

**SUBSTITUTE FOR
HOUSE BILL NO. 6060**

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 41b, 81c, 81d, and 84 (MCL 38.1341b, 38.1381c, 38.1381d, and 38.1384), sections 41b and 81c as amended by 2017 PA 92, section 81d as amended by 2023 PA 250, and section 84 as amended by 2012 PA 300, and by adding section 69h.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 41b. (1) Beginning July 1, 2010, the retirement system
2 may determine a separate employer contribution rate for members who
3 first became members on or after July 1, 2010 and before February
4 1, 2018. Except as provided in this section, the retirement system
5 shall determine the separate employer contribution rate in the
6 manner prescribed in section 41.

1 (2) Beginning February 1, 2018, the retirement system shall
2 determine a separate contribution rate for members who first became
3 members on or after February 1, 2018. Except as provided in this
4 section, the retirement system shall determine the separate
5 contribution rate in the manner prescribed in section 41, except
6 that any increase or decrease in the unfunded actuarial accrued
7 liabilities associated with members who first became members on or
8 after February 1, 2018 must be amortized on a 10-year level-dollar
9 schedule with a new contribution rate calculated for each year.

10 (3) All normal cost and any unfunded actuarial accrued
11 liability contributions as determined under subsection (2) must be
12 paid ~~on a cost-sharing basis of 50% by the employer. and 50% by the~~
13 ~~employee.~~ Except as provided in this section, contributions shall
14 be made in the manner prescribed in section 42. ~~An employee~~
15 ~~contribution for unfunded actuarial accrued liability must not be~~
16 ~~assessed to an employee based on any portion of an unfunded~~
17 ~~liability caused by the failure of an employer to make a required~~
18 ~~contribution. Following the determination of the cost-sharing basis~~
19 ~~under this subsection, section 41(2)(c) and (e) applies.~~

20 (4) The contributions of a member for unfunded actuarial
21 accrued liability must be treated as picked-up contributions under
22 the internal revenue code, deducted by the employer, and remitted
23 as employer contributions to the general fund of the retirement
24 system and must only be used to finance unfunded actuarial accrued
25 liabilities of the retirement system.

26 (5) To the extent and upon approval by the Internal Revenue
27 Service, the retirement system for the Tier 1 plan and the plan
28 administrator for the Tier 2 plan may also determine the extent to
29 which some or all of the individuals performing services for an

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

5 **Sec. 69h. (1) A member who has completed 10 years of service**
6 **may elect to purchase not more than 5 years of service credit less**
7 **the number of years of service credit purchased under sections**
8 **6(2)(c), (d), (e), or (f), 64(3), (4), or (5), and 69c(2), or**
9 **former sections 69a, 69b, 69d, 69e, 74a, 74b, 77, or 78, on request**
10 **and payment to the retirement system of the full actuarial cost. In**
11 **calculating full actuarial cost under section 79, the retirement**
12 **board and the department shall use normal cost and unfunded**
13 **actuarial accrued liability determined under section 41b(2) as of**
14 **the fiscal year ending immediately before the date of purchase.**

15 (2) Service earned while a public school employee was a
16 qualified participant only under Tier 2 must count when determining
17 if a member has completed 10 years of service.

18 (3) Any payment made in a manner other than a lump sum must
19 include additional interest at the same rate used to determine
20 actuarial cost in subsection (1).

21 (4) Service credit purchased under this section must not be
22 used to satisfy the service credit requirement set forth in section
23 81(1)(a) for a retirement allowance paid before age 56 as provided
24 by section 43b(a).

25 (5) If a member who made payment for service under this
26 section dies and a retirement allowance is not payable, or if the
27 member withdraws from service and a retirement allowance is not
28 payable, the payment made by the member must be refunded to the
29 member or to the member's refund beneficiary on request.

1 Sec. 81c. (1) A member who first becomes a member on or after
2 July 1, 2010 who no longer is working as a public school employee
3 or in any other capacity for which service credit performed in this
4 state is allowed under this act, on the member's written
5 application to the retirement system, is entitled to a retirement
6 allowance provided for in section 84(1) if the member is 60 years
7 of age or older and has accumulated 10 or more years of credited
8 service pursuant to section 68 as a public school employee and has
9 reached regular retirement age.

