



HOUSE BILL No. 5108

September 21, 1995, Introduced by Reps. Rhead, Dobb, Hammerstrom, Green, Jersevic, Hill, Crissman, Perricone, Munsell, Byl, Horton, Gernaat, Gilmer, Lowe, Dolan, Whyman, Voorhees, Goschka, Galloway and Llewellyn and referred to the Committee on Appropriations.

A bill to amend sections 4 and 71 of Act No. 300 of the Public Acts of 1980, entitled "The public school employees retirement act of 1979," section 4 as amended by Act No. 193 of the Public Acts of 1989 and section 71 as amended by Act No. 194 of the Public Acts of 1989, being sections 38.1304 and 38.1371 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 4 and 71 of Act No. 300 of the Public
2 Acts of 1980, section 4 as amended by Act No. 193 of the Public
3 Acts of 1989 and section 71 as amended by Act No. 194 of the
4 Public Acts of 1989, being sections 38.1304 and 38.1371 of the
5 Michigan Compiled Laws, are amended to read as follows:

6 Sec. 4. (1) "Compensation" means the remuneration earned by
7 a member for service performed as a public school employee. If

1 part of a member's remuneration is not paid in money, the
2 retirement board shall fix the value of that part of the remuner-
3 ation not paid in money. Compensation includes, on a current
4 basis, investments made in a tax sheltered annuity for a public
5 school employee as remuneration for service under this act. The
6 remuneration shall be valued at the amount of money actually paid
7 into the annuity. Compensation includes all amounts deducted
8 from the pay of a public school employee, including amounts
9 deducted pursuant to the member investment plan. Compensation
10 includes longevity pay, overtime pay, vacation pay, and holiday
11 pay while absent from work, sick leave pay while absent from
12 work, and items of deferred compensation, exclusive of employer
13 contributions to the retirement system. Compensation does not
14 include terminal payments for unused sick leave, annual leave,
15 bonus payments, hospitalization insurance and life insurance pre-
16 miums, other fringe benefits paid by and from the funds of
17 employers of public school employees, and remuneration paid for
18 the specific purpose of increasing the final average
19 compensation. FOR A MEMBER WHO IS ON EITHER AN EMPLOYEE ORGANI-
20 ZATION PROFESSIONAL SERVICES LEAVE OR EMPLOYEE ORGANIZATION PRO-
21 FESSIONAL SERVICES RELEASED TIME, WHICH PROFESSIONAL SERVICES
22 LEAVE OR PROFESSIONAL SERVICES RELEASED TIME BEGINS ON OR AFTER
23 JANUARY 1, 1996, COMPENSATION DOES NOT INCLUDE REMUNERATION
24 EARNED BY THE MEMBER FOR SERVICES PERFORMED FOR THE PUBLIC SCHOOL
25 EMPLOYEE ORGANIZATION. Compensation for the period on which final
26 average compensation is based, for the purpose of computing final
27 average compensation, does not include an amount over the

1 compensation for the preceding year except increases provided by
2 the normal salary schedule for the reporting unit. The retire-
3 ment board shall require a sworn affidavit from the member that
4 final compensation does not include remuneration paid either
5 directly or indirectly for actual or anticipated expenses.

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

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

12 (4) "Deferred member" means a member who has ceased to be a
13 public school employee and has satisfied the requirements of sec-
14 tion 82 for a deferred vested service retirement allowance.

15 (5) "Department" means the department of management and
16 budget.

