided in section 82(2), divorce, the retirement allowance beneficiary's death, or upon the retirement allowance beneficiary no longer being dependent upon the member before the member's death. If a member who has an option election under section 85(1)(b) in effect dies before the effective date of his or her retirement, the member's retirement allowance beneficiary, so long as the beneficiary continues to be so dependent, shall receive the same retirement allowance as the retirement allowance beneficiary would have been entitled to receive under the option provided in section 85(1)(b) if the member had been regularly retired pursuant to section 81 or 82 the day preceding the date of the member's death, even though the member may not have acquired entitlement to service retirement. The surviving spouse of the deceased member shall be presumed to
be 50% dependent on the deceased member for his or her own
financial support. The surviving spouse's retirement allowance
shall terminate upon the surviving spouse's death.

(4) If at the time a retirement allowance beneficiary's
retirement allowance granted by this section is terminated, the
aggregate amount of retirement allowance payments received by the
retirement allowance beneficiary are less than the accumulated
contributions credited to the deceased member's account in the
reserve for employee contributions at the time of the deceased
member's death, the difference between the deceased member's
accumulated contributions and the aggregate amount of retirement
allowance payments received by the retirement allowance
beneficiary shall be paid to the deceased member's refund
beneficiary.

(5) For a member who contributes to the member investment
plan, the credited service eligibility requirement applicable to
the survivor benefits provided in this section are subject to
section 43c.

Sec. 91. (1) Except as otherwise provided in this section,
the retirement system shall pay the entire monthly premium or
membership or subscription fee for hospital, medical-surgical,
and sick care benefits for the benefit of a retirant or
retirement allowance beneficiary who elects coverage in the plan
authorized by the retirement board and the department. Except as
otherwise provided in subsection (8), this subsection does not
apply to a retirant who first becomes a member after June 30,
2008.
(2) The retirement system may pay up to the maximum of the amount payable under subsection (1) toward the monthly premium for hospital, medical-surgical, and sick care benefits for the benefit of a retirant or retirement allowance beneficiary enrolled in a group health insurance or prepaid service plan not authorized by the retirement board and the department, if enrolled before June 1, 1975, for whom the retirement system on July 18, 1983 was making a payment towards his or her monthly premium.

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

(4) The retirement system shall pay 90% of the monthly premium or membership or subscription fee for dental, vision, and hearing benefits for the benefit of a retirant or HIS OR HER retirement allowance beneficiary who RETIRES BEFORE OCTOBER 1, 2010 AND elects coverage in the plan authorized by the retirement board and the department IN THE MANNER PRESCRIBED BY THE RETIREMENT SYSTEM. Payments shall begin under this subsection upon approval by the retirement board and the department of plan coverage and a plan provider. Except as otherwise provided in subsection (8), this subsection does not apply to a retirant who first becomes a member after June 30, 2008.

(5) The retirement system shall pay up to 90% of the maximum of the amount payable under subsection (1) toward the monthly
premium or membership or subscription fee for hospital, medical-
surgical, and sick care benefits coverage described in
subsections (1) and (2) for each health insurance dependent of a
retirant receiving benefits under subsection (1) or (2). Payment
shall not exceed 90% of the actual monthly premium or membership
or subscription fee. The retirement system shall pay 90% of the
monthly premium or membership or subscription fee for dental,
vision, and hearing benefits described in subsection (4) for the
benefit of each health insurance dependent of a retirant
receiving benefits under subsection (4). Payment for health
benefits coverage for a health insurance dependent of a retirant
shall not be made after the retirant's death, unless the retirant
designated a retirement allowance beneficiary as provided in
section 85 and the dependent was covered or eligible for coverage
as a health insurance dependent of the retirant on the retirant's
date of death. Payment for health benefits coverage shall not be
made for a health insurance dependent after the later of the
retirant's death or the retirement allowance beneficiary's death.
Payment under this subsection and subsection (6) began October 1,
1985 for health insurance dependents who on July 10, 1985 were
covered by the hospital, medical-surgical, and sick care benefits
plan authorized by the retirement board and the department.
Payment under this subsection and subsection (6) for other health
insurance dependents shall not begin before January 1, 1986.
Except as otherwise provided in subsection (8), this subsection
does not apply to a retirant who first becomes a member after
June 30, 2008.
(6) The payment described in subsection (5) shall also be made for each health insurance dependent of a deceased member or deceased duty disability retirant if a retirement allowance is being paid to a retirement allowance beneficiary because of the death of the member or duty disability retirant as provided in section 43c(c), 89, or 90. Payment for health benefits coverage for a health insurance dependent shall not be made after the retirement allowance beneficiary's death.

