

Act No. 194
Public Act of 1989
September 20, 1989
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**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1989**

Introduced by Reps. Webb and DeBeaussiaert
Rep. Clack named co-sponsor

ENROLLED HOUSE BILL No. 4466

AN ACT to amend sections 3, 6, 7, 9, 22, 26, 27, 28, 29, 30, 31, 33, 34, 41, 42, 43, 43a, 43b, 43c, 44, 45, 46, 47, 61, 64, 65, 66, 69, 69c, 69d, 69e, 70, 71, 73, 74, 74a, 74b, 75, 77, 78, 81, 81a, 82, 83, 84, 85, 89, 90, 101, and 104a of Act No. 300 of the Public Acts of 1980, entitled "An act to provide a retirement system for the public school employees of this state; to create certain funds for this retirement system; to provide for the creation of a retirement board within the department of management and budget; to prescribe the powers and duties of the retirement board; to prescribe the powers and duties of the department of management and budget; to prescribe penalties; and to repeal certain acts and parts of acts," sections 3, 30, 41, 42, 65, 66, 81, and 84 as amended and sections 33, 34, 43a, 43b, and 43c as added by Act No. 91 of the Public Acts of 1985, sections 6, 43, 69, and 71 as amended and sections 47, 69d, 69e, 74a, 74b, 77, and 78 as added by Act No. 242 of the Public Acts of 1987, section 9 as added and sections 75, 85, and 104a as amended by Act No. 123 of the Public Acts of 1986, section 46 as amended by Act No. 40 of the Public Acts of 1985, section 64 as amended by Act No. 384 of the Public Acts of 1988, section 69c as amended by Act No. 385 of the Public Acts of 1988, section 81a as amended by Act No. 212 of the Public Acts of 1988, sections 89 and 90 as amended by Act No. 162 of the Public Acts of 1984, and section 101 as amended by Act No. 466 of the Public Acts of 1980, being sections 38.1303, 38.1306, 38.1307, 38.1309, 38.1322, 38.1326, 38.1327, 38.1328, 38.1329, 38.1330, 38.1331, 38.1333, 38.1334, 38.1341, 38.1342, 38.1343, 38.1343a, 38.1343b, 38.1343c, 38.1344, 38.1345, 38.1346, 38.1347, 38.1361, 38.1364, 38.1365, 38.1366, 38.1369, 38.1369c, 38.1369d, 38.1369e, 38.1370, 38.1371, 38.1373, 38.1374, 38.1374a, 38.1374b, 38.1375, 38.1377, 38.1378, 38.1381, 38.1381a, 38.1382, 38.1383, 38.1384, 38.1385, 38.1389, 38.1390, 38.1401, and 38.1404a of the Michigan Compiled Laws; to add sections 35, 36, 69f, 69g, 79, and 79a; to repeal certain parts of the act; and to repeal certain parts of the act on a specific date.

The People of the State of Michigan enact:

Section 1. Sections 3, 6, 7, 9, 22, 26, 27, 28, 29, 30, 31, 33, 34, 41, 42, 43, 43a, 43b, 43c, 44, 45, 46, 47, 61, 64, 65, 66, 69, 69c, 69d, 69e, 70, 71, 73, 74, 74a, 74b, 75, 77, 78, 81, 81a, 82, 83, 84, 85, 89, 90, 101, and 104a of Act No. 300 of the Public Acts of 1980, sections 3, 30, 41, 42, 65, 66, 81, and 84 as amended and sections 33, 34, 43a, 43b, and 43c as added by Act No. 91 of the Public Acts of 1985, sections 6, 43, 69, and 71 as amended and sections 47, 69d, 69e, 74a, 74b, 77, and 78 as added by Act No. 242 of the Public Acts of 1987, section 9 as added and sections 75, 85, and 104a as amended by Act No. 123 of the Public Acts of 1986, section 46 as amended by Act No. 40 of the Public Acts of 1985, section 64 as amended by Act No. 384 of the Public Acts of 1988, section 69c as amended by Act No. 385 of the Public Acts of 1988, section 81a as amended by Act No. 212 of the Public Acts of 1988, sections 89 and 90 as amended by Act No. 162 of the Public Acts of 1984, and section 101 as amended by Act No. 466 of the Public Acts of 1980, being sections 38.1303, 38.1306, 38.1307, 38.1309, 38.1322, 38.1326, 38.1327, 38.1328, 38.1329, 38.1330, 38.1331, 38.1333, 38.1334, 38.1341, 38.1342, 38.1343, 38.1343a, 38.1343b, 38.1343c, 38.1344, 38.1345, 38.1346, 38.1347, 38.1361, 38.1364, 38.1365, 38.1366, 38.1369, 38.1369c, 38.1369d, 38.1369e, 38.1370, 38.1371, 38.1373, 38.1374, 38.1374a, 38.1374b, 38.1375, 38.1377, 38.1378, 38.1381, 38.1381a, 38.1382, 38.1383, 38.1384, 38.1385, 38.1389, 38.1390, 38.1401, and 38.1404a of the Michigan Compiled Laws, are amended and sections 35, 36, 69f, 69g, 79, and 79a are added to read as follows:

Sec. 3. (1) "Accumulated contributions" means 1 or more of the following:

(a) The amounts credited to a member's individual subaccount in the reserve for employee contributions plus regular interest on those amounts.

(b) The amounts credited to a member's individual subaccount in the reserve for member investment plan plus compound interest on those amounts.

(2) "Active duty" means full-time duty in the armed forces other than active duty which is exclusively for training purposes.

(3) "Actuarial cost" means an amount that shall be paid, except as otherwise specifically provided by this act, by a member to purchase additional service credit as allowed under this act. Actuarial cost shall be computed as provided in section 79.

(4) "Armed forces" means the United States army, navy, marine corps, air force, and coast guard, including the reserve components.

Sec. 6. (1) "Original member" means a member employed in Michigan public schools before July 1, 1945.

(2) "Out of system public education service" means service performed in public education meeting 1 or more of the following requirements:

(a) Performed in other states in the United States or its territorial possessions.

(b) Performed at the university of Michigan, Michigan state university, Wayne state university, Grand Valley state university, Oakland university, or Saginaw Valley university.

(c) Service purchased before January 31, 1991 and performed in a juvenile training school operated by a county in this state.

(d) Service purchased before January 31, 1991 and performed in a community mental health service program operated under former Act No. 54 of the Public Acts of 1963 for the severely mentally retarded in day care programs, day training programs, or day care training programs that were transferred to an intermediate school district by direction of the department of education.

(e) Service purchased before January 31, 1991 and performed as an elementary or secondary teacher at a United States armed forces military base in the United States or a foreign country.

(f) Service purchased before January 31, 1991 and performed as a teacher or administrator of American nationals in overseas public elementary or secondary schools operated by the United States department of defense.

(3) "Prior service" means service performed before July 1, 1945.

(4) "Public school employee" means an employee of a public local school district, intermediate school district, tax supported community or junior college, eastern Michigan university, central Michigan university, northern Michigan university, western Michigan university, Ferris state university, Michigan technological university, Lake Superior state university, or district library as defined in section 69g if the conditions in section 69g(1) are met for that employee. Service at Michigan technological university shall be creditable only if the amount of the accumulated contributions in the state employees' retirement system for service is paid to the retirement system. Service at Ferris state university shall be creditable as prior service or membership service only if the employee was employed at Ferris state university on a full-time basis for 2 or more years after May 17, 1949. Until January 1, 1988, public school employee also includes a person holding a Michigan teacher certificate and serving as an employee of the Michigan high school athletic association, other than a person whose effective date of employment with the Michigan high school athletic association is on or after December 31, 1986. A public school employee on an approved leave of absence is included within this definition.

Sec. 7. (1) "Refund beneficiary" means 1 or more persons whom the member or former member nominates in writing and files with the retirement system for the purpose of being paid accumulated contributions in the event of the death of the member or former member. If a valid nomination is not on file, the retirement board shall pay the accumulated contributions to the legal representative of the deceased member or deceased former member, if any, or to the estate of the deceased member or deceased former member.

(2) "Regular interest" means interest at 1 or more rates per annum determined by the retirement board and compounded annually.

(3) "Reporting unit" means a public school district, intermediate school district, tax supported community or junior college, college, or university, or an agency having employees on its payroll who are members of this retirement system. The reporting unit shall be the employer for purposes of this act.

(4) "Retirant" means a member who retires with a retirement allowance payable from reserves of the retirement system.

(5) "Retirement allowance" means a payment for life or a temporary period provided for in this act to which a retirant, retirement allowance beneficiary, or refund beneficiary is entitled.

(6) "Retirement allowance beneficiary" means a person who is being paid or has entitlement to the payment of a retirement allowance in the event of the death of a member, deferred member, or retirant.

(7) "Retirement board" means the board provided to administer this retirement system.

(8) "Retirement system" means the Michigan public school employees' retirement system provided for in this act.

Sec. 9. (1) The definition of final average compensation under section 4 as that section existed prior to Act No. 91 of the Public Acts of 1985 shall be used to calculate a member's final average compensation if it produces a higher result than the amount calculated pursuant to either section 4 or section 43c.

(2) This section shall take effect July 10, 1985.

Sec. 22. (1) The Michigan public school employees' retirement board is created in the department and shall consist of the superintendent of public instruction, the state treasurer, and 7 members appointed by the governor with the advice and consent of the senate. At least 1 of the retirement board members shall be a public school employee whose primary assignment is a classroom teacher, and at least 1 shall be a nonteaching public school employee. One of the retirement board members shall be a member or retirant of a first class school district. The number of nonteaching members of the retirement board shall not exceed the number of teaching members on the board. At least 1 retirement board member shall be a retirant, and at least 1 retirement board member shall be from the general public with experience in the insurance, actuarial, or institutional investment field and neither a public school employee nor a member of the retirement system.

(2) The term of office of the retirement board members shall be 4 years. A vacancy of an appointed member on the retirement board shall be filled in the same manner as the original appointment for the remainder of the unexpired term. A retirement board member shall continue to hold office until a successor is appointed and has qualified, but not to exceed 4 years.

(3) The members appointed and serving on the retirement board provided in former Act No. 136 of the Public Acts of 1945, on the effective date of this act, shall serve for the remainder of their appointed terms.

Sec. 26. (1) The state treasurer shall be treasurer of the retirement system and shall have investment authority, including the custodianship of the funds of the retirement system, and shall have fiduciary responsibility with regard to the investment of funds of the retirement system.

