

**SUBSTITUTE FOR
HOUSE BILL NO. 4647**

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 5, 41, 41b, 42, 43a, 69, 69c, 69f, 70, 71, 75,
81c, 81d, 108, 127, 131, and 131a (MCL 38.1305, 38.1341, 38.1341b,
38.1342, 38.1343a, 38.1369, 38.1369c, 38.1369f, 38.1370, 38.1371,
38.1375, 38.1381c, 38.1381d, 38.1408, 38.1427, 38.1431, and
38.1431a), sections 5, 42, 43a, 108, and 131 as amended and
sections 81d and 131a as added by 2012 PA 300, section 41 as
amended by 2016 PA 136, sections 41b, 81c, and 127 as added by 2010
PA 75, sections 69, 69c, and 70 as amended and section 69f as added
by 1989 PA 194, section 71 as amended by 1996 PA 268, and section
75 as amended by 2006 PA 617, and by adding sections 79b and 92c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5. (1) "Member" means a public school employee, except
2 that member does not include any of the following:

3 (a) ~~A person~~**AN INDIVIDUAL** enrolled in a neighborhood youth
4 corps program operated with funds from the federal office of
5 economic opportunity or ~~a person~~**AN INDIVIDUAL** enrolled in a
6 comparable youth training program designed to prevent high school
7 dropouts and rehabilitate high school dropouts operated by an
8 intermediate school district.

9 (b) ~~A person~~**AN INDIVIDUAL** enrolled in a transitional public
10 employment program and employed by a reporting unit.

11 (c) ~~A person~~**AN INDIVIDUAL** employed by a reporting unit while
12 enrolled as a full-time student in that same reporting unit.

13 (d) ~~A person~~**AN INDIVIDUAL** who elects to participate in the
14 optional retirement program under the optional retirement act of
15 1967, 1967 PA 156, MCL 38.381 to 38.388.

16 (e) A retirant of this retirement system.

17 (f) ~~A person~~**AN INDIVIDUAL**, not regularly employed by a
18 reporting unit, who is employed by a reporting unit through a
19 summer youth employment program established ~~pursuant to~~**UNDER** the
20 Michigan youth corps act, 1983 PA 69, MCL 409.221 to 409.229.

21 (g) ~~A person~~**AN INDIVIDUAL**, not regularly employed by a
22 reporting unit, who is employed by a reporting unit to administer a
23 program described in subdivision (f), (h), (i), (j), or (k).

24 (h) After September 30, 1983, ~~a person~~**AN INDIVIDUAL**, not
25 regularly employed by a reporting unit, who is employed by a
26 reporting unit through participation in a program established
27 ~~pursuant to~~**UNDER** the former job training partnership act, Public

1 Law 97-300, 96 ~~Stat.~~ **STAT** 1322 or beginning July 1, 2000, the
2 workforce investment act of 1998, Public Law 105-220, 112 ~~Stat.~~
3 **STAT** 936.

4 (i) ~~A person,~~ **AN INDIVIDUAL**, not regularly employed by a
5 reporting unit, who is employed by a reporting unit through
6 participation in a program established ~~pursuant to~~ **UNDER** the ~~work~~
7 ~~first~~ **PATH** program under section 57f of the social welfare act,
8 1939 PA 280, MCL 400.57f.

9 (j) ~~A person,~~ **AN INDIVIDUAL**, not regularly employed by a
10 reporting unit, who is employed by a reporting unit through
11 participation in a program established ~~pursuant to~~ **UNDER** the
12 Michigan community service corps program, first established under
13 sections 25 to 35 of 1983 PA 259.

14 (k) ~~A person,~~ **AN INDIVIDUAL**, not regularly employed by a
15 reporting unit, who is employed by a reporting unit through
16 participation in a program established ~~pursuant to~~ **UNDER** the older
17 American community service employment program under the older
18 American community service employment act, title V of the older
19 Americans act of 1965, Public Law 89-73, 42 USC 3056 to
20 ~~3056i.~~ **3056P.**

21 (l) ~~A person,~~ **AN INDIVIDUAL**, not regularly employed by a
22 reporting unit, who is employed by a reporting unit in a temporary,
23 intermittent, or irregular seasonal or athletic position and who is
24 under the age of 19 years.

25 (m) ~~A person,~~ **AN INDIVIDUAL**, not regularly employed by a
26 reporting unit, who is employed by a reporting unit only in a
27 temporary position to assist in the conduct of a school election.

(n) A qualified participant who makes a valid election under section ~~81d-81D(1)~~ to not become a member of Tier 1.

(O) A QUALIFIED PARTICIPANT WHO IS NOT A MEMBER OF TIER 1 UNDER SECTION 81D(4) .

(2) "Membership service" means service performed after June 30, 1945.

(3) "Noncontributory plan" means the plan which began between July 1, 1974 and July 1, 1977, in which the reporting unit elected to discontinue withholding contributions from employees' compensation.

(4) "Noncontributory service" means credited service rendered under the noncontributory plan.

(5) "Nonteacher" means ~~a person~~ **AN INDIVIDUAL** employed by a reporting unit who is not a teacher as defined in section ~~8(4)-8~~.

Sec. 41. (1) The annual level percentage of payroll contribution rates to finance benefits being provided and to be provided by the retirement system must be determined by actuarial valuation under subsection (2) on 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 must be made of the retirement system 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 must be made to determine the financial effect of variations of actual retirement system experience from projected experience.

(2) Except as otherwise provided in ~~section~~ **SECTIONS** 41a **AND**

1 **41B**, the annual contribution rates for benefits is subject to all
2 of the following:

3 (a) Except as otherwise provided in this subdivision, the
4 contribution rate for benefits must be computed using an individual
5 projected benefit entry age normal cost method of valuation. If the
6 contributions described in section 43e are determined by a final
7 order of a court of competent jurisdiction for which all rights of
8 appeal have been exhausted to be unconstitutional and the
9 contributions are not deposited into the appropriate funding
10 account referenced in section 43e, the contribution rate for health
11 benefits provided under section 91 must be computed using a cash
12 disbursement method.

13 (b) ~~The~~ **SUBJECT TO SUBDIVISION (C)**, ~~THE~~ contribution rate for
14 service likely to be rendered in the current year, the normal cost
15 contribution rate, for reporting units must be determined as
16 follows:

17 (i) Calculate the aggregate amount of individual projected
18 benefit entry age normal costs.

19 (ii) Divide the result of the calculation under subparagraph
20 (i) by 1% of the aggregate amount of active members' valuation
21 compensation.

22 **(C) EXCEPT FOR THE EMPLOYEE PORTION OF THE NORMAL COST**
23 **CONTRIBUTION RATES FOR MEMBERS UNDER SECTION 41B(2), BEGINNING WITH**
24 **THE STATE FISCAL YEAR ENDING SEPTEMBER 30, 2018 AND FOR EACH**
25 **SUBSEQUENT FISCAL YEAR, THE NORMAL COST CONTRIBUTION RATE MUST NOT**
26 **BE LESS THAN THE NORMAL COST CONTRIBUTION RATE IN THE IMMEDIATELY**
27 **PRECEDING STATE FISCAL YEAR.**

(D) ~~(c) The~~ **SUBJECT TO THE SUBDIVISION (E),** THE contribution rate for unfunded service rendered before the valuation date, the unfunded actuarial accrued liability contribution rate, must be determined as follows:

(i) Calculate the aggregate amount of unfunded actuarial accrued liabilities of reporting units as follows:

(A) Calculate the actuarial present value of benefits for members attributable to reporting units.

(B) Calculate the actuarial present value of future normal cost contributions of reporting units.

(C) Calculate the actuarial present value of assets on the valuation date.

(D) Add the results of sub-subparagraphs (B) and (C).

(E) Subtract from the result of the calculation under sub-subparagraph (A) the result from the calculation under sub-subparagraph (D).

(ii) Divide the result of the calculation under subparagraph (i) by 1% of the actuarial present value over a period not to exceed 50 years of projected valuation compensation.

(E) EXCEPT FOR THE EMPLOYEE PORTION OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATES FOR MEMBERS UNDER SECTION 41B(2), BEGINNING WITH THE STATE FISCAL YEAR ENDING SEPTEMBER 30, 2018 AND FOR EACH SUBSEQUENT FISCAL YEAR UNTIL THE UNFUNDED ACTUARIAL ACCRUED LIABILITY IS PAID OFF, THE UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE MUST NOT BE LESS THAN THE UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR.

1 **(F)** ~~(d)~~ Beginning with the state fiscal year ending September
2 30, 2013 and for each subsequent fiscal year, the unfunded
3 actuarial accrued liability contribution rate applied to payroll
4 must not exceed 20.96% for a reporting unit that is not a
5 university reporting unit. Any additional unfunded actuarial
6 accrued liability contributions as determined under this section
7 for each fiscal year are to be paid by appropriation from the **STATE**
8 school aid fund established by section 11 of article IX of the
9 state constitution of 1963. Except as otherwise provided in this
10 section, ~~and section 41a,~~ **AND SECTION 41B**, the unfunded actuarial
11 accrued liability contribution rate must be based on and applied to
12 the combined payrolls of the employees who are members ~~and OR~~
13 qualified participants, **OR BOTH**.