(7) The payments provided by this section shall not be made on behalf of a retiring section 82 deferred member or health insurance dependent of a deferred member having less than 21 full years of attained credited service or the retiring deferred member's retirement allowance beneficiary, and shall not be made on behalf of a retirement allowance beneficiary of a deferred member who dies before retiring. The retirement system shall pay, on behalf of a retiring section 82 deferred member or health insurance dependent of a deferred member or a retirement allowance beneficiary of a deceased deferred member, either of whose allowance is based upon not less than 21 years of attained credited service, 10% of the payments provided by this section, increased by 10% for each attained full year of credited service beyond 21 years, not to exceed 100%. This subsection applies to any member who first became a member on or before June 30, 2008 and attains deferred status under section 82 after October 31, 1980.

(8) For a member or deferred member who first becomes a member after June 30, 2008, the retirement system shall pay up to
90% of the monthly premium or membership or subscription fee for the hospital, medical-surgical, and sick care benefits plan, the dental plan, vision plan, and hearing plan, or any combination of the plans for the benefit of the retirant and his or her retirement allowance beneficiary and health insurance dependents, or for the benefit of the deceased member's retirement allowance beneficiary if the retirant or deceased member has 25 years or more of service credit under this act, and the retirant, deceased retirant, or deceased member was at least 60 years of age at the time of application for benefits under this section. If the retirant or deceased member is less than 60 years of age at the time of application for benefits under this section, the retirement system shall pay 90% of the monthly premium or membership or subscription fee for the hospital, medical-surgical, and sick care benefits plan, the dental plan, vision plan, and hearing plan, or any combination of the plans for the benefit of the retirant and his or her retirement allowance beneficiary and the retirant's health insurance dependents, or for the benefit of the deceased member's retirement allowance beneficiary if the retirant or deceased member has 25 or more years of service credit granted under section 68. If a retirant, deceased retirant, or deceased member described in this subsection has 10 or more but less than 25 years of service credit under this act and the retirant was at least 60 years of age at the time of application for benefits under this section, the retirement system shall pay a portion of the monthly premium or membership or subscription fee for the plans or combination of
plans equal to the product of 3% and the retirant's, deceased retirant's, or deceased member's years of service for the first 10 years and 4% for each year after the first 10 years. This subsection does not apply to a member who receives a disability retirement allowance under section 86 or 87 or to a deceased member's retirement allowance beneficiary under section 90.

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

(10) A member who retires under section 43b or 81 and who elects to purchase service credit on or after July 1, 2008 is not eligible for payments under this section for the hospital, medical-surgical, and sick care benefits plan, the dental plan, vision plan, or hearing plan, or any combination of the plans described in this section until the first date that the member would have been eligible to retire under section 43b or 81 if he or she had not purchased the service credit and had accrued a sufficient amount of service credit under section 68. A member who first becomes a member on or after July 1, 2008 shall not be eligible for health benefits under this subsection until at least the time of application under subsection (8). The retirement system shall apply a method that enables it to make the determination under this subsection.
(11) Except for a member who retires under section 86 or 87 or a member who meets the requirements under subsection (7) or (8), the retirement system shall not pay the benefits provided in subsection (1) or (4) unless the member was employed and has received a minimum total of 1/2 of a year of service credit granted pursuant to section 68 during the 2 school fiscal years immediately preceding the member's retirement allowance effective date or the member has received a minimum of 1/10 of a year of service credit granted pursuant to section 68 during each of the 5 school fiscal years immediately preceding the member's retirement allowance effective date.

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

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

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

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

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

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

(15) For purposes of this section:

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

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

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

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

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

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

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

(b) "Medicaid" means benefits under the federal medicaid
program established under title XIX of the social security act,
42 USC 1396 to 1396v.
(c) "Medicare" means benefits under the federal medicare
program established under title XVIII of the social security act,
42 USC 1395 to 1395hhh.

ARTICLE 7

SEC. 121. FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND
PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED
TO THEM IN THOSE SECTIONS.

SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE
IN A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR
REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

(2) "COMPENSATION" MEANS THE REMUNERATION PAID A PARTICIPANT
ON ACCOUNT OF THE PARTICIPANT'S SERVICES RENDERED TO HIS OR HER
EMPLOYER EQUAL TO THE SUM OF THE FOLLOWING:

(A) A PARTICIPANT'S W-2 EARNINGS FOR SERVICES PERFORMED FOR
THE EMPLOYER.

(B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF
THE PARTICIPANT WHICH IS EXCLUDED FROM GROSS INCOME UNDER SECTION
125, 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE
CODE, 26 USC 125, 132, 401, 403, AND 457.

SEC. 123. (1) "EMPLOYER" MEANS A REPORTING UNIT.

(2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO
WAS A QUALIFIED PARTICIPANT AND WHO TERMINATES THE EMPLOYMENT
UPON WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

SEC. 124. (1) "PLAN DOCUMENT" MEANS THE DOCUMENT THAT
CONTAINS THE PROVISIONS AND PROCEDURES OF TIER 2 IN CONFORMITY
WITH THIS ACT AND THE INTERNAL REVENUE CODE.

(2) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING REQUIREMENTS:

(A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2010, AND WHO ALSO QUALIFIES TO BE A MEMBER OF TIER 1 AS DESCRIBED IN SECTION 43A(7).

(B) AN INDIVIDUAL WHO HAS REACHED THE MAXIMUM AMOUNT OF YEARS OF EARNED SERVICE CREDIT FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE PURSUANT TO SECTION 84A.

(3) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER SECTION 134 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 135.

(4) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

SEC. 125. (1) THE DEPARTMENT SHALL ADMINISTER TIER 2 AND SHALL BE THE FIDUCIARY AND TRUSTEE OF TIER 2. THE DEPARTMENT MAY APPOINT AN ADVISORY BOARD TO ASSIST THE DEPARTMENT IN CARRYING OUT HIS OR HER DUTIES AS FIDUCIARY AND TRUSTEE.

(2) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND PROCEDURES OF TIER 2 AND THE PLAN DOCUMENT IN CONFORMITY WITH THIS ACT AND THE INTERNAL REVENUE CODE.

(3) THE DEPARTMENT HAS THE EXCLUSIVE AUTHORITY AND RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR SERVICES THAT THE DEPARTMENT DETERMINES NECESSARY FOR THE PROPER ADMINISTRATION OF AND INVESTMENT OF ASSETS OF TIER 2, INCLUDING,
BUT NOT LIMITED TO, MANAGERIAL, PROFESSIONAL, LEGAL, CLERICAL, 
TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR SERVICES. 

(4) EACH EMPLOYER SHALL BE DEEMED TO HAVE ADOPTED AND SHALL 
COMPLY WITH THE PROVISIONS AND PROCEDURES OF TIER 2 AND THE PLAN 
DOCUMENT. 

SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED 
PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY 
REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER 
TIER 2. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A 
HEARING THAT SHALL BE CONducted PURSUANT TO CHAPTER 4 OF THE 
ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO 
24.287. AN INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER 
AUTHORIZED AGENT AT A HEARING CONducted UNDER THIS SECTION. 

(2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES 
24.292, DO NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION, 
ADMINISTRATION, OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 2. 

SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED 
PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT 
OF THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE 
CONTRIBUTIONS AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN 
AVAILABLE CATEGORIES OF INVESTMENT PROVIDED BY THE DEPARTMENT. 

THE LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS 
PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT, 
1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 2. 

SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE 
PAID BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED
PARTICIPANTS, AND REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER DETERMINED BY THE DEPARTMENT.

SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A RETIREMENT PLAN ESTABLISHED BY THIS STATE OR OTHER PUBLIC SECTOR EMPLOYER UNDER THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS SECTION, "PUBLIC SECTOR EMPLOYER" INCLUDES, BUT IS NOT LIMITED TO, A REPORTING UNIT.

SEC. 131. (1) THIS SECTION IS SUBJECT TO THE VESTING REQUIREMENTS OF SECTION 132.

(2) THE EMPLOYER OF A QUALIFIED PARTICIPANT UNDER SECTION 124(2)(B) SHALL CONTRIBUTE TO THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT AN AMOUNT EQUAL TO 4% OF THE QUALIFIED PARTICIPANT'S COMPENSATION.

