SENATE BILL No. 1040

March 22, 2012, Introduced by Senators KAHN, PAVLOV, JANSEN and WALKER and referred to the Committee on Appropriations.

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 3a, 4, 43a, 43e, 84, and 91 (MCL 38.1303a, 38.1304, 38.1343a, 38.1343e, 38.1384, and 38.1391), section 3a as added by 1996 PA 268, sections 4 and 91 as amended and section 43e as added by 2010 PA 75, section 43a as amended by 2007 PA 111, and section 84 as amended by 1989 PA 194, and by adding sections 43g, 59, 84b, 91a, and 92b; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1  Sec. 3a. (1) Except as otherwise provided in this act, "compensation" means the remuneration earned by a member for service performed as a public school employee.
2  (2) Compensation includes salary and wages and all of the
following:

(a) Remuneration earned for all services performed as a public school employee including, but not limited to, teaching, coaching, and participation in extracurricular activities.

(b) On a current basis, investments made in a tax sheltered annuity for a public school employee as remuneration for service under this act. The remuneration shall be valued at the amount of money actually paid into the annuity.

(c) All amounts deducted from the pay of a public school employee, including amounts deducted pursuant to the member investment plan.

(d) Longevity pay.

(e) Overtime pay for service performed outside of what is considered normal working hours for the affected employee.

(f) Pay for vacation, holiday, and sick leave while absent from work. As used in this subdivision, "sick leave" includes weekly worker's disability compensation payments received for personal injury in the employ of and while employed by a reporting unit.

(g) Items of deferred compensation, exclusive of employer contributions to the retirement system.

(h) Merit pay as established by a reporting unit for the purpose of rewarding achievement of specific performance objectives.

(3) Compensation does not include any of the following:
(a) Payments for unused sick or annual leave.
(b) Bonus payments.
(c) Payments for hospitalization insurance and life insurance premiums.
(d) Other fringe benefits paid by and from the funds of employers of public school employees.
(e) Remuneration paid for the specific purpose of increasing the final average compensation.
(f) Compensation in excess of an amount over the level of compensation reported for the preceding year except increases provided by the normal salary schedule for the current job classification. In cases where the current job classification in the reporting unit has less than 3 members, the normal salary schedule for the most nearly identical job classification in the reporting unit or in similar reporting units shall be used.

(G) BEGINNING JULY 1, 2012, ANY OF THE FOLLOWING:
(i) INVESTMENTS MADE IN A TAX SHELTERED ANNUITY PREVIOUSLY ALLOWED UNDER SUBSECTION (2)(B).
(ii) LONGEVITY PAY PREVIOUSLY ALLOWED UNDER SUBSECTION (2)(D).
(iii) MERIT PAY PREVIOUSLY ALLOWED UNDER SUBSECTION (2)(H).

(4) The retirement board shall require a sworn affidavit from the member that final compensation does not include remuneration paid either directly or indirectly for actual or anticipated expenses.
(5) Based upon information and documentation provided by the member, the retirement board shall determine both of the
following:

(a) Whether any form of remuneration paid to a member is
identified in this section.

(b) Whether any form of remuneration that is not identified
in this section should be considered compensation reportable to
the retirement system under this section.

(6) In any case where a petitioner seeks to have
remuneration included in compensation reportable to the
retirement system, the petitioner shall have the burden of proof.

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, a 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.
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 who contributes to the member investment plan and first became a member on or after July 1, 2010; otherwise, the averaging period shall be 60 consecutive calendar months. A member who contributes to the member investment plan and first became a member on or after July 1, 2010 shall also have an averaging period of 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. FOR A MEMBER WHO FIRST BECOMES A MEMBER ON OR AFTER JULY 1, 2012, FINAL AVERAGE COMPENSATION SHALL NOT EXCEED $100,000.00 OR THE ADJUSTED AMOUNT DETERMINED UNDER THIS SUBSECTION, WHICHEVER IS GREATER. BEGINNING JANUARY 1, 2013, THE RETIREMENT SYSTEM SHALL ANNUALLY ADJUST THE FINAL AVERAGE COMPENSATION LIMITATION IN THIS SUBSECTION BY AN AMOUNT DETERMINED BY THE RETIREMENT SYSTEM AT THE END OF EACH CALENDAR YEAR TO REFLECT THE CUMULATIVE ANNUAL PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX. AS USED IN THIS SUBSECTION, "CONSUMER PRICE INDEX" MEANS THE MOST COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THIS STATE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES DEPARTMENT OF LABOR.