14 **(G) BEGINNING WITH THE STATE FISCAL YEAR ENDING SEPTEMBER 30,**
15 **2019, AND FOR EACH SUBSEQUENT FISCAL YEAR, FOR A REPORTING UNIT**
16 **THAT IS NOT A UNIVERSITY REPORTING UNIT, TAX SUPPORTED COMMUNITY OR**
17 **JUNIOR COLLEGE, PUBLIC SCHOOL ACADEMY, OR DISTRICT LIBRARY AS**
18 **DEFINED IN SECTION 69G, THE UNFUNDED ACTUARIAL ACCRUED LIABILITY**
19 **CONTRIBUTION RATE DETERMINED UNDER SUBDIVISION (D) MUST BE APPLIED**
20 **TO THE REPORTING UNIT'S PAYROLL, AS ADJUSTED UNDER SUBDIVISION (H) .**

21 **(H) BEGINNING WITH THE STATE FISCAL YEAR ENDING SEPTEMBER 30,**
22 **2019, THE PAYROLL FOR WHICH THE UNFUNDED ACTUARIAL ACCRUED**
23 **LIABILITY CONTRIBUTION RATE IS APPLIED FOR A REPORTING UNIT**
24 **DESCRIBED IN SUBDIVISION (G) MUST BE ADJUSTED BY THE GROWTH RATE OF**
25 **THE REPORTING UNIT'S CURRENT OPERATING EXPENDITURES IN THE PREVIOUS**
26 **FISCAL YEAR BASED ON METHODS AS DETERMINED BY THE RETIREMENT SYSTEM**
27 **AND IN CONSULTATION WITH THE SYSTEM'S ACTUARY. THE ADJUSTED PAYROLL**

1 UNDER THIS SUBDIVISION MUST BECOME THE BASIS ON WHICH THE
 2 CONTRIBUTION RATE PROVIDED UNDER SUBDIVISION (D) FOR EACH
 3 SUBSEQUENT STATE FISCAL YEAR IS DETERMINED FOR A REPORTING UNIT
 4 DESCRIBED IN SUBDIVISION (G).

5 (I) ~~(e)~~ Beginning with the state fiscal year ending September
 6 30, 2016 and for each subsequent state fiscal year, the unfunded
 7 actuarial accrued liability contribution rate applied to the
 8 combined payroll, as provided in section 41a, must not exceed
 9 25.73% for a university reporting unit. Any additional unfunded
 10 actuarial accrued liability contributions as determined under this
 11 section for each fiscal year for university reporting units are to
 12 be paid by appropriation under article III of the state school aid
 13 act of 1979, 1979 PA 94, MCL 388.1836 to ~~388.1893~~ **388.1891**.

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

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

23 (5) ~~The~~ **EXCEPT AS PROVIDED IN SECTION 41B, THE** reporting units
 24 shall pay the amount certified under subsection (4) to the director
 25 of the department in equal payroll cycle installments for unfunded
 26 actuarial accrued liability contributions and payroll cycle
 27 installments for normal cost contributions.

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

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

17 (8) A reporting unit shall forward employee and employer
18 social security contributions and reports as required by the
19 federal old-age, survivors, disability, and hospital insurance
20 provisions of title II of the social security act, 42 USC 401 to
21 434.

22 (9) For an employer of an employee of a local public school
23 district or an intermediate school district, for differences
24 occurring in fiscal years beginning on or after October 1, 1993, a
25 minimum of 20% of the difference between the estimated and the
26 actual aggregate compensation and the estimated and the actual
27 actuarial employer contribution rate described in subsection (6),

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

21 (10) Beginning on September 30, 2006, all assets held by the
22 retirement system must be reassigned their fair market value, as
23 determined by the state treasurer, as of September 30, 2006, and in
24 calculating any unfunded actuarial accrued liabilities, any market
25 gains or losses incurred before September 30, 2006 may not be
26 considered by the retirement system's actuaries.

27 (11) Except as otherwise provided in this subsection,

1 beginning on September 30, 2006, the actuary used by the retirement
2 board shall assume a rate of return on investments of ~~8.00%~~**8%** per
3 annum, as of September 30, 2006, which rate may only be changed
4 with the approval of the retirement board and the director of the
5 department. Beginning on July 1, 2010, the actuary used by the
6 retirement board shall assume a rate of return on investments of
7 ~~7.00%~~**7%** per annum for investments associated with members who
8 first became members after June 30, 2010, **AND BEFORE FEBRUARY 1,**
9 **2018,** which rate may only be changed with the approval of the
10 retirement board and the director of the department. **BEGINNING ON**
11 **FEBRUARY 1, 2018, THE ACTUARY USED BY THE RETIREMENT BOARD SHALL**
12 **ASSUME A RATE OF RETURN ON INVESTMENTS OF 6% PER ANNUM FOR**
13 **INVESTMENTS ASSOCIATED WITH MEMBERS WHO FIRST BECAME A MEMBER ON OR**
14 **AFTER FEBRUARY 1, 2018, WHICH RATE MAY ONLY BE CHANGED WITH THE**
15 **APPROVAL OF THE RETIREMENT BOARD AND THE DIRECTOR OF THE**
16 **DEPARTMENT.**

17 (12) Beginning on September 30, 2006, the value of assets used
18 must be based on a method that spreads over a 5-year period the
19 difference between actual and expected return occurring in each
20 year after September 30, 2006, and the methodology may only be
21 changed with the approval of the retirement board and the director
22 of the department.

23 (13) Beginning on September 30, 2006, the actuary used by the
24 retirement board shall use a salary increase assumption that
25 projects annual salary increases of 4%. In addition to the 4%, the
26 retirement board shall use an additional percentage based on an
27 age-related scale to reflect merit, longevity, and promotional

1 salary increase. The actuary shall use this assumption until a
2 change in the assumption is approved in writing by the retirement
3 board and the director of the department.

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

14 (15) Notwithstanding any other provision of this act, if the
15 retirement board establishes an arrangement and fund as described
16 in section 6 of the public employee retirement benefit protection
17 act, 2002 PA 100, MCL 38.1686, the benefits that are required to be
18 paid from that fund must be paid from a portion of the employer
19 contributions described in this section or other eligible funds.
20 The retirement board shall determine the amount of the employer
21 contributions or other eligible funds that must be allocated to
22 that fund and deposit that amount in that fund before it deposits
23 any remaining employer contributions or other eligible funds in the
24 pension fund.

25 **(16) THE RETIREMENT BOARD AND THE DEPARTMENT SHALL CONDUCT AND**
26 **REVIEW AN EXPERIENCE INVESTIGATION STUDY AND ADOPT RISK ASSUMPTIONS**
27 **ON WHICH ACTUARIAL VALUATIONS ARE TO BE BASED AFTER CONSULTATION**

1 WITH THE ACTUARY AND THE STATE TREASURER. THE EXPERIENCE
 2 INVESTIGATION STUDY SHALL BE COMPLETED AND RISK ASSUMPTIONS SHALL
 3 BE PERIODICALLY REVIEWED AT LEAST ONCE EVERY 5 YEARS.

4 (17) EVERY APRIL 1 FOLLOWING THE PERIODIC REVIEW OF RISK
 5 ASSUMPTIONS UNDER SUBSECTION (16), THE OFFICE OF RETIREMENT
 6 SERVICES ON BEHALF OF THE DEPARTMENT AND THE STATE TREASURER SHALL
 7 COLLABORATE TO SUBMIT A REPORT TO THE SENATE MAJORITY LEADER, THE
 8 SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE SENATE AND HOUSE OF
 9 REPRESENTATIVES APPROPRIATIONS COMMITTEES, AND THE SENATE AND HOUSE
 10 FISCAL AGENCIES. A REPORT REQUIRED UNDER THIS SUBSECTION MUST BE
 11 PUBLISHED ON THE OFFICE OF RETIREMENT SERVICES' WEBSITE AND INCLUDE
 12 AT LEAST ALL OF THE FOLLOWING:

13 (A) FORECASTED RATE OF RETURN ON INVESTMENTS AT ALL OF THE
 14 FOLLOWING PROBABILITY LEVELS:

- 15 (i) 5%.
- 16 (ii) 25%.
- 17 (iii) 50%
- 18 (iv) 75%.
- 19 (v) 95%.

20 (B) THE ACTUAL RATE OF RETURN ON INVESTMENTS FOR 10-, 15-, AND
 21 20-YEAR TIME INTERVALS.

22 (C) MORTALITY ASSUMPTIONS.

23 (D) RETIREMENT AGE ASSUMPTIONS.

24 (E) PAYROLL GROWTH ASSUMPTIONS.

25 (F) ANY OTHER ASSUMPTIONS THAT HAVE A MATERIAL IMPACT ON THE
 26 FINANCIAL STATUS OF THE RETIREMENT SYSTEM.