(2) The state treasurer shall deposit the funds of the retirement system in the same manner and subject to the law governing the deposit of state funds by the treasurer. Income earned by the retirement system's funds shall be credited to the respective funds under this act which have earned the income.

Sec. 27. The retirement system shall draw its warrants upon the state treasurer, payable out of reserves of the retirement system, for the payment of retirement allowances, the refund of accumulated contributions as provided in this act, and the payment of salaries and other expenses necessary in the administration of the retirement system. The payment of retirement allowances shall be in equal monthly installments.

Sec. 28. (1) By April 15 of each year, the department shall furnish to the governor, the legislature, each retirement allowance recipient, and each member upon request a summary of the fiscal transactions of the retirement system for the last completed fiscal year. The summary shall contain at least the following information from the financial and actuarial statements:

(a) A statement of assets and liabilities.

(b) A statement of investments by, and amount earned in, each category.

(c) A statement of revenues and expenditures.

(d) Other information the department or the retirement board considers necessary.

(2) The department shall furnish sufficient copies of a description of retirement benefits under this act to each reporting unit for the purpose of distribution to each of its employees as often as the department considers necessary, but not less than once every 3 years. The description shall contain the information the department considers necessary.

Sec. 29. The reserve for employee contributions is the account in which member contributions made under the contributory retirement plan and other member payments as provided by statute shall be accumulated. The retirement board shall provide for the maintenance of an individual subaccount for each member of the retirement system showing the amount of the member's contributions together with regular interest

accumulations on the amount. The contributions refunded to a member upon the member's withdrawal from service or paid to the member's legal representative, estate, or refund beneficiary in event of the member's or former member's death shall be paid from the reserve for employee contributions. Accumulated contributions not refunded to a member or paid to the member's or former member's legal representative, estate, or refund beneficiary shall be transferred from the reserve for employee contributions to the reserve for employer contributions. The accumulated contributions of a member, upon retirement or upon death if a retirement allowance is payable, shall be transferred from the reserve for employee contributions to the reserve for retired benefit payments.

Sec. 30. The reserve for employer contributions is the account to which reporting unit payments and state appropriations, except appropriations for health benefits are credited.

Sec. 31. The reserve for administrative expenses is the account from which the expenses of the administration of the retirement system, exclusive of amounts payable as retirement allowances and other benefits provided in this act, shall be paid. An amount determined necessary by the retirement board and the department to cover the expenses of administering this act shall be transferred annually from the reserve for undistributed investment income to the reserve for administrative expenses.

Sec. 33. The reserve for member investment plan is the account into which are remitted member contributions as provided in section 43a. The retirement board shall provide for the maintenance of an individual subaccount for each member showing the amount of the member's contributions together with compound interest accumulation on that amount. Member investment plan accumulated contributions refunded to a member upon a member's withdrawal from service or paid to the member's legal representative, estate, or refund beneficiary in the event of the member's or former member's death shall be paid from the reserve for member investment plan. Member investment plan accumulated contributions not refunded to a member or paid to the member's or former member's legal representative, estate, or refund beneficiary shall be transferred from the reserve for member investment plan to the reserve for employer contributions. The member investment plan accumulated contributions of a member, upon retirement or upon death if a retirement allowance is payable, shall be transferred from the reserve for member investment plan to the reserve for retired benefit payments.

Sec. 34. The reserve for health benefits is the account to which appropriations of the state for health benefits are credited. Benefits payable pursuant to section 91 shall be paid from the reserve for health benefits.

Sec. 35. The reserve for retired benefit payments is the account from which all retirement allowances and refunds pursuant to section 85(6) shall be paid. After receipt of each annual actuarial valuation as provided in section 41, the balance in the reserve for retired benefit payments shall be brought into balance with the actuarial present value of retirement allowances to be paid after the end of the fiscal year to retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal year, by a transfer between the reserve for employer contributions and the reserve for retired benefit payments.

Sec. 36. The reserve for undistributed investment income is the account to which all income from the investment of assets, all gifts and bequests received by the retirement system, and all other money received by the retirement system the disposition of which is not specifically provided for is credited. The retirement board shall transfer from the reserve for undistributed investment income all amounts necessary to credit the interest required under this act to the reserve for employee contributions, the reserve for employer contributions, the reserve for member investment plan, the reserve for retired benefit payments, and the reserve for health benefits, and to fund the reserve for administrative expenses.

Sec. 41. (1) The annual level percentage of payroll contribution rate to finance benefits being provided and to be provided by the retirement system shall be determined by actuarial valuation pursuant to subsection (2) upon the basis of the risk assumptions that the retirement board and the department adopt after consultation with the state treasurer and an actuary. An annual actuarial valuation shall be made of the retirement system in order to determine the actuarial condition of the retirement system and the required contribution to the retirement system. An annual actuarial gain-loss experience study of the retirement system shall be made in order to determine the financial effect of variations of actual retirement system experience from projected experience.

(2) The contribution rate for benefits payable in the event of the death of a member before retirement or the disability of a member shall be computed using a terminal funding method of valuation. The contribution rate for other benefits, including health benefits, shall be computed using an individual projected benefit entry age normal cost method of valuation. The contribution rate for service likely to be rendered in the current year, the

normal cost contribution rate, shall be equal to the aggregate amount of individual projected benefit entry age normal costs divided by 1% of the aggregate amount of active members' valuation compensation. The contribution rate for unfunded service rendered before the valuation date, the unfunded actuarial accrued liability contribution rate, shall be the aggregate amount of unfunded actuarial accrued liabilities divided by 1% of the actuarial present value over a period not to exceed 50 years of projected valuation compensation, where unfunded actuarial accrued liabilities are equal to the actuarial present value of benefits reduced by the actuarial present value of future normal cost contributions and the actuarial value of assets on the valuation date.

(3) The contribution amounts determined under subsection (2) reduced by contributions projected to be made under sections 42 and 69g shall be appropriated annually. Except as provided in section 69g, the appropriation shall be paid from the state school aid fund for members of the retirement system who are employees of a public school district or intermediate school district and from the general fund of the state for members who are other public school employees.

(4) Before November 1 of each year the department shall certify to the superintendent of public instruction and the director of the department the aggregate compensation estimated to be paid public school employees for the current state fiscal year.

(5) On the basis of the estimate under subsection (4) and the annual actuarial valuation, the superintendent of public instruction and the director of the department shall compute the sum due and payable to the retirement system and shall certify this amount to the state treasurer.

(6) The state treasurer shall make payment of the amount certified to the superintendent of public instruction and the director of the department in 12 equal monthly installments.

(7) Not later than 90 days after termination of each state fiscal year, the department shall certify to the superintendent of public instruction and the director of the department the actual aggregate compensation paid to public school employees during the preceding state fiscal year. Upon receipt of that certification the superintendent of public instruction and the director of the department shall compute any adjustment required due to a difference between the estimated and the actual aggregate compensation. The difference, if any, shall be submitted in the executive budget to the legislature for appropriation in the next succeeding state fiscal year.

(8) The superintendent of public instruction and the director of the department may require evidence of correctness and may conduct an audit of the aggregate compensation which the superintendent of public instruction or the director considers necessary to establish its correctness.

(9) The amounts required for the employer's share of social security contributions for employees of the reporting units shall be appropriated annually. The appropriation shall be paid from the state school aid fund for employees of a public school district or intermediate school district and from the general fund of the state for employees who are other public school employees. The appropriation for each public school district and intermediate school district shall be distributed monthly by the department of education. The reporting unit shall forward employee and employer social security contributions and reports as required by the federal old-age, survivors, disability, and hospital insurance provisions of title II of the social security act. This subsection shall not apply to employees of a district library as defined in section 69g.

Sec. 42. (1) The employer of a public school employee shall contribute 5% of the aggregate annual compensation of all employees who are members under the noncontributory plan as provided by section 63 to the reserve for employer contributions. The employer contribution of 5% of aggregate member compensation under the noncontributory plan is the exclusive obligation of the reporting unit payable out of general budget resources of the reporting unit, including funds available under local millage and other local resources and from the state school aid allocation to the reporting unit, and shall not be a separate obligation by specific reimbursement or otherwise of the state.

(2) As authorized by resolution or other enabling act of its governing body, the employer shall pick up all contributions of a member made pursuant to section 43a for all compensation paid on or after January 1, 1987 and reported to the retirement system. Although considered contributions of a member for certain purposes under this act, all contributions picked up shall be treated as paid by the employer in lieu of contributions by the employee. Contributions picked up as provided in this subsection shall be paid from the same source of funds which is used for paying compensation to the member. The employer may pick up these contributions by either a reduction to the member's cash salary, an offset against a future salary increase, or a combination of a reduction in salary and offset against a future salary increase. This subsection shall not apply, and the employer shall not deduct, offset, or remit contributions, until the department receives notification from the United States internal revenue service that contributions picked up shall not be included as gross income of the member until they are distributed or made available to the member, retirant, retirement allowance beneficiary, or refund beneficiary.

(3) The employer shall deduct from a member's compensation the contributions for social security provided in Act No. 205 of the Public Acts of 1951, as amended, being sections 38.851 to 38.871 of the Michigan Compiled Laws. Contributions shall be made while the member remains a public school employee. Each reporting unit official shall deduct the social security contributions from the compensation of each member for each payroll period after the date the employee becomes a member. Social security contributions shall be made notwithstanding that the minimum compensation provided by law is changed. Each member shall be considered to have agreed to the contributions prescribed in this subsection.

(4) Each reporting unit official shall forward retirement contributions, including the member investment plan contributions, to the retirement system monthly.

(5) Additional employer contributions required by statute for persons employed in higher education institutions, including community and junior colleges, covered under this act, and employees whose compensations are paid in whole or in part from federally funded programs, shall be forwarded to the retirement system quarterly.

(6) By January 11, April 11, July 11, and October 11 of each year, each reporting unit official shall file with the executive secretary of the retirement board a quarterly affidavit for the preceding 3 months. The affidavit shall certify the aggregate wages, sources of contributions, wages paid from federal funds, and contributions required by law. Not later than July 11 of each year, a report shall be filed with the executive secretary of the retirement board, which shall list the persons employed, together with other information, including salary, service, and contributions, required for retirement reporting purposes.

