

HOUSE BILL NO. 6060

November 12, 2024, Introduced by Reps. Koleszar and Weiss and referred to the Committee on Labor.

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 4, 5, 43a, 81d, and 91a (MCL 38.1304, 38.1305, 38.1343a, 38.1381d, and 38.1391a), section 4 as amended by 2010 PA 75, section 5 as amended by 2018 PA 328, section 43a as amended by 2017 PA 92, section 81d as amended by 2023 PA 250, and section 91a as amended by 2012 PA 359, and by adding sections 69h, 81e, and 81f.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4. (1) "Compound interest" means interest compounded
2 annually on July 1 on the contributions on account as of the
3 previous July 1 and computed at the rate of investment return
4 determined under section 104a(1) for the last completed state
5 fiscal year.

6 (2) "Contributory service" means credited service other than
7 noncontributory service.

8 (3) "Deferred member" means a member who has ceased to be a
9 public school employee and has satisfied the requirements of
10 section 82 for a deferred vested service retirement allowance.

11 (4) "Department" means the department of technology,
12 management, and budget.

13 (5) "Designated date" means September 30, 2006.

14 (6) "Direct rollover" means a payment by the retirement system
15 to the eligible retirement plan specified by the distributee.

16 (7) "Distributee" includes a member or deferred member.
17 Distributee also includes the member's or deferred member's
18 surviving spouse or the member's or deferred member's spouse or
19 former spouse under an eligible domestic relations order, with
20 regard to the interest of the spouse or former spouse.

21 (8) Beginning January 1, 2002, except as otherwise provided in
22 this subsection, "eligible retirement plan" means 1 or more of the
23 following:

24 (a) An individual retirement account described in section
25 408(a) of the internal revenue code, 26 USC 408.

26 (b) An individual retirement annuity described in section
27 408(b) of the internal revenue code, 26 USC 408.

28 (c) An annuity plan described in section 403(a) of the
29 internal revenue code, 26 USC 403.

1 (d) A qualified trust described in section 401(a) of the
2 internal revenue code, 26 USC 401.

3 (e) An annuity contract described in section 403(b) of the
4 internal revenue code, 26 USC 403.

5 (f) An eligible plan under section 457(b) of the internal
6 revenue code, 26 USC 457, ~~which~~**that** is maintained by a state,
7 political subdivision of a state, or an agency or instrumentality
8 of a state or political subdivision of a state and ~~which~~**that**
9 agrees to separately account for amounts transferred into such
10 eligible plan under section 457(b) of the internal revenue code, 26
11 USC 457, from this retirement system, that accepts the
12 distributee's eligible rollover distribution. However, ~~in the case~~
13 ~~of~~**for** an eligible rollover distribution to a surviving spouse, an
14 eligible retirement plan means an individual retirement account or
15 an individual retirement annuity described above.

16 (g) Beginning January 1, 2008, except as otherwise provided in
17 this subsection, "eligible retirement plan" means a Roth individual
18 retirement account as described in section 408A of the internal
19 revenue code, 26 USC 408A.

20 (9) Beginning January 1, 2007, "eligible rollover
21 distribution" means a distribution of all or any portion of the
22 balance to the credit of the distributee. Eligible rollover
23 distribution does not include any of the following:

24 (a) A distribution made for the life or life expectancy of the
25 distributee or the joint lives or joint life expectancies of the
26 distributee and the distributee's designated beneficiary.

27 (b) A distribution for a specified period of 10 years or more.

28 (c) A distribution to the extent that the distribution is
29 required under section 401(a)(9) of the internal revenue code, 26

1 USC 401.

2 (d) The portion of any distribution that is not includable in
3 federal gross income, except to the extent such portion of the
4 distribution is paid to any of the following:

5 (i) An individual retirement account or annuity described in
6 section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

7 (ii) A qualified plan described in section 401(a) of the
8 internal revenue code, 26 USC 401, or an annuity contract described
9 in section 403(b) of the internal revenue code, 26 USC 403, and the
10 plan providers agree to separately account for the amounts paid,
11 including any portion of the distribution that is includable in
12 federal gross income, and the portion of the distribution ~~which~~
13 **that** is not so includable.

