

HOUSE BILL NO. 5842

June 10, 2020, Introduced by Rep. Albert and referred to the Committee on Appropriations.

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 59 and 84b (MCL 38.1359 and 38.1384b), section
59 as amended by 2012 PA 359 and section 84b as amended by 2018 PA
169.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 59. (1) The retirement system shall permit each qualified
- 2 member to make an election with the retirement system to continue
- 3 to receive credit for any future service and compensation on and



1 after the transition date, for purposes of a calculation of a
2 retirement allowance under section 84b. As part of the election
3 under this subsection, the retirement system shall permit the
4 qualified member to make a designation that the contributions
5 prescribed in section 43g shall be paid only until the member's
6 attainment date. A qualified member who makes the election and the
7 attainment date designation under this subsection shall make the
8 contributions prescribed in section 43g only until the member's
9 attainment date and shall make the contributions prescribed in
10 section 43a on and after his or her attainment date. A qualified
11 member who makes the election and the attainment date designation
12 under this subsection shall continue to receive credit for any
13 future service accrued and compensation earned after his or her
14 attainment date for the purpose of the calculation of a retirement
15 allowance under section 84b. A qualified member who makes the
16 election under this subsection and who does not make the attainment
17 date designation or rescinds the attainment date designation under
18 this subsection shall make the contributions prescribed in section
19 43g until termination of employment. A qualified member who makes
20 the election under this subsection and who does not make the
21 attainment date designation under this subsection shall receive
22 credit for any future service accrued and compensation earned for
23 the purpose of the calculation of a retirement allowance under
24 section 84b.

25 (2) The retirement system shall permit each qualified member
26 to make an alternative election described in this subsection with
27 the retirement system, if the qualified member does not make the
28 election or the election and designation under subsection (1). A
29 qualified member who does not make the election or the election and



1 designation under subsection (1) and who does not make an
2 alternative election described in this subsection is considered to
3 have made the alternative election described in subdivision (a). A
4 qualified member who does not make the election or the election and
5 designation under subsection (1) ~~shall be permitted to~~ **may** make 1
6 of the following alternative elections:

7 (a) To continue to receive credit for any future service and
8 compensation on and after the transition date, for the purpose of
9 the calculation of a retirement allowance under section 84b. A
10 qualified member who makes or is considered to have made the
11 alternative election in this subdivision shall continue to make the
12 employee contributions as provided in section 43a and shall not
13 make the employee contributions described in section 43g.

14 (b) To freeze all service and compensation to that member as
15 of the day before the transition date for the purpose of the
16 calculation of a retirement allowance under section 84b and,
17 beginning on the transition date, to be eligible for the employer
18 contribution to the member's Tier 2 account as provided in section
19 84b. Beginning on the transition date, a qualified member who makes
20 the alternative election in this subdivision shall not make the
21 employee contributions described in section 43a or 43g.

22 (3) The retirement system shall determine a method of
23 accepting qualified member elections, designations, and alternative
24 elections under this section. The retirement system shall accept
25 elections, designations, and alternative elections under this
26 section from qualified members during an election period that
27 begins on September 4, 2012 and ends at 5 p.m. eastern standard
28 time on January 9, 2013. A qualified member may rescind an
29 election, designation, or alternative election before the close of



1 the election period. An election, designation, or alternative
2 election made by a qualified member and not rescinded before the
3 close of the election period ~~shall~~**must** not be rescinded.

4 (4) A qualified member who does not make or who rescinds the
5 election under subsection (1) on or before the close of the
6 election period and who makes or is considered to have made the
7 alternative election under subsection (2) (a) is subject to all of
8 the following:

9 (a) He or she ceases to receive credit for any future service
10 and compensation for purposes of a calculation of a retirement
11 allowance as prescribed in section 84, beginning 12 midnight on the
12 day before the transition date.

13 (b) He or she becomes subject to section 84b for any future
14 service and compensation on or after 12:01 a.m. on the transition
15 date for purposes of a calculation of a retirement allowance.

16 (c) He or she shall receive a retirement allowance calculated
17 under section 84 that is based only on credited service and
18 compensation allowed under section 84b(1) and (2). This subdivision
19 does not affect an individual's right to health insurance coverage
20 provided under section 91 or credit for service provided under
21 section ~~84b(7)~~**84b(8)**.