(7) If a reporting unit fails to submit a report or contributions, or both, according to the schedule established by the retirement board, a late fee shall be paid by the reporting unit. If the remittance of contributions is late, the late fee shall include interest for each day that the remittance of contributions is late. The retirement board periodically may establish the late fee, which shall not be less than \$25.00, and interest charges, which shall not be less than 6% per annum.

(8) Upon written notice from the retirement board, the superintendent of public instruction and the state treasurer shall withhold payment of state funds, in part or in whole, payable from the state school aid appropriation or higher education appropriations to a reporting unit that fails to comply with this section.

Sec. 43. (1) Each institution of higher education, including a tax supported community or junior college, shall pay a percentage of the aggregate annual compensation of members of the retirement system who are employees of the institution equal to the percentage of compensation provided from state school aid funds for members of the retirement system who are employees of a public school district or intermediate school district. The percentage of aggregate annual compensation to be paid for employees who are members of the optional retirement program under the optional retirement act of 1967, Act No. 156 of the Public Acts of 1967, as amended, being sections 38.381 to 38.388 of the Michigan Compiled Laws, shall be only for the employer's share of social security.

(2) Until January 1, 1988, the Michigan high school athletic association shall pay from income derived from its operations the employer's share of retirement contributions as required by sections 41 and 42, exclusive of social security contributions, for its employees holding Michigan teacher certificates.

(3) Each reporting unit shall pay the employer's share of retirement and social security contributions for its employees working on programs financed by the federal government from the grants received from the federal government in the same proportion as the employees' salaries are paid from the grants received from the federal government. Employer contributions for normal cost and unfunded actuarial accrued liabilities as required by section 41 shall be at the same percentage provided in this act for employees under the retirement system whose salaries and wages are paid from state appropriations.

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 in accordance with section 42. Contributions to the member investment plan shall entitle a member to the benefits provided in sections 43b and 43c.

(2) Until December 31, 1989, 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) 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 shall make the contributions described in subsection (6).

(4) Except as otherwise provided in subsection (7), a member who first became a member on or after January 1, 1990 shall make the contributions described in subsection (6).

(5) 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).

(6) Except as otherwise provided in subsection (7), a member who first became a member on or after January 1, 1990 shall contribute the following amounts to the member investment plan:

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

(7) A member who contributes to the member investment plan pursuant to subsection (3) or (4) may irrevocably elect to discontinue contributions to the member investment plan as provided in this subsection. The member may not elect to discontinue contributions to the member investment plan until the expiration of 3 school fiscal years following the date he or she first contributes to the member investment plan or after the expiration of 4 school fiscal years following the date he or she first contributed to the member investment plan. A member who pursuant to this subsection makes an election to discontinue contributions to the member investment plan shall receive a refund of those contributions plus interest, as determined by the retirement board, payable before the expiration of 6 months after the date of notification by the reporting unit. A member who elects to discontinue making contributions pursuant to this subsection is not entitled to the benefits provided in sections 43b and 43c. A member who contributes to the member investment plan shall be given advance written notice of his or her opportunity to elect to discontinue contributions to the member investment plan pursuant to this subsection in a manner prescribed by the retirement board. This subsection shall not apply until the department receives notification from the United States internal revenue service that this subsection will not cause the retirement system not to be qualified for tax purposes under the internal revenue code.

(8) This section and sections 43b and 43c shall not apply until the department receives notification from the United States internal revenue service that contributions under this section picked up by the employer in accordance with section 42 shall not be included as gross income of the member until they are distributed or made available to the member, retirant, retirement allowance beneficiary, or refund beneficiary.

Sec. 43b. A member who contributes to the member investment plan shall have the eligibility requirements of section 81 except as follows:

(a) The age 55 requirement of section 81(1)(a) shall not apply.

(b) The 10 years of credited service requirement of section 81(1)(b) shall be 5 years if the member is working as a public school employee and the member received credited service in each of the 5 school fiscal years immediately preceding the retirement allowance effective date.

Sec. 43c. A member who contributes to the member investment plan, or the retirement allowance beneficiary of that member, shall be entitled to all of the following:

(a) A 36-month averaging period for the computation of final average compensation, as provided in section 4.

(b) An annual increase in the retirement allowance. The first increase will occur on the first October 1 that is at least 1 full year after the effective date of the retirement allowance. Subsequent annual increases will occur on October 1 of each subsequent year. The amount of the annual increase shall be equal to 3% of the retirement allowance that would be payable as of the date of the increase without application of this subdivision. However, if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under the option selected by the member under section 85(1)(a), (b), or (c).

(c) The credited service eligibility requirement applicable to the survivor benefits provided in section 89 shall be reduced as follows:

(i) The 15 years of credited service requirement shall be 10 years.

(ii) The 10 years of credited service requirement shall be 5 years.

Sec. 44. Upon the separation from service by a member or upon the death of a member, a former member, a retirant, a retirement allowance beneficiary, or a refund beneficiary, any unclaimed retirement allowance or other money otherwise payable on account of the separation or death shall remain a part of that fund in which it

is deposited until claimed by the separated member, retirement allowance beneficiary, or refund beneficiary or the estate or legal representative of a separated member, retirement allowance beneficiary, or refund beneficiary.

Sec. 45. If a change or error in the records of the retirement system results in a retirant, retirement allowance beneficiary, or refund beneficiary receiving from the retirement system more or less than the retirant, retirement allowance beneficiary, or refund beneficiary would have been entitled to receive had the records been correct, the retirement system shall correct the error, and as far as practicable, shall adjust the payment to provide an actuarial equivalent of the benefit to which the retirant, retirement allowance beneficiary, or refund beneficiary was entitled. An adjustment in benefits shall not be made for an error totaling \$10.00 or less annually and the amount shall be debited or credited to the reserve for employer contributions.

Sec. 46. (1) A retirement allowance, an optional benefit, or any other benefit accrued or accruing to a person under this act, the reserves created by this act, and the money, investments, or income of those reserves, are exempt from state, county, municipal, or other local tax, and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or other process of law except as provided in this section. The right to a retirement allowance, an optional benefit, or any other benefit accrued or accruing to a person under this act shall be unassignable, except as specifically provided in this act.

(2) The retirement system may offset retirement benefits or refunds payable under this act against amounts owed to the retirement system by a member, retirant, retirement allowance beneficiary, or refund beneficiary.

(3) If the retirement system is required by the federal government pursuant to a court order to transmit a part of a member's contributions standing to the member's credit in the reserve for employee contributions to a federal agency, the service credit that is covered by the payment shall be forfeited in the same manner as if the employee had requested and been paid a refund of the member's most recent contributions.

(4) A retirement allowance, an optional benefit, accumulated contributions, or any other benefit to a member, a deferred member, a retirement allowance beneficiary, or a retirant under this act shall be subject to award by a court pursuant to section 18 of chapter 84 of the Revised Statutes of 1846, being section 552.18 of the Michigan Compiled Laws, and to any other order of a court pertaining to child support. However, this subsection does not permit or require a benefit to be paid or to be provided that is not otherwise available under this act.

(5) If an award or order described in subsection (4) requires the retirement system to withhold payment of a retirement allowance, deferred retirement allowance, accumulated contributions, or other benefit from the person to whom it is due or requires the retirement system to make payment or requires the person to request that the retirement system make payment of a retirement allowance, deferred retirement allowance, accumulated contributions, or other benefit, for the purpose of meeting the person's obligations to a spouse, former spouse, or child, as provided in subsection (4), the withholding or payment provisions of the award or order shall be effective only against such amounts as they become payable to the person otherwise entitled to receive the retirement allowance. The limitation contained in this subsection shall not apply to the accumulated contributions of a person who has terminated employment prior to acquiring a vested member status.

Sec. 47. (1) An employee of the Michigan high school athletic association who is a member on December 31, 1987 shall have his or her entitlement to benefits from the retirement system preserved as those benefits exist on December 31, 1987. That employee shall retain a limited membership in the retirement system as provided in this section.

(2) The employee's continued service with the Michigan high school athletic association is service in the retirement system for the purpose of determining the employee's eligibility for retirement benefits that are dependent upon a specified period of total service or upon the attainment of a specified age while in service, or both. Notwithstanding section 81a(1)(c), the employee shall be eligible to retire under section 81a after December 31, 1987, if all the other requirements of that section are met.

(3) The employee shall be eligible to elect to receive his or her retirement allowance under section 85 if all the requirements of that section are met. The employee shall also be eligible to elect the option provided in section 85(1)(b) and nominate a retirement allowance beneficiary as specified in section 85(3) if all the other requirements of section 89 are met. If a Michigan high school athletic association employee has met all age and service requirements for a retirement allowance as of December 31, 1987, the employee is eligible for benefits under section 85 as of December 31, 1987.

(4) If the employee terminates his or her employment with the Michigan high school athletic association with a retirement allowance payable under the retirement system, the computation of the retirement allowance shall be based upon all of the following:

(a) The employee's credited service as of December 31, 1987.

(b) The employee's final average compensation before January 1, 1988, as determined under section 4, or, the average of the employee's annual compensation immediately before January 1, 1988 if the employee's total credited service is less than 5 years.

Sec. 61. If a retirant is receiving a retirement allowance other than a disability allowance payable under this act or under former Act No. 136 of the Public Acts of 1945, on account of either age or years of personal service performed, or both, and becomes employed by a reporting unit, the following shall take place:

(a) The retirant shall not be entitled to a new final average compensation or additional service credit under this retirement system unless additional service is performed equivalent to 5 or more years of service credit or, if the retirant has contributed to the member investment plan, the equivalent of 3 or more years of service credit. The retirant may elect to have the retirement allowance recomputed based on the added credit or the final average compensation resulting from the added service, or both. A retirement allowance shall not be recomputed until the retirant pays into the retirement system an amount equal to the retirant's new final average compensation multiplied by the percentage determined under section 41(2) for normal cost and unfunded actuarial accrued liabilities, not including the percentage required for the funding of health benefits, multiplied by the total service credit in the period in which the retirant's additional service was performed.

(b) The retirant's retirement allowance shall be reduced by the lesser of the amount that the earnings in a calendar year exceed the amount permitted without a reduction of benefits under the social security act, chapter 531, 49 stat. 620 or 1/3 of the retirant's final average compensation. For purposes of computing allowable earnings under this subdivision, the final average compensation shall be increased by 5% for each full year of retirement.

(c) The retirement system may offset retirement benefits payable under this act against amounts owed to the retirement system by a retirant or retirement allowance beneficiary.