10 (2) The eligibility requirements of subsection (1) must not be
11 modified as provided in section 43b.

12 (3) The reduction provided for in section 84(2) does not apply
13 to an individual who retires under this section.

14 (4) Notwithstanding any other provision of this act, a member
15 who first becomes a member on or after July 1, 2010 shall not
16 purchase or transfer service credit under article 4 and shall not
17 have any purchased or transferred service credit included in the
18 calculation of a retirement allowance on retirement.

19 (5) Beginning October 1, 2019 and for each fiscal year in
20 which an experience investigation study is completed under section
21 41(16), if the most recent experience investigation study of
22 mortality of the retirement system using a 65-year-old based on a
23 50-50 male-female blend shows an increase of 1 or more years from
24 the previous experience investigation study of mortality, the
25 retirement board, in consultation with the actuary and the
26 department, shall increase the regular retirement age by at least 1
27 year up to the total increase in whole-year increments unless the
28 most recent actuarial funded ratio for the benefits funded under
29 section 41b(3) is greater than 100% after accounting for an

1 increase in mortality as reflected in the experience investigation
 2 study. Any adjustment to the regular retirement age by the
 3 retirement board must take place within 12 months after the
 4 retirement board's adoption of the most recent experience
 5 investigation study on an effective date as determined by the
 6 retirement board. Any required increase to the regular retirement
 7 age under this subsection must take into account the cumulative
 8 increase in mortality relative to the experience investigation
 9 study covering the period 2012 through 2017, less any actual
 10 increase already taken into account in a previous increase to the
 11 regular retirement age. An adjustment to the regular retirement age
 12 under this subsection does not apply to a member who ~~, on first~~
 13 **became a member before** the effective date of the increase. ~~, is~~
 14 ~~within 5 years of the then current regular retirement age. The~~
 15 ~~retirement board may additionally exclude members who, on the~~
 16 ~~effective date of the increase, are within between 5 and 8 years of~~
 17 ~~the then current regular retirement age.~~

18 (6) As used in this section, "regular retirement age" means
 19 the following:

20 (a) For a member who first becomes a member on or after July
 21 1, 2010 and ~~before February 1, 2018,~~ **before the effective date of**
 22 **the first increase under subsection (5),** 60 years of age and is not
 23 subject to increase as provided under subsection (5).

24 (b) ~~Subject to subsection (5), for~~ **For** a member who first
 25 becomes a member on or after ~~February 1, 2018,~~ ~~60 years of age.~~ **the**
 26 **effective date of an increase under subsection (5), the regular**
 27 **retirement age as it existed immediately before the date that the**
 28 **member first became a member.**

29 Sec. 81d. (1) Except as provided in subsection ~~(8),~~ **(9),** the

1 retirement system shall permit each qualified participant who first
2 becomes a qualified participant and first works for a reporting
3 unit after September 3, 2012 to make an election to not become a
4 member of Tier 1 and become only a qualified participant in Tier 2.

5 (2) The retirement system shall determine a method of
6 accepting elections under subsection (1) and reporting units shall
7 secure those elections during the period beginning on the date of
8 the individual's employment and ending on the expiration of 75 days
9 from the individual's first payroll date. An election under
10 subsection (1) is irrevocable. The retirement system shall provide
11 a form on which each qualified participant who first becomes a
12 qualified participant and first works for a reporting unit after
13 January 31, 2018 and before July 1, 2024 may make an election under
14 subsection (1). The form described in this subsection must be
15 accompanied by a description of the benefit options. The form must
16 include an acknowledgment that the qualified participant has
17 received the description of the benefit options.

18 (3) A qualified participant who first becomes a qualified
19 participant and first works for a reporting unit after September 3,
20 2012 and before February 1, 2018 who does not make an election
21 under subsection (1) for any reason on or before the close of the
22 election period is considered to have made an election to become a
23 member of Tier 1 and is subject to all of the following as of the
24 date of his or her employment:

25 (a) The qualified participant is eligible to accrue any
26 service credit or qualify for any retirement allowance under Tier 1
27 under the terms as provided in section 81c.

28 (b) The qualified participant is also a qualified participant
29 under Tier 2.

