

HOUSE BILL NO. 4188

February 09, 2021, 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 41, 59, and 84b (MCL 38.1341, 38.1359, and
38.1384b), section 41 as amended by 2018 PA 512, 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. 41. (1) The annual level percentage of payroll
- 2 contribution rates to finance benefits being provided and to be
- 3 provided by the retirement system must be determined by actuarial

1 valuation under subsection (2) on the basis of the risk assumptions
2 that the retirement board and the department adopt after
3 consultation with the state treasurer and an actuary. An annual
4 actuarial valuation must be made of the retirement system to
5 determine the actuarial condition of the retirement system and the
6 required contribution to the retirement system. An annual actuarial
7 gain-loss experience study of the retirement system must be made to
8 determine the financial effect of variations of actual retirement
9 system experience from projected experience.

10 (2) Except as otherwise provided in sections 41a and 41b, the
11 annual contribution rates for benefits are subject to all of the
12 following:

13 (a) Except as otherwise provided in this subdivision, the
14 contribution rate for benefits must be computed using an individual
15 projected benefit entry age normal cost method of valuation. If the
16 contributions described in section 43e are determined by a final
17 order of a court of competent jurisdiction for which all rights of
18 appeal have been exhausted to be unconstitutional and the
19 contributions are not deposited into the appropriate funding
20 account referenced in section 43e, the contribution rate for health
21 benefits provided under section 91 must be computed using a cash
22 disbursement method.

23 (b) Subject to subdivision (c), the contribution rate for
24 service likely to be rendered in the current year, the normal cost
25 contribution rate, for reporting units must be determined as
26 follows:

27 (i) Calculate the aggregate amount of individual projected
28 benefit entry age normal costs.

29 (ii) Divide the result of the calculation under subparagraph (i)

1 by 1% of the aggregate amount of active members' valuation
2 compensation.

3 (c) Except for the employee portion of the normal cost
4 contribution rates for members under section 41b(2), beginning with
5 the state fiscal year ending September 30, 2018 and for each
6 subsequent fiscal year, the normal cost contribution rate must not
7 be less than the normal cost contribution rate in the immediately
8 preceding state fiscal year.

9 (d) Subject to subdivision (e), the contribution rate for
10 unfunded service rendered before the valuation date, the unfunded
11 actuarial accrued liability contribution rate, must be determined
12 as follows:

13 (i) Calculate the aggregate amount of unfunded actuarial
14 accrued liabilities of reporting units as follows:

15 (A) Calculate the actuarial present value of benefits for
16 members attributable to reporting units.

17 (B) Calculate the actuarial present value of future normal
18 cost contributions of reporting units.

19 (C) Calculate the actuarial present value of assets on the
20 valuation date.

21 (D) Add the results of sub-subparagraphs (B) and (C).

22 (E) Subtract from the result of the calculation under sub-
23 subparagraph (A) the result from the calculation under sub-
24 subparagraph (D).

25 (ii) Subject to subsection (18), divide the result of the
26 calculation under subparagraph (i) by 1% of the actuarial present
27 value over a period not to exceed 50 years of projected valuation
28 compensation.

29 (e) Except for the employee portion of the unfunded actuarial

1 accrued liability contribution rates for members under section
2 41b(2), beginning with the state fiscal year ending September 30,
3 2018 and for each subsequent fiscal year until the state fiscal
4 year ending September 30, 2021, the unfunded actuarial accrued
5 liability contribution rate must not be less than the unfunded
6 actuarial accrued liability contribution rate in the ~~immediately~~
7 preceding state fiscal year. Beginning with the state fiscal year
8 ending September 30, 2022, and for each subsequent fiscal year
9 until the unfunded actuarial accrued liability is **fully** paid, ~~off,~~
10 the unfunded actuarial accrued liability contribution ~~sum-amount~~
11 due and payable **for each component amortized using layered**
12 **amortization** must not be less than the unfunded actuarial accrued
13 liability contribution ~~sum-amount~~ due and payable **for each**
14 **component amortized using layered amortization** in the ~~immediately~~
15 preceding state fiscal year.