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

23 (11) "Employee organization professional services released
24 time" or "professional services released time" means a portion of
25 the school fiscal year during which a member is released by the
26 reporting unit from ~~his or her~~ **the member's** regularly assigned
27 duties to engage in employment matters for a public school employee
28 organization to which ~~he or she~~ **the member** belongs. The member's
29 compensation received or service rendered, or both, as applicable,

1 by a member while on professional services released time ~~shall~~**must**
2 be reportable to the retirement system if all of the conditions of
3 section 71(5) and (6) are satisfied.

4 (12) "Final average compensation" means the aggregate amount
5 of a member's compensation earned within the averaging period in
6 which the aggregate amount of compensation was highest divided by
7 the member's number of years, including any fraction of a year, of
8 credited service during the averaging period. ~~The~~**Except as**
9 **otherwise provided in this subsection, the** averaging period ~~shall~~
10 **must** be 36 consecutive calendar months if the member contributes to
11 the member investment plan except for a member who contributes to
12 the member investment plan and first became a member on or after
13 July 1, 2010; otherwise, the averaging period ~~shall~~**must** be 60
14 consecutive calendar months. A member who contributes to the member
15 investment plan and first became a member on or after July 1, 2010
16 ~~shall~~**must** also have an averaging period of 60 consecutive calendar
17 months. **For a member who first became a member on or after October**
18 **1, 2025, the averaging period must be 36 calendar months.** If the
19 member has less than 1 year of credited service in the averaging
20 period, the number of consecutive calendar months in the averaging
21 period ~~shall~~**must** be increased to the lowest number of consecutive
22 calendar months that contains 1 year of credited service.

23 (13) "Health benefits" means hospital, medical-surgical, and
24 sick care benefits and dental, vision, and hearing benefits for
25 retirants, retirement allowance beneficiaries, and health insurance
26 dependents provided pursuant to section 91.

27 (14) "Internal revenue code" means the United States internal
28 revenue code of 1986.

29 (15) "Long-term care insurance" means group insurance that is

1 authorized by the retirement system for retirants, retirement
2 allowance beneficiaries, and health insurance dependents, as that
3 term is defined in section 91, to cover the costs of services
4 provided to retirants, retirement allowance beneficiaries, and
5 health insurance dependents, from nursing homes, assisted living
6 facilities, home health care providers, adult day care providers,
7 and other similar service providers.

8 (16) "Member investment plan" means the program of member
9 contributions described in section 43a.

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

12 (a) An individual enrolled in a neighborhood youth corps
13 program operated with funds from the federal office of economic
14 opportunity or an individual enrolled in a comparable youth
15 training program designed to prevent high school dropouts and
16 rehabilitate high school dropouts operated by an intermediate
17 school district.

18 (b) An individual enrolled in a transitional public employment
19 program and employed by a reporting unit.

20 (c) An individual employed by a reporting unit while enrolled
21 as a full-time student in that same reporting unit.

22 (d) An individual who elects to participate in the optional
23 retirement program under the optional retirement act of 1967, 1967
24 PA 156, MCL 38.381 to 38.388.

25 (e) A retirant of this retirement system.

26 (f) An individual, not regularly employed by a reporting unit,
27 who is employed by a reporting unit through a summer youth
28 employment program established under the Michigan youth corps act,
29 1983 PA 69, MCL 409.221 to 409.229.

1 (g) An individual, not regularly employed by a reporting unit,
2 who is employed by a reporting unit to administer a program
3 described in subdivision (f), (h), (i), (j), or (k).

4 (h) After September 30, 1983, an individual, not regularly
5 employed by a reporting unit, who is employed by a reporting unit
6 through participation in a program established under the former job
7 training partnership act, Public Law 97-300, 96 Stat 1322 or
8 beginning July 1, 2000, the workforce investment act of 1998,
9 Public Law 105-220, 112 Stat 936.

10 (i) An individual, not regularly employed by a reporting unit,
11 who is employed by a reporting unit through participation in a
12 program established under the PATH program under section 57f of the
13 social welfare act, 1939 PA 280, MCL 400.57f.

14 (j) An individual, not regularly employed by a reporting unit,
15 who is employed by a reporting unit through participation in a
16 program established under the Michigan community service corps
17 program, first established under sections 25 to 35 of 1983 PA 259.

18 (k) An individual, not regularly employed by a reporting unit,
19 who is employed by a reporting unit through participation in a
20 program established under the older American community service
21 employment program under the older American community service
22 employment act, title V of the older Americans act of 1965, Public
23 Law 89-73, 42 USC 3056 to 3056p.