(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. 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 who contributes to the member investment plan is entitled to the benefits provided in sections 43b and 43c.

(2) Until December 31, 1989—EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7)—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.

(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.

(3) Except as otherwise provided in subsection (7), 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, 2008, shall make the contributions described in subsection (7)-(5).

(4) Except as otherwise provided in subsection (7), 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)–(5).

(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}–EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), 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:

<table>
<thead>
<tr>
<th>Member's annual school fiscal year earned compensation</th>
<th>Amount payable to the member investment plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $5,000.00</td>
<td>3% of member's compensation</td>
</tr>
<tr>
<td>Over $5,000.00 but not over</td>
<td>$150.00, plus 3.6% of the excess over $5,000.00</td>
</tr>
<tr>
<td>$15,000.00</td>
<td></td>
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<tr>
<td>Over $15,000.00</td>
<td>$510.00, plus 4.3% of the excess over $15,000.00</td>
</tr>
</tbody>
</table>

(6) {8}–EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A member who first became a member on or after July 1, 2008 shall contribute the following amounts to the member investment plan:

<table>
<thead>
<tr>
<th>Member's annual school fiscal year earned compensation</th>
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</tr>
</thead>
<tbody>
<tr>
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<td>3% of member's compensation</td>
</tr>
<tr>
<td>Over $5,000.00 but not over</td>
<td>$150.00, plus 3.6% of excess over $5,000.00</td>
</tr>
<tr>
<td>$15,000.00</td>
<td></td>
</tr>
<tr>
<td>Over $15,000.00</td>
<td>$510.00, plus 6.4% of the excess over $15,000.00</td>
</tr>
</tbody>
</table>
(7) Beginning October 1, 2012, a member described in subsections (1) to (6) who makes the election under section 59(1) and who does not make the attainment date designation under section 59(1) shall contribute the percentage of the member's annual school fiscal year earned compensation to the retirement system as prescribed in section 43G until termination of employment. Beginning October 1, 2012, a member described in subsections (1) to (6) who makes the election and attainment date designation under section 59(1) shall contribute the percentage of the member's annual school fiscal year earned compensation to the retirement system as prescribed in section 43G until termination of employment. Beginning October 1, 2012, a member described in subsections (1) to (6) who makes or is considered to have made the alternative election under section 59(2)(A) shall continue to contribute the percentage of the member's annual school fiscal year earned compensation to the retirement system as prescribed in this section until termination of employment. Beginning October 1, 2012, a member described in subsections (1) to (6) who makes the alternative election under section 59(2)(B) shall not contribute any percentage of the member's annual school fiscal year earned compensation to the retirement system under this section or section 43G.
Sec. 43e. (1) Except as otherwise provided in this section, beginning July 1, 2010, each each member WHO FIRST BECAME A member BEFORE JULY 1, 2012 shall contribute 3% of the member's compensation to the appropriate funding account established under the public employee retirement health care funding act, 2010 PA 77, MCL 38.2731 TO 38.2747. For the school fiscal year that begins July 1, 2010, members who were employed by a reporting unit and were paid less than $18,000.00 in the prior school fiscal year and members who were hired on or after July 1, 2010 with a starting salary less than $18,000.00 shall contribute 1.5% of the member's compensation to the appropriate funding account established under the public employee retirement health care funding act. For each school fiscal year that begins on or after July 1, 2011, members whose yearly salary is less than $18,000.00 shall contribute 3% of the member's compensation to the appropriate funding account established under the public employee retirement health care funding act. The member contributions shall be deducted by the employer and remitted as employer contributions in a manner that the retirement system shall determine.

(2) As used in this act, "funding account" means the appropriate irrevocable trust created in the public employee retirement health care funding act, 2010 PA 77, MCL 38.2731 TO 38.2747, for the deposit of funds and the payment of retirement health care benefits.