16 **(f) Beginning with the state fiscal year ending September 30,**
17 **2023, and for each subsequent fiscal year, the retirement system**
18 **shall use layered amortization for any increase or decrease in the**
19 **unfunded actuarial accrued liability incurred before, on, and after**
20 **the effective date of the amendatory act that added this sentence.**

21 **(g) ~~(f)~~** Beginning with the state fiscal year ending September
22 30, 2013 and for each subsequent fiscal year, the unfunded
23 actuarial accrued liability contribution rate applied to payroll
24 must not exceed 20.96% for a reporting unit that is not a
25 university reporting unit. Any additional unfunded actuarial
26 accrued liability contributions as determined under this section
27 for each fiscal year are to be paid by appropriation from the state
28 school aid fund established by section 11 of article IX of the
29 state constitution of 1963. Except as otherwise provided in this

1 section and sections 41a and 41b, the unfunded actuarial accrued
2 liability contribution rate must be based on and applied to the
3 combined payrolls of the employees who are members or qualified
4 participants, or both.

5 **(h)** ~~(g)~~—Beginning with the state fiscal year ending September
6 30, 2016 and for each subsequent state fiscal year, the unfunded
7 actuarial accrued liability contribution rate applied to the
8 combined payroll, as provided in section 41a, must not exceed
9 25.73% for a university reporting unit. Any additional unfunded
10 actuarial accrued liability contributions as determined under this
11 section for each fiscal year for university reporting units are to
12 be paid by appropriation under article III of the state school aid
13 act of 1979, 1979 PA 94, MCL 388.1836 to 388.1891.

14 **(i) Except for the employee portion of the unfunded actuarial**
15 **accrued liability contribution rates for members under section**
16 **41b(2), the unfunded actuarial liability for a reporting unit that**
17 **is not a university reporting unit must be amortized over 18 years**
18 **beginning October 1, 2021 and ending on September 30, 2039.**

19 (3) Before November 1 of each **state fiscal** year, the executive
20 secretary of the retirement board shall certify to the director of
21 the department the aggregate compensation estimated to be paid
22 public school employees for the ~~current~~ state fiscal year.

23 (4) On the basis of the estimate under subsection (3), the
24 annual actuarial valuation, and any adjustment required under
25 subsection (6), the director of the department shall compute the
26 ~~sum~~**amount** due and payable to the retirement system and shall
27 certify this amount to the reporting units.

28 (5) Except as provided in section 41b, the reporting units
29 shall pay the amount certified under subsection (4) to the director

1 of the department in equal payroll cycle installments for unfunded
2 actuarial accrued liability contributions and payroll cycle
3 installments for normal cost contributions.

4 (6) Not later than 90 days after ~~termination~~**the end** of each
5 state fiscal year, the executive secretary of the retirement board
6 shall certify to the director of the department and each reporting
7 unit the actual aggregate compensation paid to public school
8 employees during the preceding state fiscal year. On receipt of
9 that certification, the director of the department may compute any
10 adjustment required to the amount because of a difference between
11 the estimated and the actual aggregate compensation and the
12 estimated and the actual actuarial employer contribution rate. The
13 difference, if any, must be paid as provided in subsection (9).
14 This subsection does not apply in a fiscal year in which a deposit
15 ~~occurs~~**is made** under subsection (14).

16 (7) The director of the department may require evidence of
17 correctness and may conduct an audit of the aggregate compensation
18 that the director of the department considers necessary to
19 establish its correctness.

20 (8) A reporting unit shall forward employee and employer
21 Social Security contributions and reports as required by the
22 federal old-age, survivors, disability, and hospital insurance
23 provisions of title II of the social security act, 42 USC 401 to
24 434.