24 (l) An individual, not regularly employed by a reporting unit,
25 who is employed by a reporting unit in a temporary, intermittent,
26 or irregular seasonal or athletic position and who is under the age
27 of 19 years.

28 (m) An individual, not regularly employed by a reporting unit,
29 who is employed by a reporting unit only in a temporary position to

1 assist in the conduct of a school election.

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

4 (o) A qualified participant who is not a member of Tier 1
5 under section 81d(4).

6 **(p) A qualified participant who makes a valid election under**
7 **section 81e to not become a member of Tier 1.**

8 ~~(p) Beginning with the effective date of the amendatory~~
9 ~~act that added section 42a, **December 28, 2018,** an individual~~
10 employed by a reporting unit while enrolled as a student in that
11 same reporting unit if the student's services in the employ of the
12 reporting unit are excepted from employment as described in 26 CFR
13 31.3121(b)(10)-2. However, an individual who, on ~~the effective date~~
14 ~~of the amendatory act that added section 42a, **December 28, 2018,** is~~
15 a member and is employed by a reporting unit while enrolled as a
16 student in that same reporting unit and the student's services in
17 the employ of the reporting unit are excepted from employment as
18 described in 26 CFR 31.3121(b)(10)-2 will remain a member while
19 employed as described in this subdivision if the individual elects
20 to remain a member. The retirement system shall determine a method
21 of administering elections under this subdivision.

22 (2) "Membership service" means service performed after June
23 30, 1945.

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

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

1 (5) "Nonteacher" means an individual employed by a reporting
2 unit who is not a teacher as defined in section 8.

3 Sec. 43a. (1) The contributions of a member who contributes to
4 the member investment plan must be deducted by the employer and
5 remitted as employer contributions to the retirement system
6 pursuant to section 42. A member who contributes to the member
7 investment plan is entitled to the benefits provided in sections
8 43b and 43c.

9 (2) Except as otherwise provided in subsection (7), a member
10 who first became a member on or before December 31, 1989 and who
11 elected or elects on or before December 31, 1989 to contribute to
12 the member investment plan shall contribute 3.9% of the member's
13 compensation to the member investment plan.

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

20 (4) Except as otherwise provided in subsection (7), a member
21 who first became a member on or after January 1, 1990 and before
22 July 1, 2008 shall make the contributions described in subsection
23 (5).

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

28 <u>Member's annual school fiscal</u>	<u>Amount payable to the member</u>
29 <u>year earned compensation</u>	<u>investment plan</u>

1	Not over \$5,000.00	3% of member's compensation
2	Over \$5,000.00 but not over	\$150.00, plus 3.6% of the
3	\$15,000.00	excess over \$5,000.00
4	Over \$15,000.00	\$510.00, plus 4.3% of the excess
5		over \$15,000.00

6 (6) Except as otherwise provided in subsection (7), a member
7 who first became a member on or after July 1, 2008 and before
8 February 1, 2018 shall contribute the following amounts to the
9 member investment plan:

10	<u>Member's annual school</u>	<u>Amount payable to the member</u>
11	<u>fiscal year earned compensation</u>	<u>investment plan</u>
12	Not over \$5,000.00	3% of member's compensation
13	Over \$5,000.00 but not over	\$150.00, plus 3.6% of excess
14	\$15,000.00	over \$5,000.00
15	Over \$15,000.00	\$510.00, plus 6.4% of the
16		excess over \$15,000.00

17 (7) Beginning on the transition date, a member described in
18 subsections (2) to (6) who makes the election under section 59(1)
19 and who does not make the attainment date designation under section
20 59(1) shall contribute the percentage of the member's annual school
21 fiscal year earned compensation to the retirement system as
22 prescribed in section 43g until termination of employment.