Sec. 43G. (1) BEGINNING WITH THE FIRST PAY DATE AFTER OCTOBER 1, 2012 AND ENDING UPON THE MEMBER'S TERMINATION OF
EMPLOYMENT OR ATTAINMENT DATE, AS APPLICABLE UNDER SECTION 59(1), EACH MEMBER WHO MADE THE ELECTION UNDER SECTION 59(1) SHALL CONTRIBUTE AN AMOUNT EQUAL TO A PERCENTAGE OF HIS OR HER COMPENSATION TO THE RESERVE FOR EMPLOYEE CONTRIBUTIONS TO PROVIDE FOR THE AMOUNT OF RETIREMENT ALLOWANCE THAT IS CALCULATED ONLY ON THE CREDITED SERVICE AND COMPENSATION RECEIVED BY THAT MEMBER AFTER SEPTEMBER 30, 2012. THE MEMBER SHALL NOT CONTRIBUTE ANY AMOUNT UNDER THIS SUBSECTION FOR ANY YEARS OF CREDITED SERVICE ACCRUED OR COMPENSATION RECEIVED BEFORE OCTOBER 1, 2012. THE AMOUNT TO BE CONTRIBUTED UNDER THIS SUBSECTION IS AS FOLLOWS:

(A) FOR A MEMBER WHO DOES NOT CONTRIBUTE TO THE MEMBER INVESTMENT PLAN AS OF JUNE 30, 2012, 5% OF COMPENSATION.

(B) FOR A MEMBER WHO DOES CONTRIBUTE TO THE MEMBER INVESTMENT PLAN AS OF JUNE 30, 2012, 8% OF COMPENSATION.

(2) THE RETIREMENT SYSTEM AND EMPLOYER SHALL DETERMINE A METHOD OF DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN THIS SECTION FROM THE COMPENSATION OF EACH MEMBER FOR EACH PAYROLL AND EACH PAYROLL PERIOD.

(3) THE EMPLOYER SHALL PICK UP THE MEMBER CONTRIBUTIONS REQUIRED BY SUBSECTION (1) FOR ALL COMPENSATION RECEIVED ON OR AFTER OCTOBER 1, 2012. CONTRIBUTIONS PICKED UP SHALL BE TREATED AS EMPLOYER CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE INTERNAL REVENUE CODE. THE EMPLOYER SHALL PAY THESE MEMBER CONTRIBUTIONS FROM THE SAME SOURCE OF FUNDS THAT IS USED IN PAYING COMPENSATION TO THE MEMBER.

(4) A MEMBER IS ENTITLED TO THE BENEFIT OF ALL CONTRIBUTIONS MADE UNDER THIS SECTION IN THE SAME MANNER AS PROVIDED UNDER
SECTION 29.

THE PURPOSE OF THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B.

(2) THE RETIREMENT SYSTEM SHALL PERMIT EACH MEMBER WHO FIRST BECAME A MEMBER BEFORE JULY 1, 2012 AND WHO IS A MEMBER ON JUNE 30, 2012 TO MAKE AN ALTERNATIVE ELECTION DESCRIBED IN THIS SUBSECTION WITH THE RETIREMENT SYSTEM, IF THE MEMBER DOES NOT MAKE THE ELECTION OR THE ELECTION AND DESIGNATION UNDER SUBSECTION (1). A MEMBER WHO DOES NOT MAKE THE ELECTION OR THE ELECTION AND DESIGNATION UNDER SUBSECTION (1) AND WHO DOES NOT MAKE AN ALTERNATIVE ELECTION DESCRIBED IN THIS SUBSECTION IS CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION DESCRIBED IN SUBDIVISION (A). A MEMBER WHO DOES NOT MAKE THE ELECTION OR THE ELECTION AND DESIGNATION UNDER SUBSECTION (1) SHALL MAKE 1 OF THE FOLLOWING ALTERNATIVE ELECTIONS:

(A) TO CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND COMPENSATION ON AND AFTER OCTOBER 1, 2012, FOR THE PURPOSE OF THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B. A MEMBER WHO MAKES OR IS CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION IN THIS SUBDIVISION SHALL CONTINUE TO MAKE THE EMPLOYEE CONTRIBUTIONS AS PROVIDED IN SECTION 43A AND SHALL NOT MAKE THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43G.