27 (18) ~~(16)~~As used in this section: ~~"/~~"university

1 (A) "CURRENT OPERATING EXPENDITURES" INCLUDES FUNCTIONS 1XX,
2 2XX, 45X, AND ALL OBJECT CODES EXCEPT 6XXX, AS DEFINED IN THE MOST
3 RECENT "MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL BULLETIN 1022" AS
4 OF THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS
5 SUBDIVISION, AND IS EQUAL TO THE TOTAL OF INSTRUCTIONAL AND SUPPORT
6 SERVICES EXPENDITURES, INCLUDING THE TOTAL GENERAL FUND CHARGES
7 INCURRED IN THE GENERAL, SPECIAL EDUCATION, AND VOCATIONAL
8 EDUCATION FUNDS FOR THE BENEFIT OF THE CURRENT FISCAL YEAR, WHETHER
9 PAID OR UNPAID, AND ALL EXPENDITURES OF THE INSTRUCTIONAL PROGRAMS
10 PLUS APPLICABLE SUPPORTING SERVICE COSTS REDUCED BY CAPITAL OUTLAY,
11 DEBT SERVICE, COMMUNITY SERVICES, AND OUTGOING TRANSFERS AND OTHER
12 TRANSACTIONS. CURRENT OPERATING EXPENDITURES ALSO INCLUDE OPERATING
13 FUNDS FOR ANY PUBLIC SCHOOL OR OTHER PUBLIC EDUCATIONAL ENTITY
14 FIRST AUTHORIZED OR ESTABLISHED BY A REPORTING UNIT DESCRIBED IN
15 SUBSECTION (2) (G) ON OR AFTER THE EFFECTIVE DATE OF THE AMENDATORY
16 ACT THAT ADDED THIS SUBDIVISION.

17 (B) "UNIVERSITY reporting unit" means a reporting unit that is
18 a university listed in the definition of public school employee
19 under section 6.

20 Sec. 41b. (1) Beginning July 1, 2010, the retirement system
21 may determine a separate employer contribution rate for members who
22 first became a ~~member~~ **MEMBERS** on or after July 1, 2010 **AND BEFORE**
23 **FEBRUARY 1, 2018**. Except as provided in this section, the
24 retirement system shall determine the separate employer
25 contribution rate in the manner prescribed in section 41.

26 (2) **BEGINNING FEBRUARY 1, 2018, THE RETIREMENT SYSTEM SHALL**
27 **DETERMINE A SEPARATE CONTRIBUTION RATE FOR MEMBERS WHO FIRST BECAME**

1 MEMBERS ON OR AFTER FEBRUARY 1, 2018. EXCEPT AS PROVIDED IN THIS
2 SECTION, THE RETIREMENT SYSTEM SHALL DETERMINE THE SEPARATE
3 CONTRIBUTION RATE IN THE MANNER PRESCRIBED IN SECTION 41, EXCEPT
4 THAT ANY INCREASE OR DECREASE IN THE UNFUNDED ACTUARIAL ACCRUED
5 LIABILITIES ASSOCIATED WITH MEMBERS WHO FIRST BECAME MEMBERS ON OR
6 AFTER FEBRUARY 1, 2018 MUST BE AMORTIZED ON A 10-YEAR LEVEL-DOLLAR
7 SCHEDULE WITH A NEW CONTRIBUTION RATE CALCULATED FOR EACH YEAR.

8 (3) ALL NORMAL COST AND ANY UNFUNDED ACTUARIAL ACCRUED
9 LIABILITY CONTRIBUTIONS AS DETERMINED UNDER SUBSECTION (2) MUST BE
10 PAID ON A COST-SHARING BASIS OF 50% BY THE EMPLOYER AND 50% BY THE
11 EMPLOYEE. EXCEPT AS PROVIDED IN THIS SECTION, CONTRIBUTIONS SHALL
12 BE MADE IN THE MANNER PRESCRIBED IN SECTION 42. AN EMPLOYEE
13 CONTRIBUTION FOR UNFUNDED ACTUARIAL ACCRUED LIABILITY MUST NOT BE
14 ASSESSED TO AN EMPLOYEE BASED ON ANY PORTION OF AN UNFUNDED
15 LIABILITY CAUSED BY THE FAILURE OF AN EMPLOYER TO MAKE A REQUIRED
16 CONTRIBUTION. FOLLOWING THE DETERMINATION OF THE COST-SHARING BASIS
17 UNDER THIS SUBSECTION, SECTION 41(2)(C) AND (E) APPLIES.

18 (4) THE CONTRIBUTIONS OF A MEMBER FOR UNFUNDED ACTUARIAL
19 ACCRUED LIABILITY MUST BE TREATED AS PICKED-UP CONTRIBUTIONS UNDER
20 THE INTERNAL REVENUE CODE, DEDUCTED BY THE EMPLOYER, AND REMITTED
21 AS EMPLOYER CONTRIBUTIONS TO THE GENERAL FUND OF THE RETIREMENT
22 SYSTEM AND MUST ONLY BE USED TO FINANCE UNFUNDED ACTUARIAL ACCRUED
23 LIABILITIES OF THE RETIREMENT SYSTEM.

24 (5) ~~(2)~~—To the extent and upon approval by the ~~internal~~
25 ~~revenue service,~~ **INTERNAL REVENUE SERVICE**, the retirement system
26 for the Tier 1 plan and the plan administrator for the Tier 2 plan
27 may also determine the extent to which some or all of the

1 individuals performing services for an entity not participating in
 2 the retirement system that receives any funding from the state
 3 school aid fund established in section 11 of article IX of the
 4 state constitution of 1963 may participate in the Tier 1 and Tier 2
 5 plans.

6 Sec. 42. (1) Beginning with the ~~1994-95~~ state fiscal year
 7 **ENDING SEPTEMBER 30, 1995 AND SUBJECT TO SECTION 41B**, a reporting
 8 unit shall contribute the entire amount determined under section 41
 9 to the reserve for employer contributions and to the reserve for
 10 health benefits. The reporting unit contribution under this
 11 subsection is the exclusive obligation of the reporting unit
 12 payable out of general budget resources of the reporting unit,
 13 including funds available under local millage and other local
 14 resources and from the state school aid allocation to the reporting
 15 unit, and ~~shall~~**IS** not ~~be~~ a separate obligation by specific
 16 reimbursement or otherwise of this state.

17 (2) As authorized by resolution or other enabling act of its
 18 governing body, the employer shall pick up all contributions of a
 19 member made ~~pursuant to~~**UNDER** section 43a for all compensation paid
 20 ~~on or after January 1, 1987~~**DECEMBER 31, 1986** and reported to the
 21 retirement system. Although considered contributions of a member
 22 for certain purposes under this act, all contributions picked up
 23 ~~shall~~**MUST** be treated as paid by the employer in lieu of
 24 contributions by the employee. Contributions picked up as provided
 25 in this subsection ~~shall~~**MUST** be paid from the same source of funds
 26 that is used for paying compensation to the member. The employer
 27 may pick up these contributions by either a reduction to the

1 member's cash salary, an offset against a future salary increase,
2 or a combination of a reduction in salary and offset against a
3 future salary increase. This subsection does not apply, and the
4 employer shall not deduct, offset, or remit contributions, until
5 the department receives notification from the United States
6 ~~internal revenue service~~ **INTERNAL REVENUE SERVICE** that
7 contributions picked up ~~shall~~ **WILL** not be included as gross income
8 of the member until they are distributed or made available to the
9 member, retirant, retirement allowance beneficiary, or refund
10 beneficiary.

11 (3) The employer shall deduct from a member's compensation the
12 contributions for social security provided in 1951 PA 205, MCL
13 38.851 to 38.871. Contributions ~~shall~~ **MUST** be made while the member
14 remains a public school employee. Each reporting unit official
15 shall deduct the social security contributions from the
16 compensation of each member for each payroll period after the date
17 the employee becomes a member. Social security contributions ~~shall~~
18 **MUST** be made notwithstanding that the minimum compensation provided
19 by law is changed. Each member is considered to have agreed to the
20 contributions prescribed in this subsection.

21 (4) Each reporting unit official shall forward member
22 contributions to the retirement system on a schedule and in a
23 manner determined by the retirement system.

24 (5) Each reporting unit official shall forward the entire
25 employer contribution required by this act to the retirement system
26 on a schedule and in a manner determined by the retirement system.

27 (6) Each reporting unit official shall submit to the

1 retirement system a report that includes the information for
2 retirement purposes, including, but not limited to, persons
3 employed, retirants performing services at a reporting unit who are
4 employed by an entity other than the reporting unit or who are
5 independent contractors, wages or amounts paid, hours, and
6 contributions required under this act. The report ~~shall contain~~
7 **MUST INCLUDE** the information on a pay period basis and ~~shall~~ **MUST**
8 be submitted to the retirement system on a schedule and in a manner
9 determined by the retirement system. The superintendent for a
10 reporting unit or the chief administrator for a reporting unit that
11 does not have a superintendent shall complete an annual
12 certification that gives authorization for the employees of the
13 reporting unit to report the information to the retirement system.

14 (7) If a reporting unit fails to submit a report or
15 contributions, or both, according to the schedule established by
16 the retirement board, ~~a late fee shall be paid by the reporting~~
17 unit **SHALL PAY A LATE FEE**. If the remittance of contributions is
18 late, the late fee ~~shall~~ **MUST** include interest for each day that
19 the remittance of contributions is late. The retirement board
20 periodically may establish the late fee, which ~~shall~~ **MUST** not be
21 less than \$25.00, and interest charges, which ~~shall~~ **MUST** not be
22 less than 6% per annum. If a reporting unit fails to correct errors
23 on a report before the errors are discovered by the retirement
24 system or if ~~such~~ **THE** errors are intentional, the reporting unit
25 shall pay the late fee and interest charges as described in this
26 subsection for each day that the report is in error, unless
27 reasonable cause is shown to the satisfaction of the retirement

1 system.