25 (9) ~~For~~**Except as otherwise provided in this subsection, for**
26 an employer of an employee of a local public school district or an
27 intermediate school district, for differences occurring in fiscal
28 years beginning on or after October 1, 1993, a minimum of 20% of
29 ~~the~~**any** difference between the estimated and the actual aggregate

1 compensation and the estimated and the actual actuarial employer
2 contribution rate described in subsection (6) ~~, if any,~~ must be
3 paid by that employer in the next ~~succeeding~~ state fiscal year and
4 a minimum of 25% of the remaining difference must be paid by that
5 employer in each of the following 4 state fiscal years, or until
6 100% of the remaining difference is submitted, whichever first
7 occurs. ~~For~~ **Except as otherwise provided in this subsection, for** an
8 employer of other public school employees, for differences
9 occurring in fiscal years beginning on or after October 1, 1991, a
10 minimum of 20% of ~~the any~~ difference between the estimated and the
11 actual aggregate compensation and the estimated and the actual
12 actuarial employer contribution rate described in subsection (6) ~~,~~
13 ~~if any,~~ must be paid by that employer in the next ~~succeeding~~ state
14 fiscal year and a minimum of 25% of the remaining difference must
15 be paid by that employer in each of the following 4 state fiscal
16 years, or until 100% of the remaining difference is submitted,
17 whichever first occurs. **For an employer of a public school employee**
18 **for differences occurring in fiscal years beginning on or after**
19 **October 1, 2022, any difference between the estimated and the**
20 **actual aggregate compensation and the estimated and the actual**
21 **actuarial employer contribution rate described in subsection (6)**
22 **must be paid by appropriation from the state school aid fund**
23 **established by section 11 of article IX of the state constitution**
24 **of 1963 in the following fiscal year.** In addition, interest must be
25 included for each year that a portion of the remaining difference
26 is carried forward. The interest rate must equal the actuarially
27 assumed rate of investment return for the state fiscal year in
28 which payment is made. This subsection does not apply in a fiscal
29 year in which a deposit ~~occurs~~ **is made** under subsection (14).

1 (10) Beginning on September 30, 2006, all assets held by the
2 retirement system must be reassigned their fair market value, as
3 determined by the state treasurer, as of September 30, 2006, and in
4 calculating any unfunded actuarial accrued liabilities, any market
5 gains or losses incurred before September 30, 2006 may not be
6 considered by the retirement system's actuaries.

7 (11) Except as otherwise provided in this subsection,
8 beginning on September 30, 2006, the actuary used by the retirement
9 board shall assume a rate of return on investments of 8% per annum,
10 as of September 30, 2006, which rate may only be changed with the
11 approval of the retirement board and the director of the
12 department. ~~Beginning~~ **Except as otherwise provided in this**
13 **subsection, beginning** on July 1, 2010, the actuary used by the
14 retirement board shall assume a rate of return on investments of 7%
15 per annum for investments associated with members who first became
16 members after June 30, 2010, and before February 1, 2018, which
17 rate may only be changed with the approval of the retirement board
18 and the director of the department. ~~Beginning~~ **Except as otherwise**
19 **provided in this subsection, beginning** on February 1, 2018, the
20 actuary used by the retirement board shall assume a rate of return
21 on investments of 6% per annum for investments associated with
22 members who first became a member on or after February 1, 2018,
23 which rate may only be changed with the approval of the retirement
24 board and the director of the department. **Beginning with the state**
25 **fiscal year ending September 30, 2022 and for each subsequent state**
26 **fiscal year, the actuary used by the retirement board shall assume**
27 **a rate of return on investments and a discount rate of not more**
28 **than 6.8% per annum, as of September 30, 2021, which rates may only**
29 **be changed with the approval of the retirement board and the**

1 director of the department.

2 (12) Beginning on September 30, 2006, the value of assets used
3 must be based on a method that spreads over a 5-year period the
4 difference between actual and expected return occurring in each
5 year after September 30, 2006, and the methodology may only be
6 changed with the approval of the retirement board and the director
7 of the department.

8 (13) Beginning on September 30, 2006, the actuary used by the
9 retirement board shall use a salary increase assumption that
10 projects annual salary increases of 4%. In addition to the 4%, the
11 retirement board shall use an additional percentage based on an
12 age-related scale to reflect merit, longevity, and promotional
13 salary increase. The actuary shall use this assumption until a
14 change in the assumption is approved in writing by the retirement
15 board and the director of the department.

16 (14) For fiscal years that begin on or after October 1, 2001,
17 if the actuarial valuation prepared under this section demonstrates
18 that as of the beginning of a fiscal year, and after all credits
19 and transfers required by this act for the previous fiscal year
20 have been made, the sum of the actuarial value of assets and the
21 actuarial present value of future normal cost contributions exceeds
22 the actuarial present value of benefits, the amount based on the
23 annual level percent of payroll contribution rate under subsections
24 (1) and (2) may be deposited into the health advance funding
25 subaccount created by section 34.