(B) TO FREEZE ALL SERVICE AND COMPENSATION ACCRUED TO THAT MEMBER AS OF SEPTEMBER 30, 2012 FOR THE PURPOSE OF THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER SECTION 84B AND, BEGINNING OCTOBER 1, 2012, TO BE ELIGIBLE FOR THE EMPLOYER CONTRIBUTION TO THE MEMBER'S TIER 2 ACCOUNT AS PROVIDED IN SECTION 84B. A MEMBER WHO MAKES THE ALTERNATIVE ELECTION IN THIS
SUBDIVISION SHALL NOT MAKE THE EMPLOYEE CONTRIBUTIONS DESCRIBED IN SECTION 43A OR 43G.

(3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF ACCEPTING MEMBER ELECTIONS, DESIGNATIONS, AND ALTERNATIVE ELECTIONS UNDER THIS SECTION. THE RETIREMENT SYSTEM SHALL ACCEPT ELECTIONS, DESIGNATIONS, AND ALTERNATIVE ELECTIONS UNDER THIS SECTION FROM MEMBERS DURING AN ELECTION PERIOD THAT BEGINS ON JULY 2, 2012 AND ENDS AT 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 31, 2012. A MEMBER MAY RESCIND AN ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD. AN ELECTION, DESIGNATION, OR ALTERNATIVE ELECTION MADE BY A MEMBER AND NOT RESCINDED ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD SHALL NOT BE RESCINDED.

(4) A MEMBER WHO DOES NOT MAKE OR WHO RESCINDS THE ELECTION UNDER SUBSECTION (1) ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD AND WHO MAKES OR IS CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION UNDER SUBSECTION (2)(A) IS SUBJECT TO ALL OF THE FOLLOWING:

(A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12 MIDNIGHT ON SEPTEMBER 30, 2012.

(B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON OCTOBER 1, 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE.

(C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED
SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(1) AND (2).

THIS SUBDIVISION DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR SERVICE PROVIDED UNDER SECTION 84B(7).

(5) A MEMBER WHO DOES NOT MAKE OR WHO RESCINDS AN ELECTION UNDER SUBSECTION (1) AND WHO MAKES THE ALTERNATIVE ELECTION UNDER SUBSECTION (2)(B) ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE FOLLOWING:

(A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE SERVICE AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE AS PRESCRIBED IN SECTION 84, BEGINNING 12 MIDNIGHT ON SEPTEMBER 30, 2012.

(B) HE OR SHE BECOMES SUBJECT TO SECTION 84B FOR ANY FUTURE SERVICE AND COMPENSATION ON OR AFTER 12:01 A.M. ON OCTOBER 1, 2012 FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE AND ELIGIBILITY FOR THE EMPLOYER CONTRIBUTION TO THE MEMBER'S TIER 2 ACCOUNT.

(C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE CALCULATED UNDER SECTION 84 THAT IS BASED ONLY ON CREDITED SERVICE AND COMPENSATION ALLOWED UNDER SECTION 84B(3) AND (4).

THIS SUBDIVISION DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH INSURANCE COVERAGE PROVIDED UNDER SECTION 91 OR CREDIT FOR SERVICE PROVIDED UNDER SECTION 84B(7).

(6) A MEMBER WHO MAKES THE ELECTION AND THE ATTAINMENT DATE DESIGNATION UNDER SUBSECTION (1) AND WHO DOES NOT RESCIND THE ELECTION AND DESIGNATION ON OR BEFORE THE CLOSE OF THE ELECTION PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE FOLLOWING:
(A) He or she ceases to receive credit for any future service and compensation for purposes of a calculation of a retirement allowance as prescribed in Section 84, beginning 12 midnight on the member's attainment date.

(B) He or she becomes subject to Section 84B for any future service and compensation on or after 12:01 a.m. on the day after the attainment date if he or she remains employed by an employer.