1 (4) A qualified participant who first becomes a qualified
2 participant and first works for a reporting unit after January 31,
3 2018 and before July 1, 2024 who does not make an election for any
4 reason on or before the close of the election period is considered
5 to have made an election to become only a qualified participant in
6 Tier 2.

7 (5) An individual who makes the election under subsection (1)
8 on or before the close of the election period or is a qualified
9 participant described in subsection (4) is considered to have made
10 an election to not become a member of Tier 1 and is subject to all
11 of the following as of the date of his or her employment:

12 (a) The individual is not eligible to accrue any service
13 credit or qualify for any retirement allowance under Tier 1 under
14 the terms as provided in section 81c.

15 (b) The individual is only a qualified participant under Tier
16 2.

17 (6) A qualified participant who first becomes a qualified
18 participant and first works for a reporting unit after June 30,
19 2024 who does not make an election under subsection (1) for any
20 reason on or before the close of the election period is considered
21 to have made an election to become a member of Tier 1 and is
22 subject to all of the following as of the date of the qualified
23 participant's employment:

24 (a) The qualified participant is eligible to accrue any
25 service credit or qualify for any retirement allowance under Tier 1
26 under the terms as provided in section 81c.

27 (b) The qualified participant is also a qualified participant
28 under Tier 2.

29 (7) The retirement system shall collect from an individual

1 described in subsection (1) all amounts required under sections 43a
2 and 131(2) and shall collect all required employer contributions
3 required under Tier 1 from the individual's date of employment. If
4 an individual makes a valid election under subsection (1) to not
5 become a member of Tier 1 or is a qualified participant under
6 subsection (4), the retirement system shall determine and implement
7 a method to reconcile employer and employee contributions to be
8 deposited to Tier 2, and any such employee contributions will be
9 considered to be elective contributions under section 131.

10 **(8) The retirement system shall provide to a qualified**
11 **participant who before July 1, 2025 either elected, or under**
12 **subsection (4) was considered to have made an election, to become**
13 **only a qualified participant in Tier 2. A qualified participant who**
14 **affirmatively makes a timely election in accordance with the**
15 **process established by the retirement system is subject to all of**
16 **the following as of the date of the qualified participant's**
17 **changeover to Tier 1:**

18 **(a) Commencing as of the changeover date, the qualified**
19 **participant is eligible to accrue service credit or qualify for any**
20 **retirement allowance under Tier 1 under the terms as provided in**
21 **section 81c.**

22 **(b) Only service credited and compensation earned after the**
23 **changeover date shall be used to determine the qualified**
24 **participant's retirement allowance under section 84.**

25 **(c) Notwithstanding sections 42(2) and 41b(4), a qualified**
26 **participant shall contribute the qualified participant's**
27 **contribution amount under section 41b(3) on a post-tax basis until**
28 **such time as the department receives notification from the United**
29 **States Internal Revenue Service that contributions under this**

1 subsection may be picked up by a reporting unit and will not be
2 included as gross income of the member until they are distributed
3 or made available to the member, retirant, retirement allowance
4 beneficiary, or refund beneficiary.

5 (d) The qualified participant is also a qualified participant
6 under Tier 2.

7 (e) The 1-time election period ends not later than August 1,
8 2025 and the changeover date is August 30, 2025.

9 (9) ~~(8)~~—A qualified participant who first becomes a qualified
10 participant and first works for a reporting unit following the
11 effective date of the qualifying event is only a Tier 2 qualified
12 participant and is considered to have made an election to become
13 only a qualified participant in Tier 2. **This subsection does not
14 apply after the effective date of the amendatory act that added
15 this sentence.** As used in this subsection:

16 (a) "Effective date of the qualifying event" means 12 months
17 after the date that the retirement board receives the valuation
18 report showing that the qualifying event has occurred.

19 (b) "Qualifying event" means the date on which the actuarial
20 funded ratio for the plan for which the separate contribution rate
21 is calculated under section 41b(2) falls below 85% for 2
22 consecutive years, based on the actuarial funded ratio using 5-year
23 smoothing of investment returns. For purposes of valuation under
24 this subdivision, the qualifying event does not occur if either of
25 the following applies:

26 (i) The actuarial funded ratio falls below 85% but would not
27 have fallen below 85% but for the failure of the employer or this
28 state to make a required contribution as calculated under section
29 41b.