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

8 Sec. 43a. (1) The contributions of a member who contributes to
9 the member investment plan ~~shall~~**MUST** be deducted by the employer
10 and remitted as employer contributions to the retirement system
11 pursuant to section 42. A member who contributes to the member
12 investment plan is entitled to the benefits provided in sections
13 43b and 43c.

14 (2) Except as otherwise provided in subsection (7), a member
15 who first became a member on or before December 31, 1989 and who
16 elected or elects on or before December 31, 1989 to contribute to
17 the member investment plan shall contribute 3.9% of the member's
18 compensation to the member investment plan.

19 (3) Except as otherwise provided in subsection (7), a member
20 who first became a member on or before December 31, 1986 but did
21 not perform membership service between December 31, 1986 and
22 January 1, 1990, and who returns to membership service on or after
23 January 1, 1990 and before July 1, 2008, shall make the
24 contributions described in subsection (5).

25 (4) Except as otherwise provided in subsection (7), a member
26 who first became a member on or after January 1, 1990 and before
27 July 1, 2008 shall make the contributions described in subsection

1 (5).

2 (5) Except as otherwise provided in subsection (7), a member
3 who first became a member on or after January 1, 1990 and before
4 July 1, 2008 shall contribute the following amounts to the member
5 investment plan:

6 <u>Member's annual school fiscal</u>	<u>Amount payable to the member</u>
7 year earned compensation	investment plan
8 Not over \$5,000.00	3% of member's compensation
9 Over \$5,000.00 but not over	\$150.00, plus 3.6% of the
10 \$15,000.00	excess over \$5,000.00
11 Over \$15,000.00	\$510.00, plus 4.3% of the
12	excess over \$15,000.00

13 (6) Except as otherwise provided in subsection (7), a member
14 who first became a member on or after July 1, 2008 **AND BEFORE**
15 **FEBRUARY 1, 2018** shall contribute the following amounts to the
16 member investment plan:

17 <u>Member's annual school</u>	<u>Amount payable to the member</u>
18 fiscal year earned compensation	investment plan
19 Not over \$5,000.00	3% of member's compensation
20 Over \$5,000.00 but not over	\$150.00, plus 3.6% of excess
21 \$15,000.00	over \$5,000.00
22 Over \$15,000.00	\$510.00, plus 6.4% of the
23	excess over \$15,000.00

24 (7) Beginning on the transition date, a member described in
25 subsections (2) to (6) who makes the election under section 59(1)
26 and who does not make the attainment date designation under section
27 59(1) shall contribute the percentage of the member's annual school

1 fiscal year earned compensation to the retirement system as
2 prescribed in section 43g until termination of employment.
3 Beginning on the transition date, a member described in subsections
4 (2) to (6) who makes the election and attainment date designation
5 under section 59(1) shall contribute the percentage of the member's
6 annual school fiscal year earned compensation to the retirement
7 system as prescribed in section 43g until his or her attainment
8 date and shall contribute the percentage of the member's annual
9 school fiscal year earned compensation to the retirement system as
10 prescribed in this section on and after his or her attainment date
11 until termination of employment. Beginning on the transition date,
12 a member described in subsections (2) to (6) who makes or is
13 considered to have made the alternative election under section
14 59(2) (a) shall continue to contribute the percentage of the
15 member's annual school fiscal year earned compensation to the
16 retirement system as prescribed in this section until termination
17 of employment. Beginning on the transition date, a member described
18 in subsections (2) to (6) who makes the alternative election under
19 section 59(2) (b) shall not contribute any percentage of the
20 member's annual school fiscal year earned compensation to the
21 retirement system under this section or section 43g.

22 **(8) A MEMBER WHO FIRST BECAME A MEMBER ON OR AFTER FEBRUARY 1,**
23 **2018 SHALL CONTRIBUTE HIS OR HER NORMAL COST CONTRIBUTION AMOUNTS**
24 **TO THE MEMBER INVESTMENT PLAN AS DESCRIBED IN SECTION 41B(3) .**

25 **Sec. 69. (1) ~~As~~ UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN**
26 **DAYLIGHT SAVING TIME, AS** a condition for granting membership or
27 prior service credit under this act for out of system public

1 education service, a member shall ~~pay~~ **MEET BOTH OF THE FOLLOWING**
 2 **REQUIREMENTS:**

3 (A) **PAY** to the retirement system an amount equal to the amount
 4 the member would have contributed ~~pursuant to~~ **UNDER** the schedule
 5 governing member contributions in effect at the time of that
 6 service had the service been performed under this act or former Act
 7 ~~No. 136 of the Public Acts of 1945~~ **PA 136**, together with regular
 8 interest from the end of the school fiscal year in which service
 9 was performed to the semiannual anniversary of the date following
 10 the payment. ~~, and shall have~~

11 (B) **HAVE** 5 years of reporting unit service credit under this
 12 act or former Act ~~No. 136 of the Public Acts of 1945~~ **PA 136**,
 13 following the out of system public education service.

14 (2) A member ~~shall~~ **IS** not ~~be~~ entitled to a retirement
 15 allowance based on out of system public education service that was
 16 performed after July 1, 1974, ~~until~~ **UNLESS** the member ~~pays into the~~
 17 ~~retirement system for that~~ **MEETS BOTH OF THE FOLLOWING**

18 **REQUIREMENTS:**

19 (A) **BEFORE SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT**
 20 **SAVING TIME, INITIATES A service CREDIT PURCHASE FOR THAT SERVICE**
 21 **IN** an amount equal to 5% of the member's full-time or equated full-
 22 time compensation earned in the school fiscal year before the
 23 school fiscal year in which the application to purchase and payment
 24 for the service credit is made, multiplied by the years of that
 25 service the member elects to purchase. ~~and unless that~~

26 (B) **THAT** service is followed by 5 years of reporting unit
 27 service credit under this act.

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

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

(5) If a member who made payment for out of system public education service dies and a retirement allowance beneficiary has not been designated, or if the member withdraws from service before his or her retirement becomes effective, the payment made by the member ~~shall~~ **UNDER THIS SECTION MUST** be refunded to the member or to the member's refund beneficiary ~~upon~~ **ON** request.

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

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

~~(8) Before January 31, 1991, a member may elect to purchase service credit as an elementary or secondary teacher at a United States armed forces military base in the United States or a foreign country upon payment to the retirement board of the actuarial cost.~~ **AFTER SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING TIME, A MEMBER IS NOT ELIGIBLE TO INITIATE SERVICE CREDIT PURCHASE UNDER THIS SECTION.**

Sec. 69c. (1) ~~A~~ **UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING TIME, A** member may elect to purchase service credit for service performed as an employee in a nonpublic elementary or secondary educational institution or a nonpublic 2- or 4-year institution of higher education in this state, in other states of the United States, or in the territorial possessions of the United States ~~upon~~ **ON** request and presentation of documentation of the

1 employment rendered that is verifiable from official employment or
 2 payroll records or other acceptable documentation as determined by
 3 the retirement board, and ~~upon~~**ON** payment to the retirement system
 4 of the actuarial cost.

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

19 (3) Service ~~shall~~**MUST** not be credited under this section
 20 unless the service being purchased is followed by at least 5 years
 21 of reporting unit service credit under this act or former ~~Act No.~~
 22 ~~136 of the Public Acts of 1945~~ **PA 136**. Service purchased under this
 23 section ~~shall~~**MUST** not be used to satisfy the minimum of 10 years
 24 of service credit required to receive a retirement allowance under
 25 this act. The total service credited under subsections (1) and (2)
 26 ~~shall~~**MUST** not exceed 5 years.

27 (4) If a member who made payment for service under this

1 section dies and a retirement allowance beneficiary has not been
 2 designated, or if the member withdraws from service before his or
 3 her retirement becomes effective, the payment made by the member
 4 ~~shall~~ **MUST** be refunded to the member or to the member's refund
 5 beneficiary ~~upon~~ **ON** request.

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

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

23 **(6) AFTER SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING**
 24 **TIME, A MEMBER IS NOT ELIGIBLE TO INITIATE A SERVICE CREDIT**
 25 **PURCHASE UNDER THIS SECTION.**

26 (7) As used in this section:

27 (a) "Nonpublic elementary or secondary educational

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

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

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

Sec. 69f. (1) ~~A~~ **UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING TIME, A** member may elect to purchase not more than 5 years of service credit less the number of years of service credit purchased under sections 6(2)(c), (d), (e), and (f), 64(3), (4), and (5), ~~69a, 69b, AND 69c(2), 69d, 69e, 74a, 74b, 77, and 78,~~ **OR FORMER SECTIONS 69A, 69B, 69D, 69E, 74A, 74B, 77, AND 78,** upon request and payment to the retirement system of the actuarial cost.

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

(3) Service credit purchased under this section ~~shall~~ **MUST** not be used to satisfy the service credit requirement set forth in

1 section 81(1)(a) for a retirement allowance paid ~~prior to~~ **BEFORE**
 2 age 46 as provided by section 43b(a).