23 Beginning on the transition date, a member described in subsections
24 (2) to (6) who makes the election and attainment date designation
25 under section 59(1) shall contribute the percentage of the member's
26 annual school fiscal year earned compensation to the retirement
27 system as prescribed in section 43g until ~~his or her~~ **the member's**
28 attainment date and shall contribute the percentage of the member's
29 annual school fiscal year earned compensation to the retirement

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

14 (8) A member who first became a member on or after February 1,
 15 2018 shall contribute his or her normal cost contribution amounts
 16 to the member investment plan as described in section 41b(3). **This**
 17 **subsection does not apply after the effective date of the**
 18 **amendatory act that added section 69h.**

19 **Sec. 69h. A member who makes an election to be a member of**
 20 **Tier 1 under section 81f may purchase up to 5 years of service**
 21 **credit in a manner determined by the retirement system.**

22 Sec. 81d. (1) Except as provided in subsection (8) **and section**
 23 **81e**, the retirement system shall permit each qualified participant
 24 who first becomes a qualified participant and first works for a
 25 reporting unit after September 3, 2012 to make an election to not
 26 become a member of Tier 1 and become only a qualified participant
 27 in Tier 2.

28 (2) The retirement system shall determine a method of
 29 accepting elections under subsection (1) and reporting units shall

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

12 (3) A qualified participant who first becomes a qualified
13 participant and first works for a reporting unit after September 3,
14 2012 and before February 1, 2018 who does not make an election
15 under subsection (1) for any reason on or before the close of the
16 election period is considered to have made an election to become a
17 member of Tier 1 and is subject to all of the following as of the
18 date of his or her employment:

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

22 (b) The qualified participant is also a qualified participant
23 under Tier 2.

24 (4) A qualified participant who first becomes a qualified
25 participant and first works for a reporting unit after January 31,
26 2018 and before July 1, 2024 who does not make an election for any
27 reason on or before the close of the election period is considered
28 to have made an election to become only a qualified participant in
29 Tier 2.

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

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

9 (b) The individual is only a qualified participant under Tier
10 2.

11 (6) A qualified participant who first becomes a qualified
12 participant and first works for a reporting unit after June 30,
13 2024 who does not make an election under subsection (1) for any
14 reason on or before the close of the election period is considered
15 to have made an election to become a member of Tier 1 and is
16 subject to all of the following as of the date of the qualified
17 participant's employment:

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

21 (b) The qualified participant is also a qualified participant
22 under Tier 2.

23 (7) The retirement system shall collect from an individual
24 described in subsection (1) all amounts required under sections 43a
25 and 131(2) and shall collect all required employer contributions
26 required under Tier 1 from the individual's date of employment. If
27 an individual makes a valid election under subsection (1) to not
28 become a member of Tier 1 or is a qualified participant under
29 subsection (4), the retirement system shall determine and implement

1 a method to reconcile employer and employee contributions to be
 2 deposited to Tier 2, and any such employee contributions will be
 3 considered to be elective contributions under section 131.

4 (8) A qualified participant who first becomes a qualified
 5 participant and first works for a reporting unit following the
 6 effective date of the qualifying event is only a Tier 2 qualified
 7 participant and is considered to have made an election to become
 8 only a qualified participant in Tier 2. As used in this subsection:

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

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

19 (i) The actuarial funded ratio falls below 85% but would not
 20 have fallen below 85% but for the failure of the employer or this
 21 state to make a required contribution as calculated under section
 22 41b.

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

26 **Sec. 81e. (1) The retirement system shall permit each**
 27 **qualified participant who first becomes a qualified participant and**
 28 **first works for a reporting unit after September 30, 2025 to make**
 29 **an election to become 1 of the following:**

- 1 (a) Only a qualified participant in Tier 2.
- 2 (b) A qualified participant in Tier 2 and a member in Tier 1.
- 3 (c) Only a member of Tier 1.
- 4 (2) The retirement system shall determine a method of
- 5 accepting elections under subsection (1) and reporting units shall
- 6 secure those elections during the period beginning on the date of
- 7 the individual's employment and ending on the expiration of 75 days
- 8 from the individual's first payroll date. An election under
- 9 subsection (1) is irrevocable. The retirement system shall provide
- 10 a form on which each qualified participant who first becomes a
- 11 qualified participant and first works for a reporting unit after
- 12 September 30, 2025 may make an election under subsection (1). The
- 13 form described in this subsection must be accompanied by a
- 14 description of the benefit options. The form must include an
- 15 acknowledgment that the qualified participant has received the
- 16 description of the benefit options.

