

**SUBSTITUTE FOR
HOUSE BILL NO. 6061**

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending sections 1i, 13, and 55 (MCL 38.1i, 38.13, and 38.55),
section 1i as amended by 2004 PA 33, section 13 as amended by 2018
PA 682, and section 55 as amended by 2011 PA 264, and by adding
sections 19k and 50b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1i. (1) "Service" means service rendered to this state by
2 an elected or appointed state official or employee of this state.
3 Credit for service ~~shall~~**must** be determined by appropriate rules
4 and regulations of the retirement board, but not more than 1 year
5 of service ~~shall~~**must** be creditable for all service in 1 calendar
6 year. The retirement board shall not allow credit for service for



1 any period of more than 1 month in any 1 calendar year during which
 2 the employee was absent without pay. However, full service credit
 3 ~~shall~~**must** be given for a period during which an employee is on
 4 leave of absence and is receiving worker's compensation benefits as
 5 the result of a duty-incurred disability. Full service credit ~~shall~~
 6 **must** also be given to an employee for required 1-day layoffs, for
 7 voluntary or involuntary participation in pay reduction plan A, pay
 8 reduction plan B, or both, in effect during the fiscal years ending
 9 ~~on and after September 30, 29, 1981,~~ for required and designated
 10 temporary layoffs, and, beginning October 1, 2003, for furlough
 11 hours, and for participation in the banked leave time program.

12 (2) "State treasurer" means the treasurer of this state.

13 (3) "Tier 1" means ~~the~~**any of the following:**

14 (a) **The** retirement plan available to a member under this act
 15 who was first employed and entered ~~upon~~**on** the payroll before March
 16 31, 1997 and who does not elect to become a qualified participant
 17 of Tier 2.

18 (b) **The** retirement plan available to a member under this act
 19 who was first employed and entered on the payroll after March 30,
 20 1997 and before the effective date of the amendatory act that added
 21 section 50b who elects to become a member of Tier 1 under section
 22 50b.

23 (c) **A** member who was first employed and entered on the payroll
 24 on or after the effective date of the amendatory act that added
 25 section 50b.

26 (4) "Tier 2" means the retirement plan established ~~pursuant to~~
 27 **under** section 401(k) of the internal revenue code, **26 USC 401**, that
 28 is available to qualified participants under sections 50 to 69.

29 Sec. 13. (1) Except as otherwise provided in this act,



1 membership in the retirement system consists of state employees
2 occupying permanent positions in the state civil service. All state
3 employees except those specifically excluded by law and those who
4 are members or eligible to be members of other statutory retirement
5 systems in this state, must become members of the retirement
6 system. The employees may use service previously performed as an
7 employee of this state in meeting the service requirements for the
8 retirement allowances and death benefits provided by the retirement
9 system. However, the prior service must not be used in computing
10 the amount of a retirement allowance to be paid by the retirement
11 system unless the employee pays to the retirement system the amount
12 the employee's contributions would have been had the employee
13 become a member immediately on employment by ~~the~~**this** state with
14 interest compounded annually at the regular rate from a date 1 year
15 after the date of employment by this state to the date of payment.
16 An individual who draws compensation as a state employee of a
17 political subdivision of this state is eligible for the benefits
18 provided by this act to the extent of the individual's compensation
19 paid by this state. An individual who meets the requirements of
20 section 44a is a member of the retirement system.

21 (2) Elected or appointed state officials may elect not to
22 become or continue as members of the retirement system by filing
23 written notice with the retirement board. An appointed state
24 official who is a member of a state board, commission, or council
25 and who receives a per diem rate in his or her capacity as a member
26 of the board, commission, or council is excluded from membership in
27 the retirement system for the service rendered in his or her
28 capacity as a member of the board, commission, or council. Service
29 performed by an elected or appointed official during the time the



1 official elects not to participate must not be used in meeting the
2 service requirement or in computing the amount of retirement
3 allowance to be paid by the retirement system. A member who elects
4 not to participate must be refunded all contributions made before
5 the election.

6 (3) Membership in the retirement system does not include any
7 of the following:

8 (a) A person who is a contributing member in the public school
9 employees' retirement system provided for in the public school
10 employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to
11 38.1437.

12 (b) A person who is a contributing member in the Michigan
13 judges retirement system provided for in the judges retirement act
14 of 1992, 1992 PA 234, MCL 38.2101 to 38.2670.

15 (c) A person who comes within the Michigan state police
16 retirement system provided for in the state police retirement act
17 of 1986, 1986 PA 182, MCL 38.1601 to ~~38.1675~~ **38.1674**.

18 (d) An individual who is first employed and entered ~~upon~~
19 the payroll ~~on or~~ after March ~~31,~~ **30**, 1997 **and before the effective**
20 **date of the amendatory act that added section 50b** for employment
21 for which the individual would have been eligible for membership
22 under this section before March 31, 1997 **who did not elect to**
23 **become a member of Tier 1 under section 50b**. An individual
24 described in this subdivision is eligible to be a qualified
25 participant in Tier 2 subject to sections 50 to 69.