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

8 **(5) AFTER SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING**
 9 **TIME, A MEMBER IS NOT ELIGIBLE TO INITIATE A SERVICE CREDIT**
 10 **PURCHASE UNDER THIS SECTION.**

11 Sec. 70. (1) ~~As~~ **UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN**
 12 **DAYLIGHT SAVING TIME, AS** a condition for granting membership or
 13 prior service credit under this act for state of Michigan service,
 14 a member shall ~~pay~~ **MEET BOTH OF THE FOLLOWING REQUIREMENTS:**

15 **(A) PAY** to the retirement system an amount equal to the amount
 16 the member would have contributed under the contributory plan for
 17 service performed before July 1, 1977 ~~pursuant to~~ **UNDER** the
 18 schedule governing member contributions in effect at the time of
 19 that service had the service been performed under this act or
 20 former ~~Act No. 136 of the Public Acts of 1945~~ **PA 136**, together with
 21 regular interest from the end of the school fiscal year in which
 22 the service was performed to the semiannual anniversary of the date
 23 following payment. ~~, and shall relinquish~~

24 **(B) RELINQUISH** all rights to retirement under the state
 25 employees' retirement act, ~~Act No. 240 of the Public Acts of 1943,~~
 26 ~~as amended, being sections 38.1 to 38.47 of the Michigan Compiled~~
 27 ~~Laws. A 1943 PA 240, MCL 38.1 TO 38.69. UNTIL SEPTEMBER 29, 2017 AT~~

1 **5 P.M. EASTERN DAYLIGHT SAVING TIME, A** member ~~shall not~~ **IS ENTITLED**
 2 **TO** receive benefits ~~pursuant to~~ **UNDER** sections 43b and 43c for
 3 service performed on or after January 1, 1987 ~~until~~ **IF** the member
 4 pays the difference between the actuarial equivalent of the
 5 benefits provided by sections 43b and 43c and by the state
 6 employees' retirement act, ~~Act No. 240 of the Public Acts of~~
 7 ~~1943.~~ **1943 PA 240, MCL 38.1 TO 38.69.**

8 (2) Credit for service performed as a state employee under the
 9 state employees' retirement act, ~~Act No. 240 of the Public Acts of~~
 10 ~~1943, as amended, shall~~ **1943 PA 240, MCL 38.1 TO 38.69, MUST** be on
 11 the same basis for eligibility in all respects ~~for~~ any form of
 12 retirement provided in this act as if the service were performed in
 13 a reporting unit under this act.

14 (3) ~~A~~ **UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT**
 15 **SAVING TIME, A** former member who on or before July 1, 1974, was
 16 employed in the state classified or unclassified service, whose
 17 membership was transferred to the state employees' retirement
 18 system under the state employees' retirement act, ~~Act No. 240 of~~
 19 ~~the Public Acts of 1943, as amended,~~ **1943 PA 240, MCL 38.1 TO**
 20 **38.69,** and who again became a member of the retirement system
 21 created under former ~~Act No. 136 of the Public Acts of 1945~~ **PA 136**
 22 or becomes a member of the retirement system created under this
 23 act, ~~shall be~~ **IS** entitled to petition the retirement system in
 24 writing for a transfer of the member's accumulated contributions,
 25 including interest, and service standing to the member's credit
 26 with the state employees' retirement system to this retirement
 27 system. ~~Upon~~ **ON** receipt of the member's petition, service standing

1 to the member's credit, accumulated contributions, and interest
 2 ~~shall~~ **MUST** be transferred from the employee's savings fund created
 3 under the state employees' retirement act, ~~Act No. 240 of the~~
 4 ~~Public Acts of 1943, as amended, 1943 PA 240, MCL 38.1 TO 38.69,~~ to
 5 the reserve for employee contributions of this retirement system. A
 6 ~~person~~ **AN INDIVIDUAL** whose membership service and accumulated
 7 contributions are transferred back to this retirement system
 8 immediately shall have the transferred service credit recognized by
 9 the retirement system on the same basis as if the ~~person~~ **INDIVIDUAL**
 10 continuously had been a member of the retirement system.

11 (4) If a member who made payment for state of Michigan service
 12 dies and a retirement allowance beneficiary has not been
 13 designated, or withdraws from service before his or her retirement
 14 becomes effective, the payment made by the member ~~shall~~ **MUST** be
 15 refunded to the member or to the member's refund beneficiary ~~upon~~
 16 **ON** request.

17 (5) **AFTER SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING**
 18 **TIME, A MEMBER IS NOT ELIGIBLE TO INITIATE A SERVICE CREDIT**
 19 **PURCHASE UNDER THIS SECTION.**

20 Sec. 71. (1) ~~The~~ **UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN**
 21 **DAYLIGHT SAVING TIME, THE** retirement board shall grant service
 22 credit for the time a member is on a sabbatical leave authorized by
 23 a reporting unit, if the member returns to regular employment with
 24 the same reporting unit and acquires 1 year or more of subsequent
 25 service credit with that same reporting unit and if the member
 26 acquired 5 or more years of credited service with the reporting
 27 unit immediately before the sabbatical leave.

1 (2) If the sabbatical leave described in subsection (1) is
2 granted before July 1, 1981, the reporting unit, if the reporting
3 unit had a noncontributory plan at the time the sabbatical leave is
4 granted, or the member, if the reporting unit has a contributory
5 plan at the time the sabbatical leave is granted, shall pay to the
6 system for each year of sabbatical leave credit an amount equal to
7 5% of the member's compensation earned in the school fiscal year
8 immediately before the school fiscal year in which the sabbatical
9 leave is granted, together with regular interest from the end of
10 the school fiscal year in which the sabbatical leave was or is
11 granted to the earlier of the following dates following the date of
12 payment, the first day of the school fiscal year beginning after
13 the date of payment or the first day of the seventh month of the
14 school fiscal year in which the payment is made. If the reporting
15 unit makes the payment required by this subsection, the reporting
16 unit also shall pay the required interest. If the member makes the
17 payment required by this subsection, the member also shall pay the
18 required interest.

19 (3) If the sabbatical leave described in subsection (1) is
20 granted after June 30, 1981, the member shall pay an amount equal
21 to 5% of the member's full-time or equated full-time compensation
22 earned in the school fiscal year immediately before the school
23 fiscal year in which payment is made for each year of service
24 credit the member elects to purchase. In computing payment under
25 this subsection, the compensation amount used, except as otherwise
26 provided in this subsection, ~~shall~~**MUST** not be less than the
27 highest school fiscal year compensation the member earned from the

1 reporting unit that granted the sabbatical leave. If the
2 compensation amount used for computing payment under this
3 subsection exceeds the member's final average compensation
4 determined at the time of retirement, the payment required under
5 this subsection ~~shall~~**MUST** be recomputed using the member's final
6 average compensation and a refund ~~shall~~**MUST** be made based ~~upon~~**ON**
7 the recomputation.

8 (4) If, before October 31, 1980, either the reporting unit or
9 the member has contributed 5% of the member's compensation for the
10 school fiscal year in which the sabbatical leave was granted in
11 order to purchase service credit for that sabbatical leave, a
12 further payment for the purchase of service credit for that
13 sabbatical leave shall not be required. If a member has paid the
14 amount required under subsection (2) for the purchase of service
15 credit for sabbatical leave, but later receives a refund of that
16 amount, the member, not the reporting unit, shall repay the amount
17 with regular interest as required by subsection (2) if the member
18 elects to purchase service credit for the sabbatical leave.

19 (5) Effective October 1, 1981, the retirement board shall
20 grant service credit for the time a member is on either an employee
21 organization professional services leave or employee organization
22 professional services released time authorized by a reporting unit
23 if all of the following conditions are satisfied, as applicable:

24 (a) For a member who is on either a professional services
25 leave or professional services released time that first began
26 before October 1, 1996, which leave or released time is renewed
27 annually by the reporting unit, the member is included on the

1 reporting unit's reports required by section 42(6) and
2 compensation, service, contribution, and other requirements are
3 reported on the same basis as for those members of the reporting
4 unit who were not granted an employee organization professional
5 services leave or employee organization professional services
6 released time.

7 (b) For a member who is on either a professional services
8 leave or professional services released time, which leave or
9 released time does not meet the requirements of subdivision (a),
10 the member is included on the reporting unit's reports in the
11 manner required by subdivision (a), except that compensation is
12 reported at the rate of compensation paid to the member by the
13 reporting unit immediately preceding the date the member commenced
14 the professional services leave or professional services released
15 time along with the normal and customary compensation increases
16 that would have been paid to the member by the reporting unit had
17 the member remained in the same position held at the reporting unit
18 immediately preceding the date the member commenced the leave or
19 released time. However, if the member was not working a full 12-
20 month period for the reporting unit immediately preceding the date
21 the member commenced the professional services leave or
22 professional services released time and is working a full 12-month
23 period for the public school employee organization, the rate of
24 compensation paid to the member by the reporting unit immediately
25 preceding the date the member commenced the leave or released time
26 may be increased proportionately to reflect the additional time
27 worked for the public school employee organization. That adjusted

1 compensation, along with the normal and customary compensation
2 increases otherwise allowed in this subdivision, ~~shall~~**MUST** then be
3 reported as required in this subdivision.

4 (c) For a member who is on either a professional services
5 leave or professional services released time that first began
6 before October 1, 1996, which leave or released time is renewed
7 annually by the reporting unit, the reporting unit remits the
8 amount required by section 42 and the percentage of aggregate
9 annual compensation provided from the state school aid fund for
10 current service, if any, the percentage determined for unfunded
11 accrued service as required by section 41, and the employer's share
12 of social security contributions if the reporting unit is
13 responsible for remitting the employee's share of social security
14 contributions.