22 (5) A qualified member who does not make or who rescinds an
23 election under subsection (1) and who makes the alternative
24 election under subsection (2) (b) on or before the close of the
25 election period under this section is subject to all of the
26 following:

27 (a) He or she ceases to receive credit for any future service
28 and compensation for purposes of a calculation of a retirement
29 allowance as prescribed in section 84, beginning 12 midnight on the



1 day before the transition date.

2 (b) He or she becomes subject to section 84b for any future
3 service and compensation on or after 12:01 a.m. on the transition
4 date for purposes of a calculation of a retirement allowance and
5 eligibility for the employer contribution to the member's Tier 2
6 account.

7 (c) He or she ~~shall~~**must** receive a retirement allowance
8 calculated under section 84 that is based only on credited service
9 and compensation allowed under section 84b(3) and (4). This
10 subdivision does not affect an individual's right to health
11 insurance coverage provided under section 91 or credit for service
12 provided under section ~~84b(7)~~**84b(8)**.

13 (6) A qualified member who makes the election and the
14 attainment date designation under subsection (1) and who does not
15 rescind the election and designation on or before the close of the
16 election period under this section is subject to all of the
17 following:

18 (a) He or she ceases to receive credit for any future service
19 and compensation for purposes of a calculation of a retirement
20 allowance as prescribed in section 84, beginning 12 midnight on the
21 member's attainment date.

22 (b) He or she becomes subject to section 84b for any future
23 service and compensation on or after 12:01 a.m. on the day after
24 the attainment date if he or she remains employed by an employer.

25 (c) He or she ~~shall~~**must** receive a retirement allowance
26 calculated under section 84 that is based only on credited service
27 and compensation allowed under section ~~84b(5)~~**84b(6)** and ~~(6)~~**(7)**.
28 This subdivision does not affect a person's right to health
29 insurance coverage provided under section 91 or credit for service



1 provided under section ~~84b(7)~~. **84b(8)** .

2 (7) An individual who is not a qualified member, who was a
3 member before July 1, 2010, who is a deferred member or former
4 nonvested member on September 3, 2012, and who is reemployed on or
5 after September 4, 2012 ~~shall be~~ **is** treated in the same manner as a
6 member described in subsection (4) and ~~shall become~~ **becomes** subject
7 to section 84b for any future service and compensation.

8 (8) Any member who is reemployed on or after September 4, 2012
9 and who, while a member, made an election, designation, or
10 alternative election or is considered to have made an alternative
11 election under this section ~~shall be~~ **is** treated as retaining that
12 election, designation, or alternative election on his or her date
13 of reemployment.

14 (9) As used in this section:

15 (a) "Attainment date" means that term as defined in section
16 84b.

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

19 (i) He or she first became a member before July 1, 2010.

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

23 Sec. 84b. (1) Beginning February 1, 2013, the calculation of a
24 retirement allowance under this act for a member who did not make
25 the election under section 59(1) and who made or is considered to
26 have made the alternative election under section 59(2)(a) must
27 include only the following items of credited service, as
28 applicable, multiplied by 1.5% of final average compensation as
29 provided in section 84:



1 (a) The years and fraction of a year of credited service
2 accrued to the member before the transition date.

3 (b) Service credit that was purchased before February 1, 2013.

4 (c) Service credit that is purchased under a payment plan
5 under this act that was in effect as of February 1, 2013.

6 (d) Credit for years of service under sections 73 and 108(10).

7 (2) Beginning February 1, 2013, the calculation of a
8 retirement allowance under this act for a member described in
9 subsection (1) must also include the following items of credited
10 service, as applicable, multiplied by 1.25% of final average
11 compensation:

12 (a) The years and fraction of a year of credited service
13 accrued to the member on and after the transition date.

14 (b) Service credit that was purchased on and after February 1,
15 2013, except as provided in subsection (1)(c).

16 (3) Beginning February 1, 2013, the calculation of a
17 retirement allowance under this act for a member who did not make
18 the election under section 59(1) and who made the alternative
19 election under section 59(2)(b) must include only the following
20 items of credited service, as applicable, multiplied by 1.5% of
21 final average compensation as provided in section 84:

22 (a) The years and fraction of a year of credited service
23 accrued to the member before the transition date.