26 (e) Except as provided in section 19g, an individual who
27 elects to terminate membership under section 50 and who, but for
28 that election, would otherwise be eligible for membership in Tier 1
29 under this section.



1 (f) A retirant who again becomes employed by ~~the~~**this** state
 2 and is entered ~~upon~~**on** the payroll ~~on or after December 1,~~**November**
 3 **30, 2002,** for employment for which the retirant would have been
 4 eligible for membership under this section before December 1, 2002.
 5 A retirant described in this subdivision is a qualified participant
 6 in Tier 2 subject to sections 50 to 69.

7 (4) An individual who is hired in state classified or
 8 unclassified service after June 30, 1974, who is first employed and
 9 entered ~~upon~~**on** the payroll before March 31, 1997, and who
 10 possesses a Michigan teaching certificate is a member of this
 11 retirement system. After June 30, 1974, but before March 31, 1997,
 12 an individual who returns to state employment in the classified or
 13 unclassified service who previously was a contributing member of
 14 the Michigan public school employees' retirement system ~~shall~~**must**
 15 have the individual's accumulated contributions and service
 16 transferred to this retirement system, or having withdrawn the
 17 contributions, may pay into the retirement system the amount
 18 withdrawn together with regular interest and have credit restored
 19 as provided for in section 16. ~~On and after~~**After** March ~~31,~~**30,**
 20 1997, an individual described in this subsection who returns to
 21 state service shall make an irrevocable election to remain in Tier
 22 1 or to become a qualified participant of Tier 2 in the manner
 23 prescribed in section 50.

24 (5) An individual, not regularly employed by this state, who
 25 is employed through participation in 1 or more of the following
 26 programs, ~~shall~~**is** not ~~be~~ a member of the retirement system and
 27 must not receive service credit for the employment:

28 (a) A program authorized, undertaken, and financed ~~pursuant to~~
 29 **under** the comprehensive employment and training act of 1973, former



1 Public Law 93-203, 87 Stat —839.

2 (b) A summer youth employment program established under the
3 Michigan youth corps act, 1983 PA 69, MCL 409.221 to 409.229.

4 (c) A program established ~~pursuant to~~**under** the job training
5 partnership act, Public Law 97-300, 96 Stat —1322.

6 (d) A program established ~~pursuant to~~**under** the Michigan
7 opportunity and skills training program, first established under
8 sections 12 to 23 of 1983 PA 259.

9 (e) A program established ~~pursuant to~~**under** the Michigan
10 community service corps program, first established under sections
11 25 to 35 of 1983 PA 259.

12 (6) An individual, not regularly employed by this state, who
13 is employed to administer a program described in subsection (5) is
14 not a member of the retirement system and must not receive service
15 credit for the employment.

16 (7) If an individual described in subsection (5)(a) later
17 becomes a member of this retirement system within 12 months after
18 the date of termination as a participant in a transitional public
19 employment program, service credit ~~shall~~**must** be given for
20 employment that is excluded in subsection (5) for purposes of
21 determining a retirement allowance on the payment by the
22 individual's employer under subsection (5) from funds provided
23 under the comprehensive employment and training act of 1973, former
24 Public Law 93-203, 87 Stat —839, as funds permit, to the
25 retirement system of the contributions, plus regular interest, the
26 employer would have paid had the employment been rendered in a
27 position covered by this act. During the individual's employment in
28 the transitional public employment program, the individual's
29 employer shall place in reserve a reasonable but not necessarily an



1 actuarially determined amount equal to the contributions that the
2 employer would have paid to the retirement system for those
3 employees in the transitional public employment program as if they
4 were members under this act, but only for that number of employees
5 that the employer determined would move from the transitional
6 public employment program into positions covered by this act. If
7 the funds provided under the comprehensive employment and training
8 act of 1973, former Public Law 93-203, 87 Stat. —839, are
9 insufficient, the remainder of the employer contributions must be
10 paid by the individual's current employer.

11 (8) For purposes of section 19g, a former member is considered
12 a member and is considered to have satisfied the requirements of
13 section 19g(1)(c) and (2)(c) if the former member was employed by
14 the department formerly known as the department of mental health on
15 January 1, 1996 and went on layoff status before January 1, 1997.

16 **Sec. 19k. A member who makes an election to be a member of**
17 **Tier 1 under section 50b may purchase years of service credit that**
18 **the member earned at the time of the election not to exceed 5 years**
19 **of service credit in a manner determined by the retirement system.**

20 **Sec. 50b. (1) The retirement system shall provide an**
21 **opportunity for each qualified participant who is a qualified**
22 **participant on June 30, 2025 to elect in writing to also become a**
23 **member in Tier 1. An election made by a qualified participant under**
24 **this subsection is irrevocable. The retirement system shall accept**
25 **written elections under this subsection from members during the**
26 **period beginning on July 1, 2025 and ending on October 31, 2025. A**
27 **qualified participant who does not make a written election or who**
28 **does not file the election during the period specified in this**
29 **subsection continues to be a qualified participant in Tier 2. A**



1 qualified participant who makes and files a written election under
2 this subsection elects to become a member of Tier 1 effective July
3 1, 2025 and a qualified participant in Tier 2.