15 (d) For a member who is on either a professional services
16 leave or professional services released time, which professional
17 services leave or professional services released time does not meet
18 the requirements of subdivision (c), the reporting unit remits the
19 amounts required by subdivision (c) based ~~upon~~**ON** the rate of
20 compensation paid to the member by the reporting unit immediately
21 preceding the date the member commenced the professional services
22 leave or professional services released time along with the normal
23 and customary compensation increases that would have been paid to
24 the member by the reporting unit had the member remained in the
25 same position held at the reporting unit immediately preceding the
26 date the member commenced the leave or released time. However, if
27 the member was not working a full 12-month period for the reporting

1 unit immediately preceding the date the member commenced the
 2 professional services leave or professional services released time
 3 and is working a full 12-month period for the public school
 4 employee organization, the rate of compensation paid to the member
 5 by the reporting unit immediately preceding the date the member
 6 commenced the leave or released time may be increased
 7 proportionately to reflect the additional time worked for the
 8 public school employee organization. That adjusted compensation,
 9 along with the normal and customary compensation increases
 10 otherwise allowed in this subdivision, ~~shall~~ **MUST** then be reported
 11 as required in this subdivision.

12 (6) The reporting unit ~~shall~~ **MUST** be reimbursed those sums
 13 paid to the retirement board ~~pursuant to~~ **UNDER** subsection (5) by
 14 the member or the public school employee organization on a current
 15 basis. A member who has credited service as an employee of a school
 16 district of the first class, as described in part 6 of the revised
 17 school code, ~~Act No. 451 of the Public Acts of 1976, being sections~~
 18 ~~380.401 to 380.485 of the Michigan Compiled Laws, 1976 PA 451, MCL~~
 19 **380.401 TO 380.485**, for a leave of absence effective before October
 20 1, 1981, shall continue to receive credit based ~~upon the provisions~~
 21 ~~of~~ **ON** the law of this state in effect at the time the leave of
 22 absence was initially effective.

23 **(7) AFTER SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING**
 24 **TIME, A MEMBER IS NOT ELIGIBLE TO INITIATE A SERVICE CREDIT**
 25 **PURCHASE UNDER SUBSECTIONS (1) AND (3).**

26 Sec. 75. (1) ~~A~~ **UNTIL SEPTEMBER 29, 2017 AT 5 P.M. EASTERN**
 27 **DAYLIGHT SAVING TIME, A** member who left or leaves service as a

1 public school employee; who left or leaves out-of-system public
2 education service; or a member of the state employees' retirement
3 system under section 13 of the state employees' retirement act,
4 1943 PA 240, MCL 38.13, who left or leaves service as a state
5 employee for purposes of parental leave who subsequently becomes a
6 member of this retirement system without other intervening
7 employment of more than 20 hours per week for each week for which
8 service credit was claimed may purchase service credit for the time
9 period or periods during which the person was separated from
10 service because of parental leave if the member satisfies the
11 requirements of this section. The member shall submit an
12 application as described in subsection (5) and shall pay the
13 actuarial cost to the retirement system. The total service credited
14 under this section ~~shall~~**MUST** not exceed 5 years. A member
15 requesting purchase of service credit under this section shall
16 certify to the retirement system the purpose for which the member
17 took leave or was separated from service as a public school
18 employee; a person performing out-of-system public education
19 service; or a member of the state employees' retirement system
20 under section 13 of the state employees' retirement act, 1943 PA
21 240, MCL 38.13.

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

25 (3) If a member who made payment under this section dies and a
26 retirement allowance beneficiary has not been designated, or if the
27 member leaves reporting unit service before his or her retirement

1 becomes effective, the payment made by the member ~~shall~~**MUST** be
2 refunded ~~upon~~**ON** request to the member or to the member's refund
3 beneficiary.

4 (4) A member who reduces hours of employment with a reporting
5 unit for purposes of parental leave or a person who reduces hours
6 of out of system public education service for purposes of parental
7 leave and who subsequently becomes a member of ~~this~~**THE** retirement
8 system may purchase service credit for those hours by which
9 employment was reduced if all other requirements of this section
10 are met.

11 (5) A member requesting purchase of service credit under this
12 section shall submit an application as prescribed by the retirement
13 system in which the member shall certify the time period claimed
14 for parental leave and the purpose of the parental leave. If the
15 request for purchase of service credit under this section is a
16 result of leave taken to care for the member's child by birth or
17 adoption, ~~then~~ the member also shall submit a certified copy of a
18 birth certificate or adoption document from the appropriate court
19 of jurisdiction.

20 (6) Parental leave is creditable under this act until the
21 child, by birth or adoption, attains age 18 or is married,
22 whichever occurs first.

23 **(7) AFTER SEPTEMBER 29, 2017 AT 5 P.M. EASTERN DAYLIGHT SAVING**
24 **TIME, A MEMBER IS NOT ELIGIBLE TO INITIATE A SERVICE CREDIT**
25 **PURCHASE UNDER THIS SECTION.**

26 **(8) ~~(7)~~**As used in this section, "parental leave" means either
27 of the following:

(a) The presence of the member in the active participation or supervision in the day-to-day, ongoing care or maintenance of his or her child by birth or adoption, for which the member reduced or eliminated the number of hours worked for ~~the~~**THIS** state, in out-of-system public education service, or for the reporting unit in a normal work time period.

(b) A member's pregnancy that occurred while a member, whether brought to full term or not, childbirth, and recuperation, for which the member reduced or eliminated the number of hours worked for ~~the~~**THIS** state, in out-of-system public education service, or for the reporting unit in a normal work time period.

SEC. 79B. AS USED IN THIS ARTICLE, "INITIATE A SERVICE CREDIT PURCHASE" MEANS TO COMPLETE PAYMENT OR TO ENTER INTO A TAX-DEFERRED PAYMENT ARRANGEMENT IN A FORM AND MANNER PRESCRIBED BY THE RETIREMENT SYSTEM.

Sec. 81c. (1) A member who first becomes a member on or after July 1, 2010 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~~**ON** the member's written application to the retirement system, ~~shall be~~**IS** entitled to a retirement allowance provided for in section 84(1) if the member is 60 years of age or older and has accumulated 10 or more years of credited service pursuant to section 68 as a public school employee **AND HAS REACHED REGULAR RETIREMENT AGE.**

(2) The eligibility requirements of subsection (1) ~~shall~~**MUST** not be modified as provided in section 43b.

(3) The reduction provided for in section 84(2) ~~shall~~**DOES** not

1 apply to ~~a person~~ **AN INDIVIDUAL** who retires pursuant to ~~UNDER~~ this
2 section.

3 (4) Notwithstanding any other provision of this act, a member
4 who first becomes a member on or after July 1, 2010 shall not
5 purchase or transfer service credit under article 4 and shall not
6 have any purchased or transferred service credit included in the
7 calculation of a retirement allowance ~~upon~~ **ON** retirement.

8 (5) **BEGINNING OCTOBER 1, 2019 AND FOR EACH FISCAL YEAR IN**
9 **WHICH AN EXPERIENCE INVESTIGATION STUDY IS COMPLETED UNDER SECTION**
10 **41(16), IF THE MOST RECENT EXPERIENCE INVESTIGATION STUDY OF**
11 **MORTALITY OF THE RETIREMENT SYSTEM USING A 65-YEAR-OLD BASED ON A**
12 **50-50 MALE-FEMALE BLEND SHOWS AN INCREASE OF 1 OR MORE YEARS FROM**
13 **THE PREVIOUS EXPERIENCE INVESTIGATION STUDY OF MORTALITY, THE**
14 **RETIREMENT BOARD, IN CONSULTATION WITH THE ACTUARY AND THE**
15 **DEPARTMENT, SHALL INCREASE THE REGULAR RETIREMENT AGE BY AT LEAST 1**
16 **YEAR UP TO THE TOTAL INCREASE IN WHOLE-YEAR INCREMENTS UNLESS THE**
17 **MOST RECENT ACTUARIAL FUNDED RATIO FOR THE BENEFITS FUNDED UNDER**
18 **SECTION 41B(3) IS GREATER THAN 100% AFTER ACCOUNTING FOR AN**
19 **INCREASE IN MORTALITY AS REFLECTED IN THE EXPERIENCE INVESTIGATION**
20 **STUDY. ANY ADJUSTMENT TO THE REGULAR RETIREMENT AGE BY THE**
21 **RETIREMENT BOARD MUST TAKE PLACE WITHIN 12 MONTHS AFTER THE**
22 **RETIREMENT BOARD'S ADOPTION OF THE MOST RECENT EXPERIENCE**
23 **INVESTIGATION STUDY ON AN EFFECTIVE DATE AS DETERMINED BY THE**
24 **RETIREMENT BOARD. ANY REQUIRED INCREASE TO THE REGULAR RETIREMENT**
25 **AGE UNDER THIS SUBSECTION MUST TAKE INTO ACCOUNT THE CUMULATIVE**
26 **INCREASE IN MORTALITY RELATIVE TO THE EXPERIENCE INVESTIGATION**
27 **STUDY COVERING THE PERIOD 2012 THROUGH 2017, LESS ANY ACTUAL**

1 INCREASE ALREADY TAKEN INTO ACCOUNT IN A PREVIOUS INCREASE TO THE
2 REGULAR RETIREMENT AGE. AN ADJUSTMENT TO THE REGULAR RETIREMENT AGE
3 UNDER THIS SUBSECTION DOES NOT APPLY TO A MEMBER WHO, ON THE
4 EFFECTIVE DATE OF THE INCREASE, IS WITHIN 5 YEARS OF THE THEN
5 CURRENT REGULAR RETIREMENT AGE. THE RETIREMENT BOARD MAY
6 ADDITIONALLY EXCLUDE MEMBERS WHO, ON THE EFFECTIVE DATE OF THE
7 INCREASE, ARE WITHIN BETWEEN 5 AND 8 YEARS OF THE THEN CURRENT
8 REGULAR RETIREMENT AGE.