Sec. 64. (1) If a person described in section 5(1)(d) later becomes a member of this retirement system, service credit shall not be given for employment that is excluded in that subdivision for purposes of determining a retirement allowance.

(2) If a person described in section 5(1)(b) later becomes a member of this retirement system within 12 months after the date of termination as a participant in a transitional public employment program, service credit shall be given for employment that is excluded in section 5(1)(b) for purposes of determining a retirement allowance upon the payment by the person's employer under the transitional public employment program from funds provided under the former comprehensive employment and training act of 1973, Public Law 93-203, as funds permit, to the retirement system of the contributions, plus regular interest, the employer would have paid had the employment been rendered in a position covered by this act. During the person's employment in the transitional public employment program, the person's employer shall place in reserve a reasonable but not necessarily an actuarially determined amount equal to the contributions that the employer would have paid to the retirement system for those employees in the transitional public employment program as if they were members under this act, but only for that number of employees that the employer determines would transfer from the transitional public employment program into positions covered by this act. If the funds provided under the former comprehensive employment and training act of 1973, Public Law 93-203, are insufficient, the remainder of the employer contributions shall be paid by the person's employer under the transitional public employment program. If a person was not employed by a reporting unit but performed services for that reporting unit under a transitional public employment program and became a member of this retirement system within 12 months after the date of termination as a participant in the transitional public employment program, service credit shall be given for that transitional public employment program service in the manner provided in this subsection. The reporting unit for which the transitional public employment program service was performed is the person's employer under the transitional public employment program for the purposes of this subsection.

(3) Before January 31, 1991, a person excluded from membership as provided by section 5(1)(a) who later becomes a member of this retirement system shall be entitled to purchase service credit for that service, as provided in subsection (6), upon presenting acceptable proof of the service for the excluded period. ---

(4) Before January 31, 1991, a member of the retirement system with employment excluded from membership service under section 5(1)(c) or under section 23a(1)(c) of chapter I or section 12(2)(c) of chapter II of former Act No. 136 of the Public Acts of 1945 shall be entitled to purchase service credit for that employment, as provided in subsection (6), upon presentation of documentation of the employment rendered that is verified from official reporting unit records or other acceptable documentation as determined by the retirement board. This subsection only applies after June 30, 1987 if the employment being purchased was performed while the person was enrolled as a graduate student at the reporting unit and the employment consisted of 1 or more of the following:

- (a) Teaching.
- (b) Research.
- (c) Academic advising.
- (d) Administration.
- (e) Library work.
- (f) Other employment of an academic or educational nature, as determined by the board.

(5) Before January 31, 1991, a member of the retirement system with out of system public education service or with service described in section 69c(1) that was performed while the person was a full-time student, whether performed before, on, or after October 31, 1980, shall be entitled to purchase service credit for that service, as provided in subsection (6), upon presentation of documentation of the service rendered that is verified from official payroll records or other acceptable documentation as determined by the retirement board pursuant to R 38.1119 of the Michigan administrative code. This subsection only applies after June 30, 1987 if the employment being purchased was performed while the person was enrolled as a graduate student at a public college or public university and the employment consisted of 1 or more of the following:

- (a) Teaching.
- (b) Research.
- (c) Academic advising.
- (d) Administration.
- (e) Library work.
- (f) Other employment of an academic or educational nature, as determined by the board.

(6) Service credit shall not be given under subsection (3), (4), or (5) until the member pays into the retirement system the actuarial cost. Service credit shall not be given under subsection (3), (4), or (5) unless the service being purchased is followed by 5 years of reporting unit service credit under this act or former Act No. 136 of the Public Acts of 1945. Credit provided by subsection (3), (4), or (5) shall not be used in satisfying the minimum of 10 years of service credit required under this act for a retirement allowance.

(7) A person excluded from membership as provided by section 5(1)(f), (g), (h), (i), (j), or (k) shall not receive service credit for the employment described in those subdivisions even if the person subsequently becomes or has been a member of this retirement system.

Sec. 65. (1) If a member ceases to be a public school employee before satisfying the age and service requirements for a retirement allowance as provided in section 81(1)(a) or (b) or 43b or if a member elected the optional retirement system under the optional retirement act of 1967, Act No. 156 of the Public Acts of 1967, as amended, being sections 38.381 to 38.388 of the Michigan Compiled Laws, the member upon written application shall be paid, except as otherwise provided in this act, the accumulated contributions standing to the member's credit in the reserve for employee contributions and in the reserve for member investment plan, payable before the expiration of 90 days after submitting the written application for payment on a form provided by the retirement board.

(2) Upon payment of the accumulated contributions standing to the member's credit in the reserve for employee contributions and in the reserve for member investment plan pursuant to subsection (1), the member shall forfeit the prior service and contributory membership service credited to the member, and the noncontributory membership service credited during periods when the member contributed to the member investment plan. However, other membership service acquired under the noncontributory plan shall be nonforfeitable except as provided in section 67. The refund shall be payable notwithstanding any time limit for application contained in former Act No. 184 of the Public Acts of 1937, former Act No. 56 of the Public Acts of 1941, or former Act No. 136 of the Public Acts of 1945.

Sec. 66. (1) Except as provided in section 65, if a member ceases to be a public school employee for any reason, except while on official leave from service with the reporting unit, the person shall cease to be a member. The person's credited contributory membership service and credited prior service, and the noncontributory membership service credited during periods when the member contributed to the member investment plan, shall be forfeited and no longer in effect if the person withdraws the accumulated contributions from the retirement system. If the person returns to reporting unit service, the person shall again become a member. If accumulated contributions were withdrawn and the person returns for a period of not less than 1 year of credited service, the person may pay into the retirement system, before the effective date of the person's retirement, the amount withdrawn, together with simple interest on the amount withdrawn from the reserve for employee contributions and compound interest on the amount withdrawn from the reserve for member investment plan computed in each case from the date of withdrawal to the semiannual anniversary of

the date of withdrawal following the date of repayment. Upon payment in full, the member shall be allowed credit for the service upon which the refund was based, which shall reinstate the previously forfeited service. However, a member who previously withdrew the contributions and who separated from reporting unit service for 60 consecutive calendar months shall not be allowed credit for the service upon which the refund was based until the member returns to service for 2 or more years of credited service and returns the accumulated contributions previously withdrawn, together with simple interest on the amount withdrawn from the reserve for employee contributions and compound interest on the amount withdrawn from the reserve for member investment plan computed in each case from the date of withdrawal to the semiannual anniversary of the date of withdrawal following the date of repayment.

(2) Upon a member's retirement or death, the member shall cease to be a member.

Sec. 69. (1) As a condition for granting membership or prior service credit under this act for out of system public education service, a member shall pay to the retirement system an amount equal to the amount the member would have contributed pursuant to the schedule governing member contributions in effect at the time of that service had the service been performed under this act or former Act No. 136 of the Public Acts of 1945, together with regular interest from the end of the school fiscal year in which service was performed to the semiannual anniversary of the date following the payment, and shall have 5 years of reporting unit service credit under this act or former Act No. 136 of the Public Acts of 1945, following the out of system public education service.

(2) A member shall not be entitled to a retirement allowance based on out of system public education service that was performed after July 1, 1974, until the member pays into the retirement system for that service an amount equal to 5% of the member's full-time or equated full-time compensation earned in the school fiscal year before the school fiscal year in which the application to purchase and payment for the service credit is made, multiplied by the years of that service the member elects to purchase and unless that service is followed by 5 years of reporting unit service credit under this act.

(3) For the purposes of computing payment under this section, the compensation amount used shall not be less than the highest school fiscal year compensation previously earned by the member. If the compensation amount used for computing payment under this section exceeds the member's final average compensation determined at the time of retirement, the payment required under this section shall be recomputed using the member's final average compensation and a refund shall be made based upon the recomputation. Credit provided by this section shall not be used in satisfying the minimum of 10 years of service credit required under this act for a retirement allowance. A person who had employment with a community mental health service program as described in section 6(2) shall not be subject to the minimum of 10 years of service credit, if the other requirements of this section are met.

(4) A member shall not receive more than 15 years of out of system public education service. A member shall not receive more out of system public education service than service performed under this act or former Act No. 136 of the Public Acts of 1945, unless, before July 1, 1974, the member applied for out of system public education service credit based upon payment of contributions for that service credit as required under former Act No. 136 of the Public Acts of 1945. The total out of system public education service credited shall be used to compute the member's retirement allowance if the minimum service requirements performed under this act or former Act No. 136 of the Public Acts of 1945 are met.

(5) If a member who made payment for out of system public education service dies and a retirement allowance beneficiary has not been designated, or if the member withdraws from service before his or her retirement becomes effective, the payment made by the member shall be refunded to the member or to the member's refund beneficiary upon request.

(6) Out of system public education service shall not be creditable toward retirement under this act if the member is or will be receiving a retirement allowance for the same service from another retirement system.

(7) Out of system public education service shall not be creditable under this act unless similar service performed in a reporting unit would be creditable.

(8) Before January 31, 1991, a member may elect to purchase service credit as an elementary or secondary teacher at a United States armed forces military base in the United States or a foreign country upon payment to the retirement board of the actuarial cost.

Sec. 69c. (1) A member may elect to purchase service credit for service performed as an employee in a nonpublic elementary or secondary educational institution or a nonpublic 2- or 4-year institution of higher education in this state, in other states of the United States, or in the territorial possessions of the United States upon request and presentation of documentation of the employment rendered that is verifiable from official employment or payroll records or other acceptable documentation as determined by the retirement board, and upon payment to the retirement system of the actuarial cost.

(2) Before January 31, 1991, a member may elect to purchase service credit for service performed as an employee in a foreign country at a school for United States personnel or dependents of the United States military or United States department of state personnel; service performed as a full-time teacher with the job corps created pursuant to section 422 of part B of title IV of the job training partnership act, Public Law 97-300, 29 U.S.C. 1692; service performed as a teacher in a trust territory or former trust territory of the United States; or service performed as a teacher on an Indian reservation in this country; upon request and presentation of documentation of the employment rendered that is verifiable from official employment or payroll records or other acceptable documentation as determined by the retirement board, and upon payment to the retirement system of the actuarial cost.

(3) Service shall not be credited under this section unless the service being purchased is followed by at least 5 years of reporting unit service credit under this act or former Act No. 136 of the Public Acts of 1945. Service purchased under this section shall not be used to satisfy the minimum of 10 years of service credit required to receive a retirement allowance under this act. The total service credited under subsections (1) and (2) shall not exceed 5 years.