1 (ii) This state makes an appropriation to the plan described
2 under this subdivision that increases the valuation as described
3 under this subsection to 85% or higher.

4 Sec. 84. (1) Subject to ~~section~~**sections** 84b **and 81d(8)(b)**,
5 and except as provided in subsection (2), ~~upon~~**on** the member's
6 retirement from service as provided in section 81, a member ~~shall~~
7 **must** receive a retirement allowance that equals the product of the
8 member's total years, and fraction of a year, of credited service
9 multiplied by 1.5% of the member's final average compensation. A
10 member ~~shall~~**is** not ~~be~~ allowed to use more than 15 years of out of
11 system public education service, or more out of system public
12 education service than service performed under this act or former
13 1945 PA 136 unless, before July 1, 1974, the member applied for out
14 of system public education service credit based ~~upon~~**on** payment of
15 contributions for the service as required under section 69, or
16 former acts, in which case the total out of system public education
17 service credited, not to exceed 15 years, ~~shall~~**must** be used to
18 compute the member's retirement allowance if the minimum service
19 requirements performed under this act or former acts or as a state
20 employee under the state employees' retirement act, 1943 PA 240,
21 MCL 38.1 to 38.69, are met. Credit for state of Michigan service
22 ~~shall~~**must** be on the same basis for eligibility for retirement
23 provided in this act as if the service were performed under this
24 act, former 1945 PA 136, former 1941 PA 56, or former 1937 PA 184.

25 (2) If a member having less than 30 years credited service
26 retires before the member's sixtieth birthday as provided in
27 section 81, the member's retirement allowance provided in
28 subsection (1) ~~shall~~**must** be reduced 1/2 of 1% for each month, and
29 fraction of a month, within the period from the effective date of

1 the member's retirement to the date of the member's sixtieth
2 birthday, and ~~shall~~**must** continue at that same percentage after
3 becoming 60 years of age.

4 (3) The reduction of 1/2 of 1% for each month and fraction of
5 a month from the member's retirement allowance effective date to
6 the date of the member's sixtieth birthday provided for in former
7 1945 PA 136, applicable to a member who retired before July 1, 1974
8 and before attainment of age 60, ~~shall~~**does** not apply to a member
9 who retired before that date, at age 55 or more, having 30 or more
10 years of credited service. The retirement allowance ~~shall~~**must** be
11 recalculated disregarding the reduction and the person receiving
12 the retirement allowance ~~shall be~~**is** eligible to receive an
13 adjusted retirement allowance based on the recalculation beginning
14 January 1, 1986, but ~~shall~~**is** not ~~be~~ eligible to receive the
15 adjusted amount attributable to any month beginning before January
16 1, 1986.

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

21 (5) The retirement allowance of a person who satisfies the
22 requirements of this subsection ~~shall~~**must** be recalculated based on
23 1.5% of final average compensation times years of credited service.
24 The person receiving the retirement allowance ~~shall be~~**is** eligible
25 to receive an adjusted retirement allowance based on the
26 recalculation beginning January 1, 1986, but ~~shall~~**is** not ~~be~~
27 eligible to receive the adjusted amount attributable to any month
28 beginning before January 1, 1986. A retirement allowance ~~shall~~**must**
29 be recalculated under this subsection if 1 of the following

1 applies:

2 (a) The retirement allowance was payable to a retirant or
3 retirement allowance beneficiary under chapter II of former 1945 PA
4 136 and the retirement allowance effective date was on or after
5 July 1, 1956 but before July 1, 1974.

6 (b) The retirement allowance was payable to a plan II retirant
7 or retirement allowance beneficiary under chapter I of former 1945
8 PA 136 and the retirement allowance effective date was before July
9 1, 1974.

10 (6) A member retiring ~~pursuant to~~ **under** section 81 who
11 acquires at least 5 years of combined credited service under this
12 act or under former 1945 PA 136, and who is already in receipt of a
13 retirement allowance under chapter II of former 1945 PA 136, may
14 elect to return to the retirement system any retirement allowance
15 payments received, and receive a single retirement allowance
16 computed on the combined years of service credited under this act
17 and any former act.