9 (6) AS USED IN THIS SECTION, "REGULAR RETIREMENT AGE" MEANS
10 THE FOLLOWING:

11 (A) FOR A MEMBER WHO FIRST BECOMES A MEMBER ON OR AFTER JULY
12 1, 2010 AND BEFORE FEBRUARY 1, 2018, 60 YEARS OF AGE AND IS NOT
13 SUBJECT TO INCREASE AS PROVIDED UNDER SUBSECTION (5).

14 (B) SUBJECT TO SUBSECTION (5), FOR A MEMBER WHO FIRST BECOMES
15 A MEMBER ON OR AFTER FEBRUARY 1, 2018, 60 YEARS OF AGE.

16 Sec. 81d. (1) ~~The~~ EXCEPT AS PROVIDED IN SUBSECTION (7), THE
17 retirement system shall permit each qualified participant who first
18 becomes a qualified participant and first works for a reporting
19 unit on or after September 4, 2012 to make an election to not
20 become a member of Tier 1 and become only a qualified participant
21 in Tier 2.

22 (2) The retirement system shall determine a method of
23 accepting elections under subsection (1) and reporting units shall
24 secure those elections during the period beginning on the date of
25 the individual's employment and ending ~~upon~~ ON the expiration of 75
26 days from the individual's first payroll date. An election under
27 subsection (1) is irrevocable. **THE RETIREMENT SYSTEM SHALL PROVIDE**

1 A FORM ON WHICH EACH QUALIFIED PARTICIPANT WHO FIRST BECOMES A
 2 QUALIFIED PARTICIPANT AND FIRST WORKS FOR A REPORTING UNIT ON OR
 3 AFTER FEBRUARY 1, 2018 MAY MAKE AN ELECTION UNDER SUBSECTION (1).
 4 THE FORM DESCRIBED IN THIS SUBSECTION MUST BE ACCOMPANIED BY A
 5 DESCRIPTION OF THE BENEFIT OPTIONS. THE FORM MUST INCLUDE AN
 6 ACKNOWLEDGMENT THAT THE QUALIFIED PARTICIPANT HAS RECEIVED THE
 7 DESCRIPTION OF THE BENEFIT OPTIONS.

8 (3) ~~An individual~~ A QUALIFIED PARTICIPANT WHO FIRST BECOMES A
 9 QUALIFIED PARTICIPANT AND FIRST WORKS FOR A REPORTING UNIT ON OR
 10 AFTER SEPTEMBER 4, 2012 AND BEFORE FEBRUARY 1, 2018 who does not
 11 make an election UNDER SUBSECTION (1) for any reason on or before
 12 the close of the election period is considered to have made an
 13 election to become a member of Tier 1 and is subject to all of the
 14 following as of the date of his or her employment:

15 (a) He or she is eligible to accrue any service credit or
 16 qualify for any retirement allowance under Tier 1 under the terms
 17 as provided in section 81c.

18 (b) He or she is also a qualified participant under Tier 2.

19 (4) A QUALIFIED PARTICIPANT WHO FIRST BECOMES A QUALIFIED
 20 PARTICIPANT AND FIRST WORKS FOR A REPORTING UNIT ON OR AFTER
 21 FEBRUARY 1, 2018 WHO DOES NOT MAKE AN ELECTION FOR ANY REASON ON OR
 22 BEFORE THE CLOSE OF THE ELECTION PERIOD IS CONSIDERED TO HAVE MADE
 23 AN ELECTION TO BECOME ONLY A QUALIFIED PARTICIPANT IN TIER 2.

24 (5) ~~(4)~~—An individual who makes the election under subsection
 25 (1) on or before the close of the election period OR IS A QUALIFIED
 26 PARTICIPANT DESCRIBED IN SUBSECTION (4) is considered to have made
 27 an election to not become a member of Tier 1 and is subject to all

1 of the following as of the date of his or her employment:

2 (a) He or she is not eligible to accrue any service credit or
3 qualify for any retirement allowance under Tier 1 under the terms
4 as provided in section 81c.

5 (b) He or she is only a qualified participant under Tier 2.

6 **(6)** ~~(5)~~—The retirement system shall collect from ~~the~~**AN**
7 individual **DESCRIBED IN SUBSECTION (1)** all amounts required under
8 sections 43a and 131(2) and shall collect all required employer
9 contributions required under Tier 1 from his or her date of
10 employment. If an individual makes a valid election under
11 subsection (1) to not become a member of Tier 1 **OR IS A QUALIFIED**
12 **PARTICIPANT UNDER SUBSECTION (4)**, the retirement system shall
13 determine and implement a method to reconcile employer and employee
14 contributions to be deposited to Tier 2, and any such employee
15 contributions will be considered to be elective contributions under
16 section 131.

17 **(7) A QUALIFIED PARTICIPANT WHO FIRST BECOMES A QUALIFIED**
18 **PARTICIPANT AND FIRST WORKS FOR A REPORTING UNIT FOLLOWING THE**
19 **EFFECTIVE DATE OF THE QUALIFYING EVENT IS ONLY A TIER 2 QUALIFIED**
20 **PARTICIPANT AND IS CONSIDERED TO HAVE MADE AN ELECTION TO BECOME**
21 **ONLY A QUALIFIED PARTICIPANT IN TIER 2. AS USED IN THIS SUBSECTION:**

22 **(A) "EFFECTIVE DATE OF THE QUALIFYING EVENT" MEANS 12 MONTHS**
23 **AFTER THE DATE THAT THE RETIREMENT BOARD RECEIVES THE VALUATION**
24 **REPORT SHOWING THAT THE QUALIFYING EVENT HAS OCCURRED.**

25 **(B) "QUALIFYING EVENT" MEANS THE DATE ON WHICH THE ACTUARIAL**
26 **FUNDED RATIO FOR THE PLAN FOR WHICH THE SEPARATE CONTRIBUTION RATE**
27 **IS CALCULATED UNDER SECTION 41B(2) FALLS BELOW 85% FOR 2**

1 CONSECUTIVE YEARS, BASED ON THE ACTUARIAL FUNDED RATIO USING 5-YEAR
2 SMOOTHING OF INVESTMENT RETURNS. FOR PURPOSES OF VALUATION UNDER
3 THIS SUBDIVISION, THE QUALIFYING EVENT DOES NOT OCCUR IF EITHER OF
4 THE FOLLOWING APPLIES:

5 (i) THE ACTUARIAL FUNDED RATIO FALLS BELOW 85% BUT WOULD NOT
6 HAVE FALLEN BELOW 85% BUT FOR THE FAILURE OF THE EMPLOYER OR THIS
7 STATE TO MAKE A REQUIRED CONTRIBUTION AS CALCULATED UNDER SECTION
8 41B.

9 (ii) THIS STATE MAKES AN APPROPRIATION TO THE PLAN DESCRIBED
10 UNDER THIS SUBDIVISION THAT INCREASES THE VALUATION AS DESCRIBED
11 UNDER THIS SUBSECTION TO 85% OR HIGHER.

12 SEC. 92C. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING
13 SEPTEMBER 30, 2017, \$5,000,000.00 TO THE OFFICE OF RETIREMENT
14 SERVICES IN THE DEPARTMENT FOR ADMINISTRATION OF THE CHANGES UNDER
15 THE AMENDATORY ACT THAT ADDED THIS SECTION.

16 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK
17 PROJECT APPROPRIATION, AND ANY UNENCUMBERED OR UNALLOTTED FUNDS ARE
18 CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING IS IN
19 COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND BUDGET ACT,
20 1984 PA 431, MCL 18.1451A:

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

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

25 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
26 \$5,000,000.00.

27 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS

1 **SEPTEMBER 30, 2018.**

2 Sec. 108. (1) This section is enacted pursuant to federal law
3 that imposes certain administrative requirements and benefit
4 limitations for qualified governmental plans. This state intends
5 that the retirement system be a qualified pension plan created in
6 trust under section 401 of the internal revenue code, 26 USC 401,
7 and that the trust be an exempt organization under section 501 of
8 the internal revenue code, 26 USC 501. The department shall
9 administer the retirement system to fulfill this intent.