17 Sec. 81f. (1) The retirement system shall provide an

18 opportunity for each qualified participant who is a qualified

19 participant on December 31, 2024 to elect in writing to terminate

20 participation in Tier 2 and elect to become a member in Tier 1. An

21 election made by a qualified participant under this subsection is

22 irrevocable. The retirement system shall accept written elections

23 under this subsection from members during the period beginning on

24 January 1, 2025 and ending on April 1, 2025. A qualified

25 participant who does not make a written election or who does not

26 file the election during the period specified in this subsection

27 continues to be a qualified participant in Tier 2. A qualified

28 participant who makes and files a written election under this

29 subsection elects to do all of the following:

1 (a) Cease to be a qualified participant in Tier 2 effective 12
2 midnight, March 31, 2025.

3 (b) Become a member of Tier 1 effective 12:01 a.m., April 1,
4 2025.

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

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

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

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

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

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

28 Sec. 91a. (1) An individual who first became a member or
29 qualified participant on or after September 4, 2012 or who made the

1 election under subsection (5) shall not receive any health
2 insurance coverage premium from the retirement system for any
3 benefits under section 91 or as a result of benefits provided under
4 section 86, 87, or 89. In lieu of any of these benefits that might
5 have been paid by the retirement system, a member's or qualified
6 participant's employer shall make a matching contribution up to 2%
7 of the member's or qualified participant's compensation to Tier 2
8 for each member who first became a member or qualified participant
9 on or after September 4, 2012 or who made the election under
10 subsection (5). A matching contribution under this subsection shall
11 not be used as the basis for a loan from an employee's Tier 2
12 account. If the department or retirement system offers a health
13 expenditure account or similar account for the purpose of managing
14 a member's health care funds under this section, as permitted by
15 state or federal law, the department or retirement system shall
16 issue a request for proposals before implementation of that health
17 expenditure account or similar account.

18 (2) An individual who first became a member or qualified
19 participant on or after September 4, 2012 or who made the election
20 under subsection (5) may make a contribution up to 2% of the
21 member's or qualified participant's compensation to a Tier 2
22 account. A member or qualified participant described in this
23 subsection may make additional contributions to his or her Tier 2
24 account as permitted by the department and the internal revenue
25 code.

26 (3) Except as otherwise provided in this subsection, a member
27 or qualified participant is vested in contributions made to his or
28 her Tier 2 account under subsections (1) and (2) according to the
29 vesting provisions under section 132. A member who is eligible for

1 the payment of health insurance coverage premiums by the retirement
2 system as a result of benefits provided under section 90 is not
3 vested in any employer contributions under subsection (1) and
4 forfeits the employer contributions and earnings on those
5 contributions.

6 (4) The contributions described in this section shall begin
7 with the first payroll date after the member or qualified
8 participant is employed or on or after the transition date for a
9 member who makes the election under subsection (5) and end upon his
10 or her termination of employment.

11 (5) Except as otherwise provided in this section, beginning
12 September 4, 2012 and ending at 5 p.m. eastern standard time on
13 January 9, 2013, the retirement system shall permit each qualified
14 member to make an election to opt out of health insurance coverage
15 premiums that would have been paid by the retirement system under
16 section 91 and opt into the Tier 2 account provisions of this
17 section effective on the transition date. A qualified member who
18 makes the election under this subsection shall cease accruing years
19 of service credit for purposes of calculating a portion of the
20 health insurance coverage premiums that would have been paid by the
21 retirement system under section 91 as if that section continued to
22 apply.

23 (6) A qualified member who does not make the election under
24 subsection (5) continues to be eligible for the payment of health
25 insurance coverage premiums by the retirement system under section
26 91 and is not eligible for the Tier 2 account provisions of this
27 section. An individual who is not a qualified member, who is a
28 former member on September 3, 2012, and who is reemployed by an
29 employer on or after September 4, 2012 shall be treated in the same

1 manner as a member described in this subsection who did not make
2 the election under subsection (5).

3 (7) The retirement system shall calculate an amount to be
4 credited to a Tier 2 account for each member who makes the election
5 under subsection (5). The amount described in this subsection shall
6 be an amount equal to the contributions made by the member under
7 section 43e. A member who makes the election under subsection (5)
8 shall cease making contributions under section 43e as determined by
9 the retirement system, but no later than the first payroll date
10 after the transition date. The amount calculated under this
11 subsection shall be deposited as an employer contribution into the
12 member's Tier 2 account as determined by the retirement system, but
13 no later than the first payroll date after March 1, 2013. A member
14 is immediately 100% vested in amounts deposited to his or her Tier
15 2 account under this subsection.