26 (15) Notwithstanding any other provision of this act, if the
27 retirement board establishes an arrangement and fund as described
28 in section 6 of the public employee retirement benefit protection
29 act, 2002 PA 100, MCL 38.1686, the benefits that are required to be

1 paid from that fund must be paid from a portion of the employer
2 contributions described in this section or other eligible ~~funds-~~
3 **money**. The retirement board shall determine the amount of the
4 employer contributions or other eligible ~~funds-~~**money** that must be
5 allocated to that fund and deposit that amount in that fund before
6 it deposits any remaining employer contributions or other eligible
7 ~~funds-~~**money** in the pension fund.

8 (16) The retirement board and the department shall conduct and
9 review an experience investigation study and adopt risk assumptions
10 on which actuarial valuations are to be based after consultation
11 with the actuary and the state treasurer. The experience
12 investigation study must be completed and risk assumptions must be
13 periodically reviewed at least once every 5 years.

14 (17) Every April 1 following the periodic review of risk
15 assumptions under subsection (16), the office of retirement
16 services on behalf of the department and the state treasurer shall
17 collaborate to submit a report to the senate majority leader, the
18 speaker of the house of representatives, the senate and house of
19 representatives appropriations committees, and the senate and house
20 fiscal agencies. A report required under this subsection must be
21 published on the office of retirement ~~services's-~~**services'** website
22 and include at least all of the following:

23 (a) Forecasted rate of return on investments at all of the
24 following probability levels:

- 25 (i) 5%.
26 (ii) 25%.
27 (iii) 50%.
28 (iv) 75%.
29 (v) 95%.

1 (b) The actual rate of return on investments for 10-, 15-, and
2 20-year intervals.

3 (c) Mortality assumptions.

4 (d) Retirement age assumptions.

5 (e) Payroll growth assumptions.

6 (f) Any other assumptions that have a material impact on the
7 financial status of the retirement system.

8 (18) Except as otherwise provided in this subsection, **subject**
9 **to subsection (2) (f)**, for members who first became members before
10 February 1, 2018, beginning with the state fiscal year ending
11 September 30, 2022 and for each subsequent state fiscal year, until
12 the pension and retiree health care payroll growth assumption rate
13 for a reporting unit that is not a university reporting unit is
14 zero, the payroll growth assumption rate for a reporting unit that
15 is not a university reporting unit must be reduced by 50 basis
16 points. ~~Beginning~~ **Subject to subsection (2) (f)**, **beginning** with the
17 state fiscal year ending September 30, 2025 and for each subsequent
18 state fiscal year until the rate described in this subsection is
19 zero, if the pension and retiree health care unfunded actuarial
20 accrued liability contribution ~~sum-amount~~ directly attributable to
21 the 50 basis points reduction under this subsection for the ~~current~~
22 fiscal year is 7% or more of the pension and retiree health care
23 unfunded actuarial accrued liability contribution ~~sum-amount~~ in the
24 ~~immediately~~ preceding state fiscal year, the office of retirement
25 services may reduce the rate described in this subsection by 25
26 basis points in that current fiscal year instead of the 50 basis
27 point reduction described in this subsection. ~~Beginning~~ **Subject to**
28 **subsection (2) (f)**, **beginning** with the fiscal year ending September
29 30, 2022 and for each subsequent state fiscal year until the rate

1 described in this subsection is zero, the office of retirement
 2 services and the retirement board may agree to reduce the rate
 3 described in this subsection by any number of additional basis
 4 points.