10 (2) The retirement system shall be administered in compliance
11 with the provisions of section 415 of the internal revenue code, 26
12 USC 415, and regulations under that section that are applicable to
13 governmental plans and beginning January 1, 2010, applicable
14 provisions of the final regulations issued by the internal revenue
15 service on April 5, 2007. Employer-financed benefits provided by
16 the retirement system under this act shall not exceed the
17 applicable limitations set forth in section 415 of the internal
18 revenue code, 26 USC 415, as adjusted by the commissioner of
19 internal revenue under section 415(d) of the internal revenue code,
20 26 USC 415, to reflect cost-of-living increases, and the retirement
21 system shall adjust the benefits, including benefits payable to
22 retirants and retirement allowance beneficiaries, subject to the
23 limitation each calendar year to conform with the adjusted
24 limitation. For purposes of section 415(b) of the internal revenue
25 code, 26 USC 415, the applicable limitation shall apply to
26 aggregated benefits received from all qualified pension plans for
27 which the office of retirement services coordinates administration

1 of that limitation. If there is a conflict between this section and
2 another section of this act, this section prevails.

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

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

15 (5) The required beginning date for retirement allowances and
16 other distributions shall not be later than April 1 of the calendar
17 year following the calendar year in which the employee attains age
18 70-1/2 or April 1 of the calendar year following the calendar year
19 in which the employee retires. The required minimum distribution
20 requirements imposed by section 401(a)(9) of the internal revenue
21 code, 26 USC 401, shall apply to this act and be administered in
22 accordance with a reasonable and good faith interpretation of the
23 required minimum distribution requirements for all years to which
24 the required minimum distribution requirements apply to the act.

25 (6) If the retirement system is terminated, the interest of
26 the members, deferred members, retirants, and retirement allowance
27 beneficiaries in the retirement system is nonforfeitable to the

1 extent funded as described in section 411(d)(3) of the internal
 2 revenue code, 26 USC 411, and the related internal revenue service
 3 regulations applicable to governmental plans.

4 (7) Notwithstanding any other provision of this act to the
 5 contrary that would limit a distributee's election under this act,
 6 a distributee may elect, at the time and in the manner prescribed
 7 by the retirement board, to have any portion of an eligible
 8 rollover distribution paid directly to an eligible retirement plan
 9 specified by the distributee in a direct rollover. This subsection
 10 applies to distributions made on or after January 1, 1993.

11 Beginning October 1, 2010, a nonspouse beneficiary may elect to
 12 have any portion of an amount payable under this act that is an
 13 eligible rollover distribution treated as a direct rollover that
 14 will be paid in a direct trustee-to-trustee transfer to an
 15 individual retirement account or individual retirement annuity
 16 described in section 408(a) or (b) of the internal revenue code, 26
 17 USC 408, that is established for the purpose of receiving a
 18 distribution on behalf of the beneficiary and that will be treated
 19 as an inherited individual retirement account or individual
 20 retirement annuity pursuant to section 402(c)(11) of the internal
 21 revenue code, 26 USC 402.

22 (8) For purposes of determining actuarial equivalent
 23 retirement allowances under sections 45 and 85(1)(b), (1)(c),
 24 (1)(d), and (2), the actuarially assumed interest rate shall be ~~8%~~
 25 ~~with utilization of the 1983 group annuity and mortality table.~~
 26 **DETERMINED BY THE DIRECTOR OF THE DEPARTMENT AND THE RETIREMENT**
 27 **BOARD IN CONSULTATION WITH THE ACTUARY WITH UTILIZATION OF THE**

1 MORTALITY TABLES ADOPTED BY THE DEPARTMENT AND THE RETIREMENT
2 BOARD.

3 (9) Notwithstanding any other provision of this act, the
4 compensation of a member of the retirement system shall be taken
5 into account for any year under the retirement system only to the
6 extent that it does not exceed the compensation limit established
7 in section 401(a)(17) of the internal revenue code, 26 USC 401, as
8 adjusted by the commissioner of internal revenue. This subsection
9 applies to any person who first becomes a member of the retirement
10 system on or after October 1, 1996.

11 (10) Notwithstanding any other provision of this act,
12 contributions, benefits, and service credit with respect to
13 qualified military service will be provided under the retirement
14 system in accordance with section 414(u) of the internal revenue
15 code, 26 USC 414. This subsection applies to all qualified military
16 service on or after December 12, 1994. Effective January 1, 2007,
17 in accordance with section 401(a)(37) of the internal revenue code,
18 26 USC 401, if a member dies while performing qualified military
19 service, for purposes of determining any death benefits payable
20 under this act, the member shall be treated as having resumed and
21 then terminated employment on account of death.

22 Sec. 127. **(1)** Each qualified participant, former qualified
23 participant, and refund beneficiary shall direct the investment of
24 the individual's accumulated employer and employee contributions
25 and earnings to 1 or more investment choices within available
26 categories of investment provided by the department. The
27 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~~, **38.1141**, do not apply to Tier
 2.

**(2) IN ADDITION TO THE CATEGORIES OF INVESTMENT PROVIDED BY
 THE DEPARTMENT UNDER SUBSECTION (1), THE RETIREMENT SYSTEM SHALL
 OFFER ACCESS TO 1 OR MORE FIXED ANNUITY OPTIONS AND 1 OR MORE
 VARIABLE ANNUITY OPTIONS.**

Sec. 131. (1) This section is subject to the vesting
 requirements of section 132.

(2) Unless a qualified participant who is also a member of
 Tier 1 affirmatively elects not to contribute or elects to
 contribute a lesser amount, the qualified participant who is also a
 member of Tier 1 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
 contributed by the qualified participant under this subsection.

(3) A qualified participant may make contributions in addition
 to contributions made under subsection (2) to his or her Tier 2
 account as permitted by the department and the internal revenue
 code.

(4) ~~Upon~~**ON** the written determination of the director of the
 office of retirement services, an employee of an employer that is
 not a qualified participant may elect to make contributions to a
 Tier 2 account as permitted by the department and the internal
 revenue code. An employee as described in this subsection ~~shall be~~
IS treated as a qualified participant under this article for the

1 limited purposes of his or her Tier 2 account.

2 (5) ~~Upon~~**ON** the written determination of the director of the
 3 office of retirement services, an employer may annually elect to
 4 make additional matching contributions, including those in addition
 5 to matching contributions made under subsections (2) and (6), to an
 6 employee's Tier 2 account as permitted by the plan document and the
 7 internal revenue code. Matching contributions under this subsection
 8 ~~shall~~**MUST** be made in amounts equal to 50% of the contributions
 9 made by the employee not to exceed the first 4% of contributions
 10 made in whole percentages only, for any employee in addition to
 11 amounts that are already matched under this section, if any.

12 (6) Except as otherwise provided in section 81d, unless a
 13 qualified participant who is only a Tier 2 qualified participant
 14 due to an election made under section 81d(1) affirmatively elects
 15 not to contribute or elects to contribute a lesser amount, the
 16 qualified participant shall contribute 6% of his or her
 17 compensation to his or her Tier 2 account. ~~The~~**UNTIL JANUARY 31,**
 18 **2018, THE** qualified participant's employer shall make a
 19 contribution to the qualified participant's Tier 2 account in an
 20 amount equal to 50% of the first 6% of compensation contributed by
 21 the qualified participant under this subsection. **BEGINNING FEBRUARY**
 22 **1, 2018, THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A**
 23 **CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT IN AN**
 24 **AMOUNT EQUAL TO 100% OF THE FIRST 3% OF COMPENSATION CONTRIBUTED BY**
 25 **THE QUALIFIED PARTICIPANT UNDER THIS SUBSECTION. BEGINNING FEBRUARY**
 26 **1, 2018, ALL CONTRIBUTIONS MADE BY AN EMPLOYER UNDER THIS**
 27 **SUBSECTION MUST BE PAID BY APPROPRIATION FROM THE STATE SCHOOL AID**

1 FUND ESTABLISHED BY SECTION 11 OF ARTICLE IX OF THE STATE
2 CONSTITUTION OF 1963, ASSUMING 100% PARTICIPATION BY ALL QUALIFIED
3 PARTICIPANTS.

4 (7) FOR A QUALIFIED PARTICIPANT WHO IS ONLY A TIER 2 QUALIFIED
5 PARTICIPANT UNDER SECTION 81D, BEGINNING WITH THE FIRST AVAILABLE
6 PAY PERIOD AFTER OCTOBER 1, 2017, THE QUALIFIED PARTICIPANT'S
7 EMPLOYER SHALL MAKE A CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S
8 TIER 2 ACCOUNT IN AN AMOUNT EQUAL TO 4% OF THE QUALIFIED
9 PARTICIPANT'S COMPENSATION.

10 Sec. 131a. Tier 2 accounts are subject to the following terms
11 and conditions:

12 (a) On or before January 1, 2013, the retirement system shall
13 design an automatic enrollment feature that provides that unless a
14 qualified participant who makes contributions under this act elects
15 to contribute a lesser amount, the qualified participant shall
16 contribute the amount required to qualify for all eligible matching
17 contributions under this act. The retirement system shall implement
18 this automatic enrollment feature on or after January 1, 2013, as
19 determined by the retirement system.

20 (b) Employer matching contributions do not have to be made to
21 the same plan or account to which the elective employee
22 contributions were contributed as the basis for the matching
23 contributions.

24 (c) Elective employee contributions shall not be used as the
25 basis for more than an equivalent amount of employer matching
26 contributions or, in the case of matching contributions under
27 section 131(2), ~~and (6),~~ 50% of the employer matching

1 contributions.

2 (d) The retirement system shall design and implement a method
3 to determine the proper allocation of employer matching
4 contributions based on elective employee contributions as provided
5 in this section.