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

26 (7) "Employee organization professional services released
27 time" or "professional services released time" means a portion of

1 the school fiscal year during which a member is released by the
2 reporting unit from his or her regularly assigned duties to
3 engage in employment matters for a public school employee organi-
4 zation to which he or she belongs. ~~The~~ FOR A MEMBER WHO IS ON
5 AN EMPLOYEE ORGANIZATION PROFESSIONAL SERVICES RELEASED TIME,
6 WHICH PROFESSIONAL SERVICES RELEASED TIME BEGINS BEFORE JANUARY
7 1, 1996, THE member's compensation received and service rendered
8 by a member while on professional services released time shall be
9 reportable to the retirement system if all of the conditions of
10 section 71(5) are satisfied. FOR A MEMBER WHO IS ON AN EMPLOYEE
11 ORGANIZATION PROFESSIONAL SERVICES RELEASED TIME, WHICH PROFES-
12 SIONAL SERVICES RELEASED TIME BEGINS ON OR AFTER JANUARY 1, 1996,
13 SERVICE RENDERED BY A MEMBER WHILE ON PROFESSIONAL SERVICES
14 RELEASED TIME SHALL BE REPORTABLE TO THE RETIREMENT SYSTEM IF ALL
15 THE CONDITIONS OF SECTION 71(5) ARE SATISFIED.

16 (8) "Final average compensation" means the aggregate amount
17 of a member's compensation earned within the averaging period in
18 which the aggregate amount of compensation was highest divided by
19 the member's number of years, including any fraction of a year,
20 of credited service during the averaging period. The averaging
21 period shall be 36 consecutive calendar months if the member con-
22 tributes to the member investment plan; otherwise, the averaging
23 period shall be 60 consecutive calendar months. If the member
24 has less than 1 year of credited service in the averaging period,
25 the number of consecutive calendar months in the averaging period
26 shall be increased to the lowest number of consecutive calendar
27 months that contains 1 year of credited service.

1 (9) "Health benefits" means hospital, medical-surgical, and
2 sick care benefits and dental, vision, and hearing benefits for
3 retirants, retirement allowance beneficiaries, and health insur-
4 ance dependents provided pursuant to section 91.

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

7 Sec. 71. (1) The retirement board shall grant service
8 credit for the time a member is on a sabbatical leave authorized
9 by a reporting unit, if the member returns to regular employment
10 with the same reporting unit and acquires not less than 1 year of
11 subsequent service credit with that same reporting unit and if
12 the member acquired 5 or more years of credited service with the
13 reporting unit immediately before the sabbatical leave.

14 (2) If the sabbatical leave described in subsection (1) is
15 granted before July 1, 1981, the reporting unit, if the reporting
16 unit had a noncontributory plan at the time the sabbatical leave
17 is granted, or the member, if the reporting unit has a contribu-
18 tory plan at the time the sabbatical leave is granted, shall pay
19 to the system for each year of sabbatical leave credit an amount
20 equal to 5% of the member's compensation earned in the school
21 fiscal year immediately before the school fiscal year in which
22 the sabbatical leave is granted, together with regular interest
23 from the end of the school fiscal year in which the sabbatical
24 leave was or is granted to the earlier of the following dates
25 following the date of payment, the first day of the school fiscal
26 year beginning after the date of payment or the first day of the
27 seventh month of the school fiscal year in which the payment is

1 made. If the reporting unit makes the payment required by this
2 subsection, the reporting unit also shall pay the required
3 interest. If the member makes the payment required by this sub-
4 section, the member also shall pay the required interest.

5 (3) If the sabbatical leave described in subsection (1) is
6 granted after June 30, 1981, the member shall pay an amount equal
7 to 5% of the member's full-time or equated full-time compensation
8 earned in the school fiscal year immediately before the school
9 fiscal year in which payment is made for each year of service
10 credit the member elects to purchase. In computing payment under
11 this subsection, the compensation amount used, except as other-
12 wise provided in this subsection, shall not be less than the
13 highest school fiscal year compensation the member earned from
14 the reporting unit that granted the sabbatical leave. If the
15 compensation amount used for computing payment under this subsec-
16 tion exceeds the member's final average compensation determined
17 at the time of retirement, the payment required under this sub-
18 section shall be recomputed using the member's final average com-
19 pensation and a refund shall be made based upon the
20 recomputation.