16 (8) A member or former member who does not make the election
17 under subsection (5), who is 60 years of age or older, who does not
18 qualify for the payment of health insurance coverage premiums by
19 the retirement system under section 91, and who files an
20 application with the retirement system on or after termination of
21 employment shall receive a separate retirement allowance as
22 calculated under this subsection. Except as otherwise provided
23 under this subsection, the separate retirement allowance under this
24 subsection shall be paid for 60 months and shall be equal to 1/60
25 of the amount equal to the contributions made by the member under
26 section 43e. The retirement system may pay out de minimus amounts
27 as a lump sum as determined by the retirement system and as
28 permitted by the internal revenue code. A member receiving a
29 separate retirement allowance under this subsection shall not

1 subsequently receive the payment of health insurance coverage
2 premiums by the retirement system under section 91. A member who
3 dies before qualifying for the payment of health insurance coverage
4 premiums by the retirement system under section 91 shall have a
5 separate retirement allowance as provided in this subsection paid
6 to the member's beneficiary upon application to the retirement
7 system. A member who qualifies for the payment of health insurance
8 coverage premiums by the retirement system under section 91 but who
9 dies before the payment of health insurance coverage premiums by
10 the retirement system in an amount equal to or greater than the
11 amounts contributed under section 43e shall have a separate
12 retirement allowance as provided in this subsection paid to the
13 member's beneficiary following the cessation of health insurance
14 coverage premiums paid by the retirement system in an amount equal
15 to the difference between the health insurance coverage premiums
16 paid by the retirement system under section 91 and contributions
17 made by the member under section 43e. The amount of the separate
18 retirement allowance as determined under this subsection shall be
19 increased in a manner as determined by the retirement system by a
20 percentage equal to 1.5% multiplied by the total number of years
21 that member made contributions under section 43e.

22 (9) A member or former member who has a break in service and
23 is reemployed retains the same election that the member made under
24 this section before the break in service. If the member made the
25 election under subsection (5), the member shall continue to receive
26 the Tier 2 account contributions as provided in subsections (1) and
27 (2). If the member did not make the election under subsection (5),
28 the member shall continue to make the contributions as provided
29 under section 43e and is subject to subsection (8), if applicable.

1 (10) In lieu of any other health insurance coverage premium
2 that might have been paid by the retirement system under section
3 91, a credit to a health reimbursement account within the trust
4 created under the public employee retirement health care funding
5 act, 2010 PA 77, MCL 38.2731 to 38.2747, shall be made by the
6 retirement system in the amounts and to the members or qualified
7 participants as follows:

8 (a) Two thousand dollars to an individual who first became a
9 member or qualified participant on or after September 4, 2012, who
10 is 60 years of age or older, and who has at least 10 years of
11 service at his or her first termination of employment.

12 (b) One thousand dollars to an individual who first became a
13 member or qualified participant on or after September 4, 2012, who
14 is less than 60 years of age, and who has at least 10 years of
15 service at his or her first termination of employment.

16 (11) The retirement system shall determine a method to
17 implement subsections (5) to (10), including a method for crediting
18 the amounts in those subsections to comply with any restrictions
19 imposed by the internal revenue code. Notwithstanding any provision
20 of this act to the contrary, the Tier 2 plan provisions of this
21 section shall be implemented by the department as soon as feasible
22 but not later than January 1, 2013.

23 (12) Subsections (5) to (10) do not apply to a member who is
24 eligible for the payment of health insurance coverage premiums by
25 the retirement system as a result of benefits provided under
26 section 90.

27 (13) On or before July 1, 2017, the retirement system shall
28 provide a report to the chairs of the house and senate
29 appropriations committees that provides the projected impact of

1 subsection (10) as it applies to members first employed and entered
2 upon the payroll of reporting units on or after July 1, 2017 with
3 regard to the annual required contribution as used by the
4 governmental accounting standards board and for purposes of the
5 annual financial statements prepared under section 28(1).

6 **(14) This section does not apply after the effective date of**
7 **the amendatory act that added this subsection.**

8 **(15)** ~~(14)~~—As used in this section:

9 (a) "Compensation" means that term as defined in section
10 122(2).

11 (b) "Qualified member" means a member who meets all of the
12 following requirements:

13 (i) He or she first became a member before September 4, 2012.

14 (ii) He or she has earned service credit in the 12 months
15 ending September 3, 2012 or was on an approved professional
16 services or military leave of absence on September 3, 2012.