

HOUSE BILL No. 5033

September 27, 2017, 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 2017 PA 92.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 42. (1) Beginning with the state fiscal year ending
2 September 30, 1995 and subject to section 41b, a reporting unit
3 shall contribute the entire amount determined under section 41 to
4 the reserve for employer contributions and to the reserve for
5 health benefits. The reporting unit contribution under this
6 subsection is the exclusive obligation of the reporting unit
7 payable out of general budget resources of the reporting unit,
8 including funds available under local millage and other local
9 resources and from the state school aid allocation to the reporting
10 unit, and is not a separate obligation by specific reimbursement or

1 otherwise of this state.

2 (2) As authorized by resolution or other enabling act of its
3 governing body, the employer shall pick up all contributions of a
4 member made under section 43a for all compensation paid after
5 December 31, 1986 and reported to the retirement system. Although
6 considered contributions of a member for certain purposes under
7 this act, all contributions picked up must be treated as paid by
8 the employer in lieu of contributions by the employee.

9 Contributions picked up as provided in this subsection must be paid
10 from the same source of funds that is used for paying compensation
11 to the member. The employer may pick up these contributions by
12 either a reduction to the member's cash salary, an offset against a
13 future salary increase, or a combination of a reduction in salary
14 and offset against a future salary increase. This subsection does
15 not apply, and the employer shall not deduct, offset, or remit
16 contributions, until the department receives notification from the
17 United States Internal Revenue Service that contributions picked up
18 will not be included as gross income of the member until they are
19 distributed or made available to the member, retirant, retirement
20 allowance beneficiary, or refund beneficiary.

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

1 be made notwithstanding that the minimum compensation provided by
2 law is changed. Each member is considered to have agreed to the
3 contributions prescribed in this subsection.

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

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

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

24 (7) If a reporting unit fails to submit a report or
25 contributions, or both, according to the schedule established by
26 the retirement board, the reporting unit shall pay a late fee. If
27 the remittance of contributions is late, the late fee must include

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

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