(4) If a member who made payment for service under this section dies and a retirement allowance beneficiary has not been designated, or if the member withdraws from service before his or her retirement becomes effective, the payment made by the member shall be refunded to the member or to the member's refund beneficiary upon request.

(5) Service shall not be credited under this section if the member is or will be receiving a pension or annuity for the same service from another retirement system.

(6) A person who became a retirant with a retirement allowance effective date on or after January 1, 1988 and on or before December 21, 1988 shall be entitled to purchase service credit for service performed as an employee in a nonpublic elementary or secondary educational institution or a nonpublic 2- or 4-year institution of higher education as provided by this section. Service credit purchased pursuant to this subsection shall be purchased before July 1, 1989, or the expiration of 6 months after December 21, 1988, whichever is later. The monthly retirement allowance of a retirant entitled to purchase service credit under this subsection shall be recomputed based upon the additional service credit. The recomputed monthly amount shall be payable beginning on the first day of the month following the month in which payment is received by the retirement system.

(7) As used in this section:

(a) "Nonpublic elementary or secondary educational institution" means an institution that offers or provides an organized course of academic study primarily oriented toward the awarding of high school diplomas. Nonpublic elementary or secondary educational institution does not include a proprietary school.

(b) "Nonpublic 2- or 4-year institution of higher education" means an institution that offers an organized course of academic study primarily oriented toward the awarding of associate, baccalaureate, master's, doctoral, or other academic degrees. Nonpublic 2- or 4-year institution of higher education does not include a proprietary school.

(c) "Proprietary school" means a school that uses a certain plan or method to teach a trade, occupation, or vocation for a consideration, reward, or promise. Proprietary school includes, but is not limited to, a private business, trade, or home study school.

Sec. 69d. (1) A member may elect to purchase service credit for not more than 3 years of service performed as an employee of the federal government as a teacher in a foreign country teaching students who are not citizens of this country or as a teacher with the merchant marines, upon request and presentation of documentation of the employment rendered that is verifiable from official federal government employment or payroll records or other acceptable documentation as determined by the retirement board, and upon payment to the retirement system of the actuarial cost.

(2) Service shall not be credited under this section unless the service being purchased was followed by at least 5 years of reporting unit service credit under this act or former Act No. 136 of the Public Acts of 1945. Service purchased under this section shall not be used to satisfy the minimum of 10 years of service credit required to receive a retirement allowance under this act.

(3) If a member who made payment for service under this section dies and a retirement allowance beneficiary has not been designated, or if the member withdraws from service before his or her retirement becomes effective, the payment made by the member shall be refunded to the member or to the member's refund beneficiary upon request.

(4) Service shall not be credited under this section if the member is or will be receiving a pension or annuity for the same service from another retirement system.

Sec. 69e. (1) A member may elect to purchase service credit for service performed as an employee of a county mental health program or as an employee in a day care or day training program for handicappers as defined in section 103 of the Michigan handicappers' civil rights act, Act No. 220 of the Public Acts of 1976, being section 37.1103 of the Michigan Compiled Laws, upon request and presentation of documentation of the employment rendered that is verified from official employment or payroll records or other acceptable documentation as determined by the retirement board, and upon payment to the retirement system of actuarial cost.

(2) Service shall not be credited under this section unless the service being purchased was followed by at least 5 years of reporting unit service credit under this act or former Act No. 136 of the Public Acts of 1945. Service purchased under this section shall not be used to satisfy the minimum 10 years of service credit required to receive a retirement allowance under this act.

(3) If a member who made payment for service under this section dies and a retirement allowance beneficiary has not been designated, or if the member withdraws from service before his or her retirement becomes effective, the payment made by the member shall be refunded to the member or to the member's refund beneficiary upon request.

(4) Service shall not be credited under this section if the member is or will be receiving a pension or annuity for the same service from another retirement system.

Sec. 69f. (1) A member may elect to purchase not more than 5 years of service credit less the number of years of service credit purchased under sections 6(2)(c), (d), (e), and (f), 64(3), (4), and (5), 69a, 69b, 69c(2), 69d, 69e, 74a, 74b, 77, and 78, upon request and payment to the retirement system of the actuarial cost.

(2) Service credit purchased under this section may not be used to satisfy the minimum of 10 years of service credit required to receive a retirement allowance under this act.

(3) Service credit purchased under this section shall not be used to satisfy the service credit requirement set forth in section 81(1)(a) for a retirement allowance paid prior to age 46 as provided by section 43b(a).

(4) If a member who made payment for service under this section dies and a retirement allowance is not payable, or if the member withdraws from service and a retirement allowance is not payable, the payment made by the member shall be refunded to the member or to the member's refund beneficiary upon request.

Sec. 69g. (1) Subject to subsections (2) and (3), a member whose reporting unit service consists of library or museum service and whose employment with that reporting unit is terminated because that reporting unit becomes a participating municipality to a district library agreement, or a former employee of a reporting unit that becomes a participating municipality to a district library agreement who was a member as the result of former employment with that reporting unit, is a public school employee for purposes of this act if both of the following conditions are met:

(a) The person subsequently is employed by the district library established pursuant to that district library agreement.

(b) The district library board of that district library adopts a resolution that provides that the district library will remit to the retirement system the amount, percentages, and contributions described in subsection (2) for that person.

(2) The retirement board shall grant service credit to a member described in subsection (1) only if the district library remits to the retirement system the amount required by section 42, the percentage of aggregate annual compensation determined for current service as required by section 41, and the percentage determined for unfunded accrued service as required by section 41.

(3) The remittances described in subsection (2) are the exclusive obligation of the district library and shall not be a separate obligation by specific reimbursement or otherwise of the state.

(4) As used in this section:

(a) "District library" means a library established pursuant to section 3 of the district library establishment act, Act No. 24 of the Public Acts of 1989, being section 397.173 of the Michigan Compiled Laws.

(b) "District library agreement" means that term as used in the district library establishment act, Act No. 24 of the Public Acts of 1989, being sections 397.171 to 397.196 of the Michigan Compiled Laws.

(c) "District library board" means that term as used in the district library establishment act, Act No. 24 of the Public Acts of 1989.

(d) "Participating municipalities" means that term as used in the district library establishment act, Act No. 24 of the Public Acts of 1989.

Sec. 70. (1) As a condition for granting membership or prior service credit under this act for state of Michigan service, a member shall pay to the retirement system an amount equal to the amount the member would have contributed under the contributory plan for service performed before July 1, 1977 pursuant to the

schedule governing member contributions in effect at the time of that service had the service been performed under this act or former Act No. 136 of the Public Acts of 1945, together with regular interest from the end of the school fiscal year in which the service was performed to the semiannual anniversary of the date following payment, and shall relinquish all rights to retirement under the state employees' retirement act, Act No. 240 of the Public Acts of 1943, as amended, being sections 38.1 to 38.47 of the Michigan Compiled Laws. A member shall not receive benefits pursuant to sections 43b and 43c for service performed on or after January 1, 1987 until the member pays the difference between the actuarial equivalent of the benefits provided by sections 43b and 43c and by the state employees' retirement act, Act No. 240 of the Public Acts of 1943.

(2) Credit for service performed as a state employee under the state employees' retirement act, Act No. 240 of the Public Acts of 1943, as amended, shall be on the same basis for eligibility in all respects, for any form of retirement provided in this act as if the service were performed in a reporting unit under this act.

(3) A former member who on or before July 1, 1974, was employed in the state classified or unclassified service, whose membership was transferred to the state employees' retirement system under the state employees' retirement act, Act No. 240 of the Public Acts of 1943, as amended, and who again became a member of the retirement system created under former Act No. 136 of the Public Acts of 1945 or becomes a member of the retirement system created under this act, shall be entitled to petition the retirement system in writing for a transfer of the member's accumulated contributions, including interest, and service standing to the member's credit with the state employees' retirement system to this retirement system. Upon receipt of the member's petition, service standing to the member's credit, accumulated contributions, and interest shall be transferred from the employee's savings fund created under the state employees' retirement act, Act No. 240 of the Public Acts of 1943, as amended, to the reserve for employee contributions of this retirement system. A person whose membership service and accumulated contributions are transferred back to this retirement system immediately shall have the transferred service credit recognized by the retirement system on the same basis as if the person continuously had been a member of the retirement system.

(4) If a member who made payment for state of Michigan service dies and a retirement allowance beneficiary has not been designated, or withdraws from service before his or her retirement becomes effective, the payment made by the member shall be refunded to the member or to the member's refund beneficiary upon request.

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

(2) If the sabbatical leave described in subsection (1) is granted before July 1, 1981, the reporting unit, if the reporting unit had a noncontributory plan at the time the sabbatical leave is granted, or the member, if the reporting unit has a contributory plan at the time the sabbatical leave is granted, shall pay to the system for each year of sabbatical leave credit an amount equal to 5% of the member's compensation earned in the school fiscal year immediately before the school fiscal year in which the sabbatical leave is granted, together with regular interest from the end of the school fiscal year in which the sabbatical leave was or is granted to the earlier of the following dates following the date of payment, the first day of the school fiscal year beginning after the date of payment or the first day of the seventh month of the school fiscal year in which the payment is made. If the reporting unit makes the payment required by this subsection, the reporting unit also shall pay the required interest. If the member makes the payment required by this subsection, the member also shall pay the required interest.

(3) If the sabbatical leave described in subsection (1) is granted after June 30, 1981, the member shall pay an amount equal to 5% of the member's full-time or equated full-time compensation earned in the school fiscal year immediately before the school fiscal year in which payment is made for each year of service credit the member elects to purchase. In computing payment under this subsection, the compensation amount used, except as otherwise provided in this subsection, shall not be less than the highest school fiscal year compensation the member earned from the reporting unit that granted the sabbatical leave. If the compensation amount used for computing payment under this subsection exceeds the member's final average compensation determined at the time of retirement, the payment required under this subsection shall be recomputed using the member's final average compensation and a refund shall be made based upon the recomputation.

(4) If, before October 31, 1980, either the reporting unit or the member has contributed 5% of the member's compensation for the school fiscal year in which the sabbatical leave was granted in order to purchase service credit for that sabbatical leave, a further payment for the purchase of service credit for that sabbatical leave shall not be required. If a member has paid the amount required under subsection (2) for the purchase of service credit for sabbatical leave, but later receives a refund of that amount, the member, not the reporting unit, shall repay the amount with regular interest as required by subsection (2) if the member elects to purchase service credit for the sabbatical leave.