5 **(19) Beginning with the state fiscal year ending September 30,**
 6 **2022, and for each subsequent fiscal year, the most recent**
 7 **mortality assumptions provided by the Actuarial Standards Board and**
 8 **adopted as risk assumptions by the actuary under subsection (16)**
 9 **must be used by a reporting unit.**

10 **(20) ~~(19)~~As used in this section: ~~"university~~**

11 **(a) "Layered amortization" means a fixed and closed period**
 12 **that separately layers the different components to be amortized**
 13 **over a fixed period not to exceed 10 years, as it emerges. The**
 14 **amortization period for layered amortization must use a level**
 15 **dollar amortization method.**

16 **(b) "University reporting unit" means a reporting unit that is**
 17 **a university listed in the definition of public school employee**
 18 **under section 6.**

19 **Sec. 59. (1) The retirement system shall permit each qualified**
 20 **member to make an election with the retirement system to continue**
 21 **to receive credit for any future service and compensation on and**
 22 **after the transition date, for purposes of a calculation of a**
 23 **retirement allowance under section 84b. As part of the election**
 24 **under this subsection, the retirement system shall permit the**
 25 **qualified member to make a designation that the contributions**
 26 **prescribed in section 43g shall be paid only until the member's**
 27 **attainment date. A qualified member who makes the election and the**
 28 **attainment date designation under this subsection shall make the**
 29 **contributions prescribed in section 43g only until the member's**

1 attainment date and shall make the contributions prescribed in
2 section 43a on and after his or her attainment date. A qualified
3 member who makes the election and the attainment date designation
4 under this subsection shall continue to receive credit for any
5 future service accrued and compensation earned after his or her
6 attainment date for the purpose of the calculation of a retirement
7 allowance under section 84b. A qualified member who makes the
8 election under this subsection and who does not make the attainment
9 date designation or rescinds the attainment date designation under
10 this subsection shall make the contributions prescribed in section
11 43g until termination of employment. A qualified member who makes
12 the election under this subsection and who does not make the
13 attainment date designation under this subsection shall receive
14 credit for any future service accrued and compensation earned for
15 the purpose of the calculation of a retirement allowance under
16 section 84b.

17 (2) The retirement system shall permit each qualified member
18 to make an alternative election described in this subsection with
19 the retirement system, if the qualified member does not make the
20 election or the election and designation under subsection (1). A
21 qualified member who does not make the election or the election and
22 designation under subsection (1) and who does not make an
23 alternative election described in this subsection is considered to
24 have made the alternative election described in subdivision (a). A
25 qualified member who does not make the election or the election and
26 designation under subsection (1) ~~shall be permitted to~~ **may** make 1
27 of the following alternative elections:

28 (a) To continue to receive credit for any future service and
29 compensation on and after the transition date, for the purpose of

1 the calculation of a retirement allowance under section 84b. A
2 qualified member who makes or is considered to have made the
3 alternative election in this subdivision shall continue to make the
4 employee contributions as provided in section 43a and shall not
5 make the employee contributions described in section 43g.

6 (b) To freeze all service and compensation to that member as
7 of the day before the transition date for the purpose of the
8 calculation of a retirement allowance under section 84b and,
9 beginning on the transition date, to be eligible for the employer
10 contribution to the member's Tier 2 account as provided in section
11 84b. Beginning on the transition date, a qualified member who makes
12 the alternative election in this subdivision shall not make the
13 employee contributions described in section 43a or 43g.

14 (3) The retirement system shall determine a method of
15 accepting qualified member elections, designations, and alternative
16 elections under this section. The retirement system shall accept
17 elections, designations, and alternative elections under this
18 section from qualified members during an election period that
19 begins on September 4, 2012 and ends at 5 p.m. eastern standard
20 time on January 9, 2013. A qualified member may rescind an
21 election, designation, or alternative election before the close of
22 the election period. An election, designation, or alternative
23 election made by a qualified member and not rescinded before the
24 close of the election period ~~shall~~**must** not be rescinded.

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

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

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

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

14 (5) A qualified member who does not make or who rescinds an
15 election under subsection (1) and who makes the alternative
16 election under subsection (2)(b) on or before the close of the
17 election period under this section is subject to all of the
18 following:

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

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

28 (c) He or she ~~shall~~**must** receive a retirement allowance
29 calculated under section 84 that is based only on credited service

1 and compensation allowed under section 84b(3) and (4). This
2 subdivision does not affect an individual's right to health
3 insurance coverage provided under section 91 or credit for service
4 provided under section ~~84b(7)~~. **84b(8)**.