24 (b) Service credit that was purchased before February 1, 2013.

25 (c) Service credit that is purchased under a payment plan
26 under this act that was in effect as of January 31, 2013.

27 (d) Credit for years of service under sections 73 and 108(10).

28 (4) Beginning February 1, 2013, the calculation of a
29 retirement allowance under this act for a member described in



subsubsection (3) must not include any year or fraction of a year of service performed by the member on and after the transition date or any service credit that is purchased by the member after February 1, 2013, except as provided in subsubsection (3)(c). Beginning with the first payroll date after the transition date, and ending on the member's termination of service, the employer of a member described in subsubsection (3) shall contribute 4% of the member's compensation as defined in section 122(2) to the member's Tier 2 account. A member is vested in employer contributions made under this subsubsection according to the vesting provisions under section 132. A member must be credited with years of service accrued under Tier 1 as of the transition date for purposes of meeting the applicable vesting requirements. Beginning with the first payroll date after ~~90 days after the effective date of the 2018 amendatory act that amended this section,~~ **September 2, 2018**, all of the following apply to a member described in subsubsection (3):

(a) Unless the member affirmatively elects not to contribute or elects to contribute a lesser amount, the member shall contribute 3% of his or her compensation to his or her Tier 2 account.

(b) The member's employer shall make a contribution to the member's Tier 2 account in an amount equal to 100% of the first 3% of compensation contributed by the member under subdivision (a).

(5) Beginning October 1, 2020, all contributions made by an employer under subsubsection (4) must be paid by appropriation from the state school aid fund established by section 11 of article IX of the state constitution of 1963, assuming 100% participation by all members described in subsubsection (3).

(6) ~~(5)~~ Beginning February 1, 2013, the calculation of a



1 retirement allowance under this act for a member who makes the
 2 election and attainment date designation under section 59(1) must
 3 include only the following items of credited service, as
 4 applicable, multiplied by 1.5% of final average compensation as
 5 provided in section 84:

6 (a) The years and fraction of a year of credited service
 7 accrued to the member on or before the attainment date.

8 (b) Service credit that was purchased on or before the
 9 attainment date.

10 (c) Service credit that is purchased under a payment plan
 11 under this act that was in effect as of the attainment date.

12 (d) Credit for years of service under sections 73 and 108(10).

13 ~~(7)~~ ~~(6)~~ Beginning February 1, 2013, the calculation of a
 14 retirement allowance under this act for a member described in
 15 subsection ~~(5)~~ ~~(6)~~ must also include the following items of
 16 credited service, as applicable, multiplied by 1.25% of final
 17 average compensation:

18 (a) The years and fraction of a year of credited service
 19 accrued to the member on and after the attainment date.

20 (b) Service credit that was purchased on and after the
 21 attainment date, except as provided in subsection ~~(5)~~ ~~(e)~~ ~~(6)~~ ~~(c)~~.

22 ~~(8)~~ ~~(7)~~ Beginning on the transition date, a member described
 23 in subsection (1), (3), or ~~(5)~~ ~~(6)~~ must continue to accumulate
 24 years of service credit as necessary for the purpose of vesting in
 25 a retirement allowance and to determine when a retirement allowance
 26 may begin under this act, regardless of when the service credit was
 27 accrued, except as otherwise provided in section 59(8). A member
 28 described in subsection (1), (3), or ~~(5)~~ ~~(6)~~ must continue to be
 29 treated as a member for all purposes, except as otherwise provided



1 in section 59(8) and except for the limitations on credited service
2 and calculation of a retirement allowance as provided in
3 subsections (1) ~~through (6)~~.to (7).

4 (9) ~~(8)~~—The calculation of a retirement allowance under this
5 act for a member who makes the election under section 59(1) but who
6 does not make the attainment date designation under section 59(1)
7 must include all items of credited service accrued to the member,
8 regardless of when the service credit was accrued, which must be
9 multiplied by 1.5% of final average compensation as provided in
10 section 84.

11 (10) ~~(9)~~—As used in this section, "attainment date" means the
12 final day of the pay period in which the member attains 30 years of
13 credited service.