(C) He or she shall receive a retirement allowance calculated under Section 84 that is based only on credited service and compensation allowed under Section 84B(5) and (6).

This subdivision does not affect a person's right to health insurance coverage provided under Section 91 or credit for service provided under Section 84B(7).

(7) Except as otherwise provided in this subsection or subsection (8), a deferred member or former nonvested member who is reemployed on or after July 1, 2012 shall be treated in the same manner as a member described in subsection (4) and shall become subject to Section 84B for any future service and compensation. However, a deferred member or former nonvested member who, while a member, made the election under subsection (1) shall have the credited service accrued and compensation received during the time he or she made the contributions under Section 43G included in the calculation of a retirement allowance under this Act.

(8) A former nonvested member who is reemployed on or after July 1, 2014 is not eligible for a retirement allowance based on any past service and compensation before his or her date of
REEMPLOYMENT AND SHALL BE TREATED AS BEING FIRST EMPLOYED BY HIS
OR HER EMPLOYER ON HIS OR HER DATE OF REEMPLOYMENT.

(9) AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THAT
TERM AS DEFINED IN SECTION 84B.

Sec. 84. (1) Except SUBJECT TO SECTION 84B AND EXCEPT as
provided in subsection (2), 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, former Act No. 56 of the Public Acts
of 1941, or former Act No. 184 of the Public Acts of 1937, 1945 PA 136, FORMER 1941 PA 56, OR FORMER 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, and who is already in receipt of a retirement allowance under chapter II of former Act No. 136 of the Public Acts of 1945, 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. 84B. (1) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF
A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT
MAKE THE ELECTION UNDER SECTION 59(1) AND WHO MADE OR IS
CONSIDERED TO HAVE MADE THE ALTERNATIVE ELECTION UNDER SECTION
59(2)(A) SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED
SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE
COMPENSATION AS PROVIDED IN SECTION 84:
(A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
ACCRUED TO THAT MEMBER BEFORE OCTOBER 1, 2012.
(B) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1,
2012.
(C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN
PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF SEPTEMBER 30, 2012.
(2) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN
SUBSECTION (1) SHALL INCLUDE THE FOLLOWING ITEMS OF CREDITED
SERVICE, AS APPLICABLE, MULTIPLIED BY 1.25% OF FINAL AVERAGE
COMPENSATION, AS OPPOSED TO THE 1.5% OF FINAL AVERAGE
COMPENSATION AS PROVIDED IN SECTION 84:
(A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
ACCRUED TO THAT MEMBER ON AND AFTER OCTOBER 1, 2012.
(B) SERVICE CREDIT THAT WAS PURCHASED ON AND AFTER OCTOBER
1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (1)(C).
(3) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A
RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE
THE ELECTION UNDER SECTION 59(1) AND WHO MADE THE ALTERNATIVE
ELECTION UNDER SECTION 59(2)(B) SHALL INCLUDE ONLY THE FOLLOWING
ITEMS OF CREDITED SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS PROVIDED IN SECTION 84:

(A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE ACCRUED TO THAT MEMBER BEFORE OCTOBER 1, 2012.

(B) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1, 2012.

(C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF SEPTEMBER 30, 2012.

(4) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER-described in subsection (3) SHALL NOT INCLUDE ANY YEAR OR FRACTION OF A YEAR OF SERVICE PERFORMED BY THAT MEMBER ON AND AFTER OCTOBER 1, 2012 OR ANY SERVICE CREDIT THAT IS PURCHASED BY THAT MEMBER AFTER OCTOBER 1, 2012, EXCEPT AS PROVIDED IN SUBSECTION (3)(C).

BEGINNING WITH THE FIRST PAYROLL DATE AFTER OCTOBER 1, 2012, AND ENDING UPON THE MEMBER'S TERMINATION OF SERVICE, THE EMPLOYER OF A MEMBER-described in subsection (3) SHALL CONTRIBUTE 4% OF THE MEMBER'S COMPENSATION TO THE MEMBER'S TIER 2 ACCOUNT.

(5) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE ELECTION AND ATTAINMENT DATE DESIGNATION UNDER SECTION 59(1) SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED SERVICE, AS APPLICABLE, MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS PROVIDED IN SECTION 84:

(A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE ACCRUED TO THAT MEMBER ON OR BEFORE THE ATTAINMENT DATE.