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

(a) The member is included on the reporting unit's reports required by section 42(6) and compensation, service, contribution, and other requirements are reported on the same basis as for those members of the reporting unit who were not granted an employee organization professional services leave or employee organization professional services released time.

(b) The reporting unit remits the amount required by section 42 and the percentage of aggregate annual compensation provided from the state school aid fund for current service, the percentage determined for unfunded accrued service as required by section 41, and the employer's share of social security contributions if the reporting unit is responsible for remitting the employee's share of social security contributions. The reporting unit shall be reimbursed those sums paid to the retirement board by the member or the employee organization on a current basis. A member who has credited service as an employee of a school district of the first class, as described in part 6 of the school code of 1976, Act No. 451 of the Public Acts of 1976, as amended, being sections 380.401 to 380.485 of the Michigan Compiled Laws, for a leave of absence effective before October 1, 1981, shall continue to receive credit based upon the provisions of the law of this state in effect at the time the leave of absence was initially effective.

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

Sec. 73. A member of this retirement system who enters active duty with the armed forces and within 24 months after the date of the member's honorable discharge or release from active duty from the armed forces resumes employment as a public school employee 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, shall receive not more than 6 years of service credit, except required service extending beyond 6 years, for time spent in the armed forces credited to the member as a member of the retirement system. Credit also shall be given to a member who meets the requirements of this section for active duty service which the member rendered before becoming a member, if the member pays to the retirement system an amount determined pursuant to section 74 for the years of service rendered before becoming a member which are to be credited. The total service credited under this section shall not exceed 6 years. Service shall not be credited if it is or would be credited under any other federal, state, or local publicly supported retirement system, but this restriction shall not apply to a person who has acquired or will acquire retirement eligibility under the federal government for services in the reserve. During the period of the service of a member, contributions to the reserve for employee contributions standing to the member's credit as of the last payroll date preceding military service shall be accumulated at regular interest.

Sec. 74. (1) A member of this retirement system after May 31, 1976, who does not meet the requirements of section 73, and who enters active duty with the armed forces, may elect to receive service credit for not more than 5 years of active duty upon request and payment to the retirement system of an amount equal to 5% of the member's full-time or equated full-time compensation earned in the school fiscal year immediately before the school fiscal year in which payment is made multiplied by the years of service that the member elects to purchase up to the maximum.

(2) For the purposes of computing payment under this section, the compensation amount used shall not be less than the highest school fiscal year compensation previously earned by a member. If the compensation amount used for computing payment under this section exceeds the member's final average compensation determined at the time of retirement, the payment required under this section shall be recomputed using the member's final average compensation and a refund shall be made based upon the recomputation.

(3) Service shall not be credited if it is or would be credited under any other federal, state, or local publicly supported retirement system, but this restriction shall not apply to a person who has acquired or will acquire retirement eligibility under the federal government for service in the reserve.

(4) Service shall not be credited under this section until the member has accumulated 10 years of full-time or equated full-time service credit performed under this act or former acts.

Sec. 74a. (1) A member of this retirement system who enters or who entered service with the American red cross on a military base during an armed conflict as determined by the service dates described in section 1 of Act No. 190 of the Public Acts of 1965, being section 35.61 of the Michigan Compiled Laws, and who, within 24 months after the date the member leaves or left this service, resumes or resumed employment as a public school employee under this act or former Act No. 136 of the Public Acts of 1945, may elect to receive credit for not more than 2 years of that service upon request and payment to the retirement system of the actuarial cost.

(2) A member of this retirement system who enters or entered service with the American red cross on a military base during an armed conflict as determined by the service dates described in section 1 of Act No. 190 of the Public Acts of 1965, being section 35.61 of the Michigan Compiled Laws, may elect to receive credit for not more than 2 years of that service upon request and payment to the retirement system of the actuarial cost.

(3) The total service credited under this section and sections 73 and 74 shall not exceed 6 years. Service shall not be credited under this section if the member is or will be receiving a pension or annuity for the same service from another retirement system, but this restriction shall not apply to a person who has acquired or will acquire retirement eligibility under the federal government for service in the reserve. Service purchased under this section shall not be used to satisfy the minimum 10 years of service credit required to receive a retirement allowance under this act or former acts. Service shall not be credited under this section unless the service being purchased was followed by at least 5 years of reporting unit service credit under this act or former Act No. 136 of the Public Acts of 1945. Service shall not be credited until the member has presented documentation of the service rendered that is verified from official employment or payroll records or other acceptable documentation as determined by the retirement board.

Sec. 74b. (1) A member of this retirement system may elect to receive service credit for not more than 6 consecutive months of continuous actual time spent on duty with the Michigan national guard or the United States armed forces reserve upon request and payment to the retirement system of the actuarial cost. Service shall be verified by presentation of documentation of the employment rendered that is verified from official national guard or United States armed forces reserve payroll or employment records or other acceptable documentation as determined by the retirement board.

(2) Service shall not be credited under this section if the member is or will be receiving a pension or annuity for the same service from another retirement system, but this restriction shall not apply to a person who has acquired or will acquire retirement eligibility under the federal government for service in the reserve. Service purchased under this section shall not be used to satisfy the minimum 10 years of service credit required to receive a retirement allowance under this act.

(3) Service shall not be credited under this section unless the service being purchased was followed by at least 5 years of reporting unit service under this act or former Act No. 136 of the Public Acts of 1945.

Sec. 75. (1) A member who left or leaves service as a public school employee for purposes of maternity or paternity or child rearing, and returns to service as a public school employee, or a person performing out of system public education service who leaves that service for purposes of maternity, paternity, or child rearing and who subsequently becomes a member of this retirement system, without other intervening employment of more than 20 hours per week for each week for which service credit is claimed, may purchase service credit for the time period or periods during which the person was separated from service as a public school employee or during which the person was separated from performing out of system public education service because of maternity or paternity or child rearing, upon request and payment to the retirement system of the actuarial cost. The total service credited under this section shall not exceed 5 years. A member requesting purchase of service credit under this section shall certify to the board the purpose for which the member took leave and was separated from service as a public school employee.

(2) Service credit purchased under this section may not be used to satisfy the minimum of 10 years of service credit required to receive a retirement allowance under this act.

(3) If a member who made payment under this section dies and a retirement allowance beneficiary has not been designated, or if the member leaves reporting unit service before his or her retirement becomes effective, the payment made by the member shall be refunded upon request to the member or to the member's refund beneficiary.

(4) A member who reduces hours of employment with a reporting unit for purposes of maternity, paternity, or child rearing or a person who reduces hours of out of system public education service for purposes of maternity, paternity, or child rearing and who subsequently becomes a member of this retirement system may purchase service credit for those hours by which employment was reduced if all other requirements of this section are met.

Sec. 77. (1) A member may elect to purchase service credit for not more than 2 years of full-time service as a volunteer in the VISTA program provided for under sections 101 to 108 of title I of Public Law 93-113, 42 U.S.C. 4951 to 4958, or as a volunteer, volunteer leader, or employee in the peace corps under sections 5 to 7 of, title I of Public Law 87-293, 22 U.S.C. 2504 to 2506, or in alternative service to active duty military service only when working under the auspices of a local draft board, upon request and presentation of documentation of the employment rendered which is verifiable from official VISTA or peace corps employment records or other acceptable documentation as determined by the retirement board, and upon payment to the retirement system of an amount which is equal to the actuarial cost of the service credit to be purchased.

(2) Service purchased under this section shall not be used to satisfy the minimum 10 years of service credit required to receive a retirement allowance under this act.

(3) Service shall not be credited under this section if the member is or will be receiving a pension or annuity for the same service from another retirement system.

Sec. 78. (1) A member may elect to receive service credit for not more than 5 years of employment with a municipality as defined in section 2b of the municipal employees retirement act of 1984, Act No. 428 of the Public Acts of 1984, being section 38.1502b of the Michigan Compiled Laws, before January 1, 1967 if the employment was with a recreation department jointly funded by a municipality and a reporting unit upon request and payment to the retirement system of an amount which is equal to the actuarial cost of the service to be credited. Service credit shall be verified by presentation of documentation of the employment rendered which can be verified from official employment or payroll records or other acceptable documentation as determined by the retirement board.

(2) Service purchased under this section shall not be used to satisfy the minimum 10 years of service credit required to receive a retirement allowance under this act or former Act No. 136 of the Public Acts of 1945.

(3) Service purchased under this section shall not be creditable toward retirement under this act if the member is or will be receiving a pension or annuity for the same service from another retirement system.

(4) Service shall not be credited unless the service being purchased was followed by at least 5 years of reporting unit service under this act or former Act No. 136 of the Public Acts of 1945.

Sec. 79. (1) Actuarial cost shall be equal to the product of subdivisions (a), (b), and (c):

(a) A percentage, determined by the retirement board and the department, which when multiplied by a member's compensation, as determined under subdivision (b), results in the average actuarial present value of the additional benefits resulting from the crediting of 1 additional year of service. The percentage may vary because of age, credited service, or benefit coverage. An increase or decrease in the percentage under this subdivision shall not become effective before the expiration of 6 months or more after the retirement board notifies the reporting units of the increase or decrease.

(b) A member's compensation. The member's compensation shall be the member's full-time or equated full-time compensation earned in the school fiscal year immediately before the school fiscal year in which the application to purchase and payment for the service are made. The compensation amount used shall not be less than the highest compensation previously earned by the member.

(c) The number of years, including any fraction of a year, of credited service a member elects to purchase up to the maximum allowed.

(2) If the compensation amount used for computing payment under this section exceeds the member's final average compensation determined at the time of retirement, the payment required under this section shall be recomputed using the member's final average compensation and a refund shall be made based upon the recomputation.

Sec. 79a. (1) Subject to subsection (2), if the compensation amount used for computing payment for a purchase of service credit under section 64, 69, 69c, 69d, 69e, 71, 74, 74a, 74b, 75, 77, or 78 before the effective date of the amendatory act that added this section exceeded the full-time or equated full-time compensation earned in the school fiscal year used in that computation, the payment for that purchase shall be recomputed using the greater of either the full-time or equated full-time compensation amount earned for the school fiscal year in which payment was made, or the highest school fiscal year compensation previously earned by the member. A refund shall be made based upon the recomputation.