4 (2) After consultation with the retirement system's actuary
5 and the retirement board, the department of technology, management,
6 and budget shall determine the method by which a qualified
7 participant shall make a written election under this section. If
8 the qualified participant is married at the time of the election,
9 the election is not effective unless the election is signed by the
10 individual's spouse. However, the retirement board may waive this
11 requirement if the spouse's signature cannot be obtained because of
12 extenuating circumstances.

13 (3) The service credit for a qualified participant who elects
14 to make an election under this section to become a member of Tier 1
15 must not be used for any of the following:

16 (a) Satisfying the minimum number of years of service credit
17 required to receive a retirement allowance under this act.

18 (b) Calculating the member's retirement allowance.

19 (c) Satisfying the minimum number of years of service credit
20 required to receive health benefits under section 68.

21 (4) An election under this section is subject to the eligible
22 domestic relations order act, 1991 PA 46, MCL 38.1701 to 38.1711.

23 (5) If the department of technology, management, and budget
24 receives notification from the United States Internal Revenue
25 Service that this section or any portion of this section will cause
26 the retirement system to be disqualified for tax purposes under the
27 internal revenue code, then the portion that will cause the
28 disqualification does not apply.

29 Sec. 55. (1) "Plan document" means the document that contains



1 the provisions and procedures of Tier 2 in conformity with this act
2 and the internal revenue code.

3 (2) "Qualified participant" means an individual who is a
4 participant of Tier 2 and who meets 1 of the following
5 requirements:

6 (a) Is first employed and entered ~~upon~~ **on** the payroll of ~~his~~
7 ~~or her~~ **the individual's** employer ~~on or~~ after March 31, ~~30~~, 1997. ~~7~~
8 and who before March 31, 1997 would have been eligible to be a
9 ~~member of Tier 1.~~

10 (b) Elects to terminate membership in Tier 1 and elects to
11 participate in Tier 2 in the manner prescribed in section 50.

12 (c) Is an adjutant general or an assistant adjutant general
13 under the Michigan military act, 1967 PA 150, MCL 32.501 to 32.851,
14 and who is first employed as an adjutant general or assistant
15 adjutant general on or after January 1, 2011.

16 (d) Was a member who did not make the election under section
17 50a.

18 (e) Was a member who made the election under section 50a(1)
19 and the designation under section 50a(2) and who has attained 30
20 years of credited service or who has terminated employment and has
21 been reemployed by this state.

22 (f) Was a member as described in section 50a(6), (7), or (8).

23 (3) "Refund beneficiary" means an individual nominated by a
24 qualified participant or a former qualified participant under
25 section 66 to receive a distribution of the participant's
26 accumulated balance in the manner prescribed in section 67.

27 (4) "State treasurer" means the treasurer of this state.

28 (5) "Tax-deferred account" means an account or accounts of
29 existing deferred compensation plans or plans established by the



1 retirement system, for which the retirement system has the
 2 authority to determine the membership, eligibility, terms,
 3 conditions, and other administrative and operational features. Tax-
 4 deferred account does not include a health reimbursement account
 5 for purposes other than complying with the contribution limits
 6 described in section 68b(12).

7 (6) Except as otherwise provided in this subsection, "year of
 8 service" means each period during which a qualified participant is
 9 employed by the employer and is credited with 2,080 hours of
 10 service. The Tier 2 plan administrator and the plan document may
 11 provide for a lesser number of annual hours and a maximum number of
 12 hours per pay period for any classification of employees. ~~7~~
 13 ~~provided that no~~ **However, a** participant ~~shall~~ **must not** receive
 14 credit for more than 1 year of service for any 12-month period of
 15 employment. Beginning January 1, 2003, full service credit ~~shall~~
 16 **must** also be given to a participant for furlough hours, for
 17 required 1-day layoffs, for required and designated temporary
 18 layoffs, for a year in which a participant temporarily leaves
 19 employment to enter active military duty and then dies during that
 20 active military duty, and for participation in the banked leave
 21 time program. ~~In the event~~ **If** a terminated participant is
 22 reemployed, ~~such the~~ individual ~~shall~~ **must** retain credit for all
 23 full and partial years of service completed ~~prior to such~~ **before**
 24 **the** reemployment, for purposes of determining ~~his or her the~~
 25 **individual's** vesting percentage in any employer contributions made
 26 ~~pursuant to~~ **under** section 63(2) and (3) after ~~his or her the~~
 27 **individual's** reemployment.

