

HOUSE BILL No. 5898

September 20, 2016, Introduced by Rep. Howrylak and referred to the Committee on
Financial Liability Reform.

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending section 42 (MCL 38.1342), as amended by 2012 PA 300.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 42. (1) Beginning with the 1994-95 state fiscal year, a
2 reporting unit shall contribute the entire amount determined under
3 section 41 to the reserve for employer contributions and to the
4 reserve for health benefits. The reporting unit contribution under
5 this subsection is the exclusive obligation of the reporting unit
6 payable out of general budget resources of the reporting unit,
7 including funds available under local millage and other local
8 resources and from the state school aid allocation to the reporting
9 unit, and shall not be a separate obligation by specific
10 reimbursement or otherwise of this state.

1 (2) As authorized by resolution or other enabling act of its
2 governing body, the employer shall pick up all contributions of a
3 member made ~~pursuant to~~ **UNDER** section 43a for all compensation paid
4 ~~on or after January 1, 1987~~ **DECEMBER 31, 1986** and reported to the
5 retirement system. Although considered contributions of a member
6 for certain purposes under this act, all contributions picked up
7 ~~shall be~~ **ARE** treated as paid by the employer ~~in lieu~~ **INSTEAD** of
8 contributions by the employee. Contributions picked up as provided
9 in this subsection ~~shall~~ **MUST** be paid from the same source of funds
10 that is used for paying compensation to the member. The employer
11 may pick up these contributions by either a reduction to the
12 member's cash salary, an offset against a future salary increase,
13 or a combination of a reduction in salary and offset against a
14 future salary increase. This subsection does not apply, and the
15 employer shall not deduct, offset, or remit contributions, until
16 the department receives notification from the United States
17 ~~internal revenue service~~ **INTERNAL REVENUE SERVICE** that
18 contributions picked up ~~shall~~ **WILL** not be included as gross income
19 of the member until they are distributed or made available to the
20 member, retirant, retirement allowance beneficiary, or refund
21 beneficiary.

22 (3) The employer shall deduct from a member's compensation the
23 contributions for social security provided in 1951 PA 205, MCL
24 38.851 to 38.871. Contributions ~~shall~~ **MUST** be made while the member
25 remains a public school employee. Each reporting unit official
26 shall deduct the social security contributions from the
27 compensation of each member for each payroll period after the date

1 the employee becomes a member. Social security contributions ~~shall~~
2 **MUST** be made notwithstanding that the minimum compensation provided
3 by law is changed. Each member is considered to have agreed to the
4 contributions prescribed in this subsection.

5 (4) Each reporting unit official shall forward member
6 contributions to the retirement system on a schedule and in a
7 manner determined by the retirement system.

8 (5) Each reporting unit official shall forward the entire
9 employer contribution required by this act to the retirement system
10 on a schedule and in a manner determined by the retirement system.

11 (6) Each reporting unit official shall submit to the
12 retirement system a report that includes the information for
13 retirement purposes, including, but not limited to, persons
14 employed, retirants performing services at a reporting unit who are
15 employed by an entity other than the reporting unit or who are
16 independent contractors, wages or amounts paid, hours, and
17 contributions required under this act. The report ~~shall contain~~
18 **MUST INCLUDE** the information on a pay period basis and ~~shall~~ **MUST**
19 be submitted to the retirement system on a schedule and in a manner
20 determined by the retirement system. The superintendent for a
21 reporting unit or the chief administrator for a reporting unit that
22 does not have a superintendent shall complete an annual
23 certification that gives authorization for the employees of the
24 reporting unit to report the information to the retirement system.

25 (7) If a reporting unit fails to submit a report or
26 contributions, or both, according to the schedule established by
27 the retirement board, ~~a late fee shall be paid by the reporting~~

1 unit **SHALL PAY A LATE FEE**. If the remittance of contributions is
2 late, the late fee ~~shall~~**MUST** include interest for each day that
3 the remittance of contributions is late. The retirement board
4 periodically may establish the late fee, ~~which shall~~**THAT MUST** not
5 be less than \$25.00, and interest charges, ~~which shall~~**THAT MUST**
6 not be ~~less~~**MORE** than ~~6%~~**8%** per annum. If a reporting unit fails to
7 correct errors on a report before the errors are discovered by the
8 retirement system or if ~~such~~**THE** errors are intentional, the
9 reporting unit shall pay the late fee and interest charges as
10 described in this subsection for each day that the report is in
11 error, unless reasonable cause is shown to the satisfaction of the
12 retirement system.

13 (8) ~~Upon~~**ON** written ~~notice~~**REQUEST** from the retirement board,
14 the **STATE BUDGET DIRECTOR MAY THROUGH WRITTEN NOTICE DIRECT THE**
15 superintendent of public instruction ~~and the state treasurer shall~~
16 **TO** withhold payment of state funds, in part or in whole, payable
17 from the state school aid appropriation or higher education
18 appropriations to a reporting unit that fails to comply with this
19 section.