(2) A refund pursuant to this section shall be made only to a member, deferred member, or retirant who makes written application to the retirement board in a form determined by the board.

Sec. 81. (1) A member who no longer is working as a public school employee or in any other capacity for which service credit performed in this state is allowed under this act, upon the member's written application to the retirement system, shall be entitled to a retirement allowance provided for in section 84 if 1 of the following applies:

(a) The member is 55 years of age or older and has 30 or more years of credited service as provided under this act of which at least 15 years were served as a public school employee.

(b) The member is 60 years of age or older and has accumulated 10 or more years of credited service as a public school employee.

(c) The member is 55 years of age or older and has 15 or more years of credited service, but less than 30 years of credited service of which the last 5 consecutive years are immediately preceding the member's retirement allowance effective date.

(2) For a member who contributes to the member investment plan, the eligibility requirements of subsection (1) shall be modified as provided in section 43b.

Sec. 81a. (1) Notwithstanding section 81, a member may retire with a retirement allowance computed according to section 84(1) if all of the following apply:

(a) The member files a written application with the retirement board within the early retirement effective period requesting a retirement allowance effective date that is on or before July 1, 1989.

(b) On the last day of the month immediately preceding the retirement allowance effective date stated in the application or the last day of the early retirement effective period, whichever occurs earlier, the member's combined age and length of credited service is equal to or greater than 80 years and the member has 10 or more years of credited service.

(c) The member was working as a public school employee immediately preceding the retirement allowance effective date.

(2) The reduction provided for in section 84(2) shall not apply to a person who retires pursuant to this section.

(3) For purposes of this section, "early retirement effective period" means the period beginning on January 1, 1986 and ending at midnight on January 1, 1989.

Sec. 82. (1) A member who terminates reporting unit service before 60 years of age for a reason other than the member's retirement or death, who does not withdraw accumulated contributions standing to the member's credit in the reserve for employee contributions and the reserve for member investment plan, and who has or maintains in effect 10 or more years of credited service shall be entitled to a deferred vested service retirement allowance computed pursuant to section 84 based upon the last year of credited service of the member's final average compensation period. Upon or after 60 years of age, entitlement of the member's deferred vested service retirement allowance shall begin the first day of the calendar month next following the deferred member's written application filed with the retirement board on forms furnished by the board. The deferred member's entitlement to a deferred vested service retirement allowance based on prior service or contributory membership service, or both, shall be forfeited if the deferred member withdraws from the retirement system the member's accumulated contributions unless the service is reinstated as provided in section 66. A member who meets all of the qualifications of this subsection, has 30 or more years of credited service, and leaves service before the member's fifty-fifth birthday for a reason other than retirement or death shall be entitled to a deferred vested service retirement allowance at 55 years of age.

(2) If a member, before terminating reporting unit services, selects the option provided in section 85(1)(b), but dies before the effective date of the member's deferred vested service retirement allowance, the option provided in section 85(1)(b) and selected by the deferred member shall be paid to the retirement allowance beneficiary, at the time the deceased deferred member would have otherwise been eligible to begin receiving the deferred vested service retirement allowance.

Sec. 83. (1) Each retirement allowance shall date from the first of the month following the month in which the applicant satisfies the age and service requirements of this act and terminated reporting unit service, but not more than 12 months before the month in which the application was filed with the retirement system, if the applicant satisfies the legal requirements for the retirement allowance at the time the application is filed.

(2) A full month's retirement allowance shall be payable for the month in which a retirant or retirement allowance beneficiary ceases to be eligible for continuation of benefits. If eligibility ceases because of death, the payment shall be made to the retirement allowance beneficiary, if any, or to the deceased recipient's estate or to the legal representative of the deceased recipient.

Sec. 84. (1) 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 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, 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.

(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, 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. 85. (1) A retiring member or retiring deferred member who meets the requirements of section 81 or 81a shall elect to receive his or her retirement allowance under 1 of the payment options provided in this subsection. The election shall be in writing and filed with the retirement board at least 15 days before the effective date of the retirement allowance. The amount of retirement allowance under either subdivision (b) or (c) shall be the actuarial equivalent of the amount of retirement allowance under subdivision (a). The options are as follows:

(a) A retirant shall be paid a straight retirement allowance for life computed pursuant to section 84. An additional retirement allowance payment shall not be made upon the retirant's death.

(b) A retirant shall be paid a reduced retirement allowance for life with the provision that upon the retirant's death, payment of the reduced retirement allowance is continued throughout the lifetime of the retirement allowance beneficiary whom the member or deferred member designates in a writing filed with the retirement board at the time of election of this option. A member or deferred member may elect this option and designate a retirement allowance beneficiary under the conditions set forth in section 82(2) or 89(3).

(c) A retirant shall be paid a reduced retirement allowance for life with the provision that upon the retirant's death, payment of 1/2 of the reduced retirement allowance is continued throughout the lifetime of the retirement allowance beneficiary whom the member designated in a writing filed with the retirement board at the time of election of the option.

(2) In addition to the election under subsection (1), a retirant other than disability retirant who is 60 years of age or less may elect to coordinate his or her retirement allowance with an estimated primary social security benefit. The retirant shall be paid an increased retirement allowance until 62 years of age and a reduced retirement allowance after 62 years of age. The increased retirement allowance paid until 62 years of age shall approximate the sum of the reduced retirement allowance payable after 62 years of age and the retirant's estimated social security primary insurance amount. The estimated social security primary insurance amount shall be determined by the retirement system. The election under this subsection shall be made at the same time and in the same manner as required under subsection (1).

(3) The election of the payment option in subsections (1) and (2) shall not be changed on or after the effective date of the retirement allowance. Except as provided in subsection (5), the retirement allowance beneficiary

selected under subsection (1)(b) or (c) shall not be changed on or after the effective date of the retirement allowance, and shall be either a spouse, brother, sister, parent, or child, including an adopted child, of the member, deferred member, retiring member, or retiring deferred member entitled to make the election under this act. Another retirement allowance beneficiary shall not be selected. If a member, deferred member, retiring member, or retiring deferred member is married at the retirement allowance effective date, an election under subsection (1), other than an election under subsection (1)(b) or (c) naming the spouse as retirement allowance beneficiary, shall not be effective unless the election is signed by the spouse, except that this requirement may be waived by the board if the signature of a spouse cannot be obtained because of extenuating circumstances. For purposes of this subsection, "spouse" means the person to whom the member, deferred member, retiring member, or retiring deferred member is married at the retirement allowance effective date. Payment to a retirement allowance beneficiary shall start the first day of the month following the retirant's death.

(4) If the retirement allowance beneficiary selected under subsection (1)(b) or (c) predeceases the retirant, the retirant's benefit shall revert to a straight retirement allowance including post-retirement adjustments, if any, shall be effective the first of the month following the death, and shall be paid during the remainder of the retirant's life. This subsection shall apply to any retirant whose effective date of retirement is after June 28, 1976, but the straight retirement allowance shall not be payable for any month beginning before the later of the retirement allowance beneficiary's death or October 31, 1980. This subsection shall also apply to any retirant whose effective date of retirement was on or before June 28, 1976, but the straight retirement allowance shall not be payable for any month beginning before the later of the retirement allowance beneficiary's death or January 1, 1986. A retirant who on January 1, 1986 is receiving a reduced retirement allowance because the retirant designated a retirement allowance beneficiary and the retirement allowance beneficiary predeceased the retirant shall be eligible to receive the straight retirement allowance beginning January 1, 1986, but the straight retirement allowance shall not be payable for any month beginning before January 1, 1986.

(5) A retirant who returns to service pursuant to section 61 and whose retirement allowance beneficiary selected under subsection (1)(b) or (c) predeceases the member before he or she again becomes a retirant may again choose a retirement allowance beneficiary pursuant to subsection (1)(b) or (c).

(6) If the retirement allowance payments terminate before an aggregate amount equal to the retirant's accumulated contributions has been paid, the difference between the retirant's accumulated contributions and the aggregate amount of retirement allowance payments made shall be paid to the person designated in a writing filed with the retirement board on a form provided by the retirement board. If the designated person does not survive the retirant or retirement allowance beneficiary, the difference shall be paid to the deceased recipient's estate or to the legal representative of the deceased recipient.

Sec. 89. (1) If a member who continues as a public school employee on or after either the date the member has 15 years of credited service in effect, or the date of the member's sixtieth birthday if the member has 10 years of credited service in effect, dies before the effective date of his or her retirement and leaves a surviving spouse to whom the deceased member was married at time of death, the surviving spouse shall receive a retirement allowance computed in the same manner as if the deceased member had retired effective the day preceding the date of the deceased member's death, elected the option set forth in subsection (3), and nominated the surviving spouse as retirement allowance beneficiary. The surviving spouse's retirement allowance shall terminate upon the surviving spouse's death. A surviving spouse who on June 27, 1984, is receiving a retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945 shall be eligible to continue receiving that retirement allowance regardless of the surviving spouse's remarriage. A surviving spouse whose retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945 was terminated due to the surviving spouse's remarriage shall be eligible to receive that allowance beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the allowance attributable to any month beginning before the month of reinstatement under this section. A surviving spouse of a person who was a deferred member on October 31, 1980, who becomes eligible to receive a retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945, shall be eligible to receive that retirement allowance and that allowance shall not be subject to termination because of the surviving spouse's remarriage.

(2) If the other requirements of subsection (1) are met but a surviving spouse does not exist, each of the deceased member's surviving children less than 18 years of age shall receive an allowance of an equal share of the retirement allowance which would have been paid to the spouse if living at the time of the deceased member's death. Payments under this subsection shall cease upon the surviving child's marriage, adoption, or becoming 18 years of age, whichever occurs first.

(3) A member who continues as a public school employee on or after either the date the member has 15 years of credited service in effect, or the date of the member's sixtieth birthday if the member has 10 years of credited

service in effect, may elect the option provided in section 85(1)(b) and nominate a retirement allowance beneficiary as provided in section 85(3). The election shall be in writing and filed with the retirement board in a manner and form prescribed by the retirement board. The election shall be void upon the member's retirement, termination of employment except as provided in section 82(2), divorce, the retirement allowance beneficiary's death, or upon the retirement allowance beneficiary no longer being dependent upon the member before the member's death. If a member who has an option election under section 85(1)(b) in effect dies before the effective date of his or her retirement, the member's retirement allowance beneficiary, so long as the beneficiary continues to be so dependent, shall receive the same retirement allowance as the retirement allowance beneficiary would have been entitled to receive under the option provided in section 85(1)(b) if the member had been regularly retired pursuant to section 81 or 82 the day preceding the date of the member's death, even though the member may not have acquired entitlement to service retirement. The surviving spouse of the deceased member shall be presumed to be 50% dependent on the deceased member for his or her own financial support. The surviving spouse's retirement allowance shall terminate upon the surviving spouse's death.