(B) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE
ATTAINMENT DATE.

(C) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF THE ATTAINMENT DATE.

(6) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER DESCRIBED IN SUBSECTION (5) SHALL INCLUDE THE FOLLOWING ITEMS OF CREDITED SERVICE, AS APPLICABLE, MULTIPLIED BY 1.25% OF FINAL AVERAGE COMPENSATION, AS OPPOSED TO THE 1.5% OF FINAL AVERAGE COMPENSATION AS PROVIDED IN SECTION 84:

(A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE ACCRUED TO THAT MEMBER ON AND AFTER THE ATTAINMENT DATE.

(B) SERVICE CREDIT THAT WAS PURCHASED ON AND AFTER THE ATTAINMENT DATE, EXCEPT AS PROVIDED IN SUBSECTION (5)(C).

(7) BEGINNING OCTOBER 1, 2012, A MEMBER DESCRIBED IN SUBSECTION (1), (3), OR (5) SHALL CONTINUE TO ACCUMULATE YEARS OF SERVICE CREDIT AS NECESSARY FOR THE PURPOSE OF VESTING IN A RETIREMENT ALLOWANCE AND TO DETERMINE WHEN A RETIREMENT ALLOWANCE MAY BEGIN UNDER THIS ACT, REGARDLESS OF WHEN THE SERVICE CREDIT WAS ACCRUED, EXCEPT AS OTHERWISE PROVIDED IN SECTION 59(8). A MEMBER DESCRIBED IN SUBSECTION (1), (3), OR (5) SHALL CONTINUE TO BE TREATED AS A MEMBER FOR ALL PURPOSES, EXCEPT AS OTHERWISE PROVIDED IN SECTION 59(8) AND EXCEPT FOR THE LIMITATIONS ON CREDITED SERVICE AND CALCULATION OF A RETIREMENT ALLOWANCE AS PROVIDED IN SUBSECTIONS (1) THROUGH (6).

(8) BEGINNING OCTOBER 1, 2012, THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE
ELECTION UNDER SECTION 59(1) BUT WHO DOES NOT MAKE THE ATTAINMENT DATE DESIGNATION UNDER SECTION 59(1) SHALL INCLUDE ALL ITEMS OF CREDITED SERVICE ACCRUED TO THAT MEMBER, REGARDLESS OF WHEN THE SERVICE CREDIT WAS ACCRUED, WHICH SHALL BE MULTIPLIED BY 1.5% OF FINAL AVERAGE COMPENSATION AS PROVIDED IN SECTION 84. BEGINNING OCTOBER 1, 2012, A MEMBER DESCRIBED IN THIS SUBSECTION SHALL CONTINUE TO ACCUMULATE YEARS OF SERVICE CREDIT FOR THE PURPOSES OF THE CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT, THE VESTING IN A RETIREMENT ALLOWANCE, AND THE DETERMINATION OF WHEN A RETIREMENT ALLOWANCE MAY BEGIN UNDER THIS ACT.

(9) AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THE FINAL DAY OF THE PAY PERIOD IN WHICH THE MEMBER ATTAINS 30 YEARS OF CREDITED SERVICE OR THE DATE THE MEMBER TERMINATES EMPLOYMENT, WHICHEVER FIRST OCCURS.

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. BEGINNING JULY 1, 2012, THE RETIREMENT SYSTEM SHALL PAY 80% OF 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 OR WHO RETIRES ON OR AFTER JULY 1, 2012.

(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 retirement allowance beneficiary who elects coverage in the plan authorized by the retirement board and the department. BEGINNING JULY 1, 2012, THE RETIREMENT SYSTEM SHALL PAY 80% OF THE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR DENTAL, VISION, AND HEARING 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. 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 OR WHO RETIRES ON OR
AFTER JULY 1, 2012.

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—UNTIL JUNE 30, 2012, PAYMENT shall not exceed 90%
of the actual monthly premium or membership or subscription fee.

