

**STATE EMPLOYEES' RETIREMENT ACT (EXCERPT)**  
**Act 240 of 1943**

**38.35 Contribution of 3% of employee compensation to funding account; "funding account" defined; refund of amounts contributed under subsection (1).**

Sec. 35.

(1) Beginning with the first pay date after November 1, 2010 and ending no later than the second pay date after the effective date of the amendatory act that added this phrase, each member and each qualified participant shall contribute an amount equal to 3.0% of the member's or qualified participant's compensation to the appropriate funding account established under the public employee retirement health care funding act, 2010 PA 77, MCL 38.2731 to 38.2747. The member and qualified participant contributions shall be deducted by the employer and remitted as employer contributions to the funding account in a manner that the state budget office and the retirement system shall determine. The state budget office and the retirement system shall determine a method of deducting the contributions provided for in this section from the compensation of each member and qualified participant for each payroll and each payroll period. As used in this subsection, "funding account" means the appropriate irrevocable trust created in the public employee retirement health care funding act, 2010 PA 77, MCL 38.2731 to 38.2747, for the deposit of funds and the payment of retirement health care benefits.

(2) On or before the beginning date for member contributions under section 35a(1), the state or the retirement system shall refund to members, former members, qualified participants, and former qualified participants who contributed under subsection (1) all amounts contributed under subsection (1), including any actual interest earned on those contributions while being held by this state or the retirement system. The refund shall be included in a payroll warrant issued to that member or qualified participant, or in a separate check issued to that former member or former qualified participant. The state or the retirement system shall permit each member or qualified participant who contributed under subsection (1) to make an election before the payment of the refund to defer his or her refund to an appropriate tax-deferred account.

**History:** Add. 2010, Act 185, Imd. Eff. Sept. 30, 2010 ;-- Am. 2011, Act 264, Imd. Eff. Dec. 15, 2011

**Compiler's Notes:** Enacting section 1 of Act 185 of 2010 provides: "Enacting section 1. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety." Former MCL 38.35, which pertained to payroll deduction of contributions to employees' savings fund, was repealed by Act 216 of 1974, Imd. Eff. July 19, 1974. Enacting section 1 of Act 264 of 2011 provides: "Enacting section 1. If the office of retirement services in the department of technology, management, and budget receives notification from the United States internal revenue service that any section or any portion of a section of this amendatory act will cause the retirement system to be disqualified for tax purposes under the internal revenue code, then the portion that will cause the disqualification does not apply."