(4) If at the time a retirement allowance beneficiary's retirement allowance granted by this section is terminated, the aggregate amount of retirement allowance payments received by the retirement allowance beneficiary are less than the accumulated contributions credited to the deceased member's account in the reserve for employee contributions at the time of the deceased member's death, the difference between the deceased member's accumulated contributions and the aggregate amount of retirement allowance payments received by the retirement allowance beneficiary shall be paid to the deceased member's refund beneficiary.

(5) For a member who contributes to the member investment plan, the credited service eligibility requirement applicable to the survivor benefits provided in this section are subject to section 43c.

Sec. 90. (1) If a member dies as a result of injury or illness arising out of and in the course of the member's reporting unit service for which worker's disability compensation is paid, or a duty disability retirant who is in receipt of weekly worker's disability compensation on account of the retirant's reporting unit service dies from the same causes for which the person retired within 36 months after the retirant's retirement, and in either case the death or the illness or injury resulting in death is found by the retirement board to have resulted, without the member's or retirant's willful negligence, from the performance of the member's or retirant's reporting unit service, the surviving spouse of the deceased member or retirant shall receive a retirement allowance computed in the same manner as if the member or retirant had retired for reasons of age and service effective the day preceding the date of the member's or retirant's death, elected the option provided in section 85(1)(b), and nominated the surviving spouse as retirement allowance beneficiary. The surviving spouse's retirement allowance shall terminate upon death. A surviving spouse who on June 27, 1984, is receiving a retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945 shall be eligible to continue receiving that retirement allowance regardless of the surviving spouse's remarriage. A surviving spouse whose retirement allowance under this section or the predecessor to this section under former Act No. 136 of the Public Acts of 1945 was terminated due to the surviving spouse's remarriage shall be eligible to receive that allowance beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the allowance attributable to any month beginning before the month of reinstatement under this section.

(2) If the other requirements of subsection (1) are met but a surviving spouse does not exist, each child of the deceased member or duty disability retirant who is less than 18 years of age shall receive an allowance of an equal share of the retirement allowance which would have been paid to the spouse if living at the time of the member's or retirant's death. Payments under this subsection shall cease upon marriage, adoption, or becoming 18 years of age, whichever occurs first.

(3) If the other requirements of subsection (1) are met and neither a surviving spouse nor an eligible child surviving the deceased member or duty disability retirant exists, a monthly allowance shall be paid to 1 surviving dependent parent whom the retirement board finds to be totally and permanently disabled and to have been dependent upon the deceased member or retirant for at least 50% of the parent's financial support. The allowance shall be computed in the same manner as if the deceased member or retirant had retired for reasons of age and service effective the day preceding the member's or retirant's death, elected the option provided in section 85(1)(b), and nominated the surviving parent as retirement allowance beneficiary. The surviving parent's beneficiary retirement allowance shall terminate upon marriage or death.

(4) The retirement allowance beneficiary's duty death retirement allowance shall be computed pursuant to section 84, except that the reduction for early retirement shall not apply. The effective date of the retirement allowance beneficiary's duty death retirement allowance shall be the first of the month following the month in which the member or retirant died. The years of service credit used in computing the retirement allowance beneficiary's duty death retirement allowance shall not be less than 10 years. If the deceased member or duty disability retirant has less than 5 consecutive years of credited service, the average of the decedent's annual compensation shall be used.

(5) Instead of the duty death benefits provided in this section to an eligible retirement allowance beneficiary, the retirement allowance beneficiary, before receipt of his or her first payment, may elect to accept a refund of the deceased member or duty disability retirant's accumulated contributions.

(6) If, at the time a retirement allowance beneficiary's duty death retirement allowance granted by this section is terminated, the aggregate amount of retirement allowance payments received by the retirement allowance beneficiary is less than the accumulated contributions credited to the deceased member's or duty disability retirant's account in the reserve for employee contributions and the reserve for member investment plan at the time of the member's or retirant's death, the difference between the accumulated contributions and the aggregate amount of retirement allowance payments received by the retirement allowance beneficiary shall be paid to the legal representative of the deceased member's or retirant's estate.

Sec. 101. The supplemental pension paid under section 15a of chapter 1 or section 57 of chapter 2 of former Act No. 136 of the Public Acts of 1945 shall continue to be paid to a retirant or retirement allowance beneficiary. The supplemental benefit, when added to the retirement allowance of the retirant or retirement allowance beneficiary, shall provide before the election of an option or early retirement a minimum retirement allowance of \$160.00 for each year of credited service on the date of retirement or death adjusted to the nearest number of even years.

Sec. 104a. (1) After the end of each state fiscal year, the department shall determine the rate of investment return earned on retirement system assets during the fiscal year, based upon methods established by the retirement board.

(2) At the end of each state fiscal year, the retirement system's actuary shall determine the present value of retirement allowances to be paid after the end of the fiscal year to retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal period. The assumed interest rate used in the determination shall be 8% per year, compounded annually.

(3) The distribution income at the end of each state fiscal year shall be equal to the product of the present value of retirement allowances determined in subsection (2) at the end of the previous fiscal year times the positive excess, if any, of the rate of investment return determined in subsection (1) exceeding 8%. The distribution income calculated pursuant to this subsection at the end of the fiscal years 1984-85 and 1985-86 shall be reduced by the cost of prior postretirement adjustments paid from the appropriated credit for excess interest earnings on retired life assets during the fiscal year pursuant to sections 101, 102, 103, and 104.

(4) After the end of each state fiscal year, each retirant and retirement allowance beneficiary in receipt of a retirement allowance at the end of the fiscal year, and whose effective date of retirement allowance preceded the beginning of that fiscal year, shall be credited with 1 distribution unit for each full year between the effective date of retirement and the end of the fiscal year and 1 distribution unit for each full year of service credit in force on the effective date of retirement. Distribution units shall not accumulate from 1 year to the next year.

(5) The distribution amount for an individual retirant or retirement allowance beneficiary shall be equal to the product of the distribution income determined in subsection (3) times the individual's number of distribution units determined in subsection (4) divided by the total number of distribution units for all eligible retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal year. The distribution amount for an individual retirant or retirement allowance beneficiary of a retirant or member who contributed to the member investment plan is zero.

(6) Each retirement allowance that was effective on or before January 1, 1987 shall be increased effective on the later of January 1, 1986 or the retirement allowance effective date. The amount of the increase shall be 8% of the retirement allowance that would be payable as of the date of the increase without application of this subsection, except that if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under the option selected by the member under section 85(1)(a), (b), or (c).

(7) Until and including October 1, 1989, each retirement allowance that was effective on or before January 1, 1987 shall be increased each October 1 beginning with the later of October 1, 1986 or the first October 1 following the retirement allowance effective date. The amount of the annual increase shall be equal to 40.5% of the increase computed in subsection (6).

(8) After the end of each state fiscal year, the cumulative increase amount shall be computed for each retirant or retirement allowance beneficiary affected by subsections (6), (7), and (11). The cumulative increase amount shall be equal to the difference between the total retirement allowance paid during the state fiscal year and the retirement allowance that would have been payable without application of subsections (6), (7), and (11). The cumulative increase amount for any retirant or retirement allowance beneficiary whose effective date of retirement is after January 1, 1987 is zero.

(9) In March of each year, beginning in March, 1986, each retirant or retirement allowance beneficiary shall be paid, in a single supplemental payment, the excess, if any, of the distribution amount over the cumulative increase amount for the previous state fiscal year. If a retirant dies before receipt of a supplemental payment, the supplemental payment shall be made to the retirant's retirement allowance beneficiary, if any. If both the retirant and the retirement allowance beneficiary die before receipt of a supplemental payment, no payment shall be made.

(10) Each retirement allowance that was effective before October 1, 1981 shall be increased effective January 1, 1990. The amount of the increase shall be a percentage of the retirement allowance that is payable as of January 1, 1990 without application of this subsection, except that if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under section 85(1)(a), (b), or (c). The percentage is as follows:

<u>Effective date of retirement</u>	<u>Percentage</u>
October 1, 1980 to September 30, 1981	1%
October 1, 1979 to September 30, 1980	2%
October 1, 1978 to September 30, 1979	3%
October 1, 1977 to September 30, 1978	4%
October 1, 1976 to September 30, 1977	5%
October 1, 1975 to September 30, 1976	6%
October 1, 1974 to September 30, 1975	7%
October 1, 1973 to September 30, 1974	8%
October 1, 1972 to September 30, 1973	9%
October 1, 1971 to September 30, 1972	10%
October 1, 1970 to September 30, 1971	11%
October 1, 1969 to September 30, 1970	12%
October 1, 1968 to September 30, 1969	13%
October 1, 1967 to September 30, 1968	14%
October 1, 1966 to September 30, 1967	15%
October 1, 1965 to September 30, 1966	16%
October 1, 1964 to September 30, 1965	17%
October 1, 1963 to September 30, 1964	18%
October 1, 1962 to September 30, 1963	19%
October 1, 1961 to September 30, 1962	20%
October 1, 1960 to September 30, 1961	21%
Before October 1, 1960	22%

(11) Each retirement allowance that was effective on or before January 1, 1987 shall be increased each October 1 beginning October 1, 1990. The amount of the annual increase shall be equal to 3% of the retirement allowance that would be payable without application of this subsection, except that if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under section 85(1)(a), (b), or (c).

Section 2. Sections 69a, 69b, 69d, 69e, 74a, 74b, 77, and 78 of Act No. 300 of the Public Acts of 1980, being sections 38.1369a, 38.1369b, 38.1369d, 38.1369e, 38.1374a, 38.1374b, 38.1377, and 38.1378 of the Michigan Compiled Laws, are repealed effective January 31, 1991.

Section 3. Section 72 of Act No. 300 of the Public Acts of 1980, being section 38.1372 of the Michigan Compiled Laws, is repealed.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved.....

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Governor.