The UNTIL JUNE 30, 2012, 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). BEGINNING JULY 1, 2012,
ANY PAYMENT DESCRIBED IN THIS SUBSECTION SHALL NOT EXCEED 80% OF
THE ACTUAL MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE.

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 OR WHO RETIRES ON OR AFTER JULY 1, 2012.

(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
OR WHO RETIRES BEFORE JULY 1, 2012 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, BEFORE JULY 1, 2012, 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 BEGINNING JULY 1,
2012, EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE
RETIREMENT SYSTEM SHALL ONLY PROVIDE THE BENEFITS UNDER THIS
SECTION FOR THE BENEFIT OF A 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, DECEASED RETIRANT, OR DECEASED MEMBER IS AT LEAST 60 YEARS OF AGE AT THE TIME OF APPLICATION FOR BENEFITS UNDER THIS SECTION. HOWEVER, BEGINNING JULY 1, 2012, FOR A RETIRANT, DECEASED RETIRANT, OR DECEASED MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER BEFORE JULY 1, 2010 AND FOR WHOM THE SUM OF HIS OR HER AGE AND YEARS OF ACCRUED SERVICE CREDIT AS OF JUNE 30, 2013 EQUALS OR EXCEEDS 85, THE RETIREMENT SYSTEM SHALL PROVIDE THE BENEFITS UNDER THIS SECTION 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 REGARDLESS OF THE AGE OF THE RETIRANT, DECEASED RETIRANT, OR DECEASED MEMBER AT THE TIME OF APPLICATION FOR BENEFITS UNDER THIS SECTION. BEFORE JULY 1, 2012, 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%
3% for each year after the first 10 years, UP TO 80%. 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
OF service credit shall be counted for purposes of THIS
subsection (8) and this subsection (8) 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. This subsection does not apply to a member who is unable to meet the service credit requirements of this subsection because of 1 or more periods of unpaid leaves of absence approved by the reporting unit during the period of leave of absence, as a result of a mental or physical disability supported by the member's doctor during the period of leave of absence.

(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 IF payment for the elected coverages is the responsibility of the surviving spouse and is paid in a manner prescribed by the retirement system.

(15) THIS SECTION DOES NOT APPLY TO A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012.

(16) 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, 26 USC 152.

(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, 26 USC 152.

(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 1396W-5.

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

SEC. 91A. (1) A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED
UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012
SHALL NOT RECEIVE ANY HEALTH INSURANCE COVERAGE PREMIUM FROM THE
RETIREMENT SYSTEM UNDER SECTION 91. IN LIEU OF ANY HEALTH
INSURANCE COVERAGE PREMIUM THAT MIGHT HAVE BEEN PAID BY THE
RETIREMENT SYSTEM UNDER SECTION 91, A MEMBER'S EMPLOYER SHALL
MAKE A MATCHING CONTRIBUTION UP TO 2% OF THE MEMBER'S
COMPENSATION TO THE TIER 2 PLAN FOR EACH MEMBER WHO WAS FIRST
EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON

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OR AFTER JULY 1, 2012. A MATCHING CONTRIBUTION UNDER THIS
SUBSECTION SHALL NOT BE USED AS THE BASIS FOR A LOAN FROM AN
EMPLOYEE'S TIER 2 ACCOUNT.

(2) A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE
PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012 MAY MAKE
A CONTRIBUTION UP TO 2% OF THE MEMBER'S COMPENSATION TO A TIER 2
ACCOUNT.

(3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
MEMBER IS VESTED IN EMPLOYER CONTRIBUTIONS MADE TO HIS OR HER
TIER 2 ACCOUNT UNDER SUBSECTIONS (1) AND (2) ACCORDING TO THE
VESTING PROVISIONS UNDER SECTION 132. A MEMBER WHO IS ELIGIBLE
FOR HEALTH INSURANCE COVERAGE UNDER SECTION 87 IS NOT VESTED IN
ANY EMPLOYER CONTRIBUTIONS UNDER SUBSECTION (1) AND FORFEITS THE
CONTRIBUTIONS AND EARNINGS ON THE CONTRIBUTIONS.