(3) UNLESS A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION 124(2)(B) AFFIRMATIVELY ELECTS NOT TO CONTRIBUTE OR ELECTS TO CONTRIBUTE A LESSER AMOUNT, A QUALIFIED PARTICIPANT UNDER SECTION 124(2)(B) SHALL CONTRIBUTE 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

(4) UNLESS A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION 124(2)(A) AFFIRMATIVELY ELECTS NOT TO CONTRIBUTE OR ELECTS TO CONTRIBUTE A LESSER AMOUNT.
CONTRIBUTE A LESSER AMOUNT, A QUALIFIED PARTICIPANT SHALL
CONTRIBUTE 2% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2
ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A
CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT IN AN
AMOUNT EQUAL TO 50% OF THE FIRST 2% OF COMPENSATION CONTRIBUTION
MADE BY THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

(5) A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION
124(2)(A) OR 124(2)(B) MAY MAKE CONTRIBUTIONS IN ADDITION TO
CONTRIBUTIONS MADE UNDER SUBSECTION (2) OR (3) TO HIS OR HER TIER
2 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE
CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT MATCH
CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS
SUBSECTION.

(6) UPON THE WRITTEN DETERMINATION OF THE DIRECTOR OF THE
OFFICE OF RETIREMENT SERVICES, AN EMPLOYEE OF AN EMPLOYER THAT IS
NOT A QUALIFIED PARTICIPANT AS DESCRIBED IN SECTION 124(2)(A) OR
(B) MAY ELECT TO MAKE CONTRIBUTIONS TO A TIER 2 ACCOUNT AS
PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE CODE. THE
EMPLOYER SHALL NOT MATCH CONTRIBUTIONS MADE BY THE EMPLOYEE UNDER
THIS SUBSECTION. AN EMPLOYEE AS DESCRIBED IN THIS SUBSECTION
SHALL BE TREATED AS A QUALIFIED PARTICIPANT UNDER THIS ARTICLE
FOR THE LIMITED PURPOSES OF HIS OR HER TIER 2 ACCOUNT.

SEC. 132. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%
VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED
PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS
OR HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

(A) UPON COMPLETION OF 2 YEARS OF SERVICE, 50%.
(B) UPON COMPLETION OF 3 YEARS OF SERVICE, 75%.
(C) UPON COMPLETION OF 4 YEARS OF SERVICE, 100%.
(2) A QUALIFIED PARTICIPANT AS DEScribed in Section 124(2)(B) SHALL BE CREDITED WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1 ON THE EFFECTIVE DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSES OF MEETING THE VESTING REQUIREMENTS UNDER THIS SECTION.


SEC. 135. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON BECOMING A FORMER QUALIFIED PARTICIPANT.
(2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF REFUND BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE DEPARTMENT, IN A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE
DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO
THE DECEASED PARTICIPANT'S ESTATE.

(3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY
ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF
DISTRIBUTION OF THE ACCUMULATED BALANCE:

(A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

(B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO
THE EXTENT ALLOWED BY FEDERAL LAW.

(C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE DEPARTMENT.

(D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED
BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED
PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF
DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED
BY FEDERAL LAW.

SEC. 136A. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR
ENDING SEPTEMBER 30, 2010, $4,500,000.00 TO THE OFFICE OF
RETIREMENT SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT,
AND BUDGET FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY
ACT THAT ADDED THIS SECTION.

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

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

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

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

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

SEC. 137. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYER CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE PURSUANT TO SECTION 131(3) AND EARNINGS ON THOSE EMPLOYEE CONTRIBUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY, MUNICIPAL, OR OTHER LOCAL TAX. DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE PURSUANT TO SECTION 131(2) AND EARNINGS ON THOSE EMPLOYER CONTRIBUTIONS AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE PURSUANT TO SECTION 131(3) AND EARNINGS ON THOSE EMPLOYEE CONTRIBUTIONS ARE SUBJECT TO THE PUBLIC EMPLOYEE RETIREMENT BENEFIT PROTECTION ACT.

(2) THE DEPARTMENT HAS THE RIGHT OF SETOFF TO RECOVER OVERPAYMENTS MADE UNDER THIS ACT AND TO SATISFY ANY CLAIMS ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT FROM TIER 2.

(3) THE DEPARTMENT SHALL CORRECT ERRORS IN THE RECORDS AND ACTIONS IN TIER 2 UNDER THIS ACT, AND SHALL SEEK TO RECOVER OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

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