5 (6) A qualified member who makes the election and the
6 attainment date designation under subsection (1) and who does not
7 rescind the election and designation on or before the close of the
8 election period under this section is subject to all of the
9 following:

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

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

17 (c) He or she ~~shall~~ **must** receive a retirement allowance
18 calculated under section 84 that is based only on credited service
19 and compensation allowed under section ~~84b(5)~~ **84b(6)** and ~~(6)~~ **(7)**.
20 This subdivision does not affect a person's right to health
21 insurance coverage provided under section 91 or credit for service
22 provided under section ~~84b(7)~~. **84b(8)**.

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

29 (8) Any member who is reemployed on or after September 4, 2012

1 and who, while a member, made an election, designation, or
2 alternative election or is considered to have made an alternative
3 election under this section ~~shall be~~ **is** treated as retaining that
4 election, designation, or alternative election on his or her date
5 of reemployment.

6 (9) As used in this section:

7 (a) "Attainment date" means that term as defined in section
8 84b.

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

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

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

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

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

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

1 subsection (1) must also include the following items of credited
2 service, as applicable, multiplied by 1.25% of final average
3 compensation:

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

6 (b) Service credit that was purchased on and after February 1,
7 2013, except as provided in subsection (1)(c).

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

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

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

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

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

20 (4) Beginning February 1, 2013, the calculation of a
21 retirement allowance under this act for a member described in
22 subsection (3) must not include any year or fraction of a year of
23 service performed by the member on and after the transition date or
24 any service credit that is purchased by the member after February
25 1, 2013, except as provided in subsection (3)(c). Beginning with
26 the first payroll date after the transition date, and ending on the
27 member's termination of service, the employer of a member described
28 in subsection (3) shall contribute 4% of the member's compensation
29 as defined in section 122(2) to the member's Tier 2 account. A

1 member is vested in employer contributions made under this
 2 subsection according to the vesting provisions under section 132. A
 3 member must be credited with years of service accrued under Tier 1
 4 as of the transition date for purposes of meeting the applicable
 5 vesting requirements. Beginning with the first payroll date after
 6 ~~90 days after the effective date of the 2018 amendatory act that~~
 7 ~~amended this section, **September 2, 2018,**~~ all of the following apply
 8 to a member described in subsection (3):

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

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

16 **(5) Beginning October 1, 2021, all contributions made by an**
 17 **employer under subsection (4) (b) must be paid by appropriation from**
 18 **the state school aid fund established by section 11 of article IX**
 19 **of the state constitution of 1963, assuming 100% participation by**
 20 **all members described in subsection (3).**

21 ~~(6) (5)~~ Beginning February 1, 2013, the calculation of a
 22 retirement allowance under this act for a member who makes the
 23 election and attainment date designation under section 59(1) must
 24 include only the following items of credited service, as
 25 applicable, multiplied by 1.5% of final average compensation as
 26 provided in section 84:

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

29 (b) Service credit that was purchased on or before the

1 attainment date.

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

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

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

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

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

14 **(8)** ~~(7)~~—Beginning on the transition date, a member described
15 in subsection (1), (3), or ~~(5)~~—**(6)** must continue to accumulate
16 years of service credit as necessary for the purpose of vesting in
17 a retirement allowance and to determine when a retirement allowance
18 may begin under this act, regardless of when the service credit was
19 accrued, except as otherwise provided in section 59(8). A member
20 described in subsection (1), (3), or ~~(5)~~—**(6)** must continue to be
21 treated as a member for all purposes, except as otherwise provided
22 in section 59(8) and except for the limitations on credited service
23 and calculation of a retirement allowance as provided in
24 subsections (1) ~~through (6)~~—**to (7)**.

25 **(9)** ~~(8)~~—The calculation of a retirement allowance under this
26 act for a member who makes the election under section 59(1) but who
27 does not make the attainment date designation under section 59(1)
28 must include all items of credited service accrued to the member,
29 regardless of when the service credit was accrued, which must be

1 multiplied by 1.5% of final average compensation as provided in
2 section 84.

3 **(10)** ~~(9)~~—As used in this section, "attainment date" means the
4 final day of the pay period in which the member attains 30 years of
5 credited service.