(4) THE CONTRIBUTIONS DESCRIBED IN THIS SECTION SHALL BEGIN
WITH THE FIRST PAYDAY AFTER THE MEMBER IS EMPLOYED AND END UPON
HIS OR HER TERMINATION OF EMPLOYMENT.

(5) AN INDIVIDUAL WHO IS A FORMER MEMBER ON DECEMBER 31,
2011, WHO FIRST BECAME A MEMBER AFTER JUNE 30, 2008, AND WHO IS
REEMPLOYED BY AN EMPLOYER ON OR AFTER JANUARY 1, 2014 SHALL BE
TREATED IN THE SAME MANNER AS A MEMBER WHO WAS FIRST EMPLOYED AND
ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY
1, 2012 AND SHALL RECEIVE AN AMOUNT, IF ANY, AS DETERMINED UNDER
THIS SECTION.

(6) IN LIEU OF ANY OTHER HEALTH INSURANCE COVERAGE THAT
MIGHT HAVE BEEN PAID BY THE RETIREMENT SYSTEM, A CREDIT TO A
HEALTH REIMBURSEMENT ACCOUNT WITHIN THE TRUST CREATED UNDER THE
PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL 38.2731 TO 38.2747, SHALL BE MADE BY THE EMPLOYER IN THE AMOUNTS AND TO THE MEMBERS OR FORMER MEMBERS AS FOLLOWS:

(A) TWO THOUSAND DOLLARS TO A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012, WHO IS 60 YEARS OF AGE OR OLDER, AND WHO HAS AT LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST TERMINATION OF EMPLOYMENT.

(B) ONE THOUSAND DOLLARS TO A MEMBER WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2012, WHO IS LESS THAN 60 YEARS OF AGE, AND WHO HAS AT LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST TERMINATION OF EMPLOYMENT.

(7) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD TO IMPLEMENT SUBSECTIONS (5) AND (6), INCLUDING A METHOD FOR CREDITING THE AMOUNTS IN SUBSECTION (6) TO COMPLY WITH THE INTERNAL REVENUE CODE.

(8) ON OR BEFORE JANUARY 1, 2017, THE RETIREMENT SYSTEM SHALL PROVIDE A REPORT TO THE CHAIRS OF THE HOUSE AND SENATE APPROPRIATIONS COMMITTEES THAT PROVIDES THE PROJECTED IMPACT OF SUBSECTION (6) AS IT APPLIES TO MEMBERS FIRST ENTERED UPON THE PAYROLL OF THEIR EMPLOYERS ON OR AFTER JANUARY 1, 2017 WITH REGARD TO THE ANNUAL REQUIRED CONTRIBUTION AS USED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND FOR PURPOSES OF THE ANNUAL FINANCIAL STATEMENTS PREPARED UNDER SECTION 28(1).

SEC. 92B. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012, $1,000,000.00 TO THE OFFICE OF
1 RETIREMENT SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, 
2 AND BUDGET FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY 
3 ACT THAT ADDED THIS SECTION.
4
5 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK 
6 PROJECT APPROPRIATION AND ANY UNENCUMBERED OR UNALLOTTED FUNDS 
7 ARE CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING 
8 IS IN COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND 
9 BUDGET ACT, 1984 PA 431, MCL 18.1451A:
10
11 (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES 
12 UNDER THE AMENDATORY ACT THAT ADDED THIS SECTION.
13
14 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN 
15 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.
16
17 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT 
18 IS $1,000,000.00.
19
20 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS 
21 SEPTEMBER 30, 2013.
22
23 Enacting section 1. Section 43d of the public school 
24 employees retirement act of 1979, 1980 PA 300, MCL 38.1343d, is 
25 repealed.
26
27 Enacting section 2. (1) If the office of retirement services 
28 in the department of technology, management, and budget receives 
29 notification from the United States internal revenue service that 
30 any section or any portion of a section of this amendatory act 
31 will cause the retirement system to be disqualified for tax 
32 purposes under the internal revenue code, then the portion that 
33 will cause the disqualification does not apply.
34
35 (2) The provisions of this amendatory act are severable. If
any part of this amendatory act is declared invalid or unconstitutional, that declaration shall not affect the remaining part of this amendatory act.