21 (4) If, before October 31, 1980, either the reporting unit
22 or the member has contributed 5% of the member's compensation for
23 the school fiscal year in which the sabbatical leave was granted
24 in order to purchase service credit for that sabbatical leave, a
25 further payment for the purchase of service credit for that sab-
26 batical leave shall not be required. If a member has paid the
27 amount required under subsection (2) for the purchase of service

1 credit for sabbatical leave, but later receives a refund of that
2 amount, the member, not the reporting unit, shall repay the
3 amount with regular interest as required by subsection (2) if the
4 member elects to purchase service credit for the sabbatical
5 leave.

6 (5) Effective October 1, 1981, the retirement board shall
7 grant service credit for the time a member is on either an
8 employee organization professional services leave or employee
9 organization professional services released time authorized by a
10 reporting unit if all of the following conditions are satisfied:

11 (a) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,
12 THE member is included on the reporting unit's reports required
13 by section 42(6) and compensation, service, contribution, and
14 other requirements are reported on the same basis as for those
15 members of the reporting unit who were not granted an employee
16 organization professional services leave or employee organization
17 professional services released time. FOR A MEMBER WHO IS ON
18 EITHER AN EMPLOYEE ORGANIZATION PROFESSIONAL SERVICES LEAVE OR
19 EMPLOYEE ORGANIZATION PROFESSIONAL SERVICES RELEASED TIME, WHICH
20 LEAVE OR RELEASED TIME BEGINS ON OR AFTER JANUARY 1, 1996, THE
21 MEMBER IS INCLUDED ON THE REPORTING UNIT'S REPORTS IN THE MANNER
22 REQUIRED BY THIS SUBDIVISION, EXCEPT THAT COMPENSATION IS
23 REPORTED AT THE RATE OF COMPENSATION PAID TO THE MEMBER BY THE
24 REPORTING UNIT IMMEDIATELY PRECEDING THE DATE THE MEMBER COM-
25 MENCED THE PROFESSIONAL SERVICES LEAVE OR PROFESSIONAL SERVICES
26 RELEASED TIME.

1 (b) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,
2 THE reporting unit remits the amount required by section 42 and
3 the percentage of aggregate annual compensation provided from the
4 state school aid fund for current service, IF ANY, the percentage
5 determined for unfunded accrued service as required by section
6 41, and the employer's share of social security contributions if
7 the reporting unit is responsible for remitting the employee's
8 share of social security contributions. FOR A MEMBER WHO IS ON
9 EITHER AN EMPLOYEE ORGANIZATION PROFESSIONAL SERVICES LEAVE OR
10 EMPLOYEE ORGANIZATION PROFESSIONAL SERVICES RELEASED TIME, WHICH
11 PROFESSIONAL SERVICES LEAVE OR PROFESSIONAL SERVICES RELEASED
12 TIME BEGINS ON OR AFTER JANUARY 1, 1996, THE REPORTING UNIT
13 REMITS THE AMOUNTS REQUIRED BY THIS SUBDIVISION BASED UPON THE
14 RATE OF COMPENSATION PAID TO THE MEMBER BY THE REPORTING UNIT
15 IMMEDIATELY PRECEDING THE DATE THE MEMBER COMMENCED THE PROFES-
16 SIONAL SERVICES LEAVE OR PROFESSIONAL SERVICES RELEASED TIME. The
17 reporting unit shall be reimbursed those sums paid to the retire-
18 ment board by the member or the PUBLIC SCHOOL employee organiza-
19 tion on a current basis. A member who has credited service as an
20 employee of a school district of the first class, as described in
21 part 6 of the school code of 1976, Act No. 451 of the Public
22 Acts of 1976, ~~as amended,~~ being sections 380.401 to 380.485 of
23 the Michigan Compiled Laws, for a leave of absence effective
24 before October 1, 1981, shall continue to receive credit based
25 upon the provisions of the law of this state in effect at the
26 time the leave of absence was initially effective.

1 (6) Until October 1, 1990, a member who was on an employee
2 organization professional services leave or employee organization
3 professional services released time authorized by a reporting
4 unit before October 1, 1981 may purchase service credit for the
5 time spent on such leave or released time, upon request and pay-
6 ment to the retirement system of the actuarial cost.