



# HOUSE BILL No. 6206

November 14, 1996, Introduced by Reps. Dobb, Dolan, Middleton, Brackenridge, Gilmer, Cropsey, Voorhees, Geiger, Fitzgerald, Nye, Kaza, Kukuk, Munsell, Weeks, Horton, Green, McManus, Hill, Galloway, Gustafson, Jamian, Lowe, Gernaat, Rhead, Jellema, Byl, Hammerstrom, Whyman, Bush, London, Sikkema, DeLange, Randall, McNutt, Johnson, Bodem, Wetters, Hertel, Dalman, Jersevic and Perricone and referred to the Committee on Appropriations.

A bill to amend the title and sections 6, 18, 22c, 23b, 25, 50, 50b, and 51 of Act No. 261 of the Public Acts of 1957, entitled as amended

"Michigan legislative retirement system act,"

section 6 as amended by Act No. 185 of the Public Acts of 1981, sections 18 and 23b as amended by Act No. 123 of the Public Acts of 1981, sections 25, 50b, and 51 as amended and section 22c as added by Act No. 359 of the Public Acts of 1994, and section 50 as amended by Act No. 58 of the Public Acts of 1987, being sections 38.1006, 38.1018, 38.1022c, 38.1023b, 38.1025, 38.1050, 38.1050b, and 38.1051 of the Michigan Compiled Laws; and to add sections 17d, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, and 80.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1 Section 1. The title and sections 6, 18, 22c, 23b, 25, 50,  
 2 50b, and 51 of Act No. 261 of the Public Acts of 1957, section 6  
 3 as amended by Act No. 185 of the Public Acts of 1981, sections 18  
 4 and 23b as amended by Act No. 123 of the Public Acts of 1981,  
 5 sections 25, 50b, and 51 as amended and section 22c as added by  
 6 Act No. 359 of the Public Acts of 1994, and section 50 as amended  
 7 by Act No. 58 of the Public Acts of 1987, being sections 38.1006,  
 8 38.1018, 38.1022c, 38.1023b, 38.1025, 38.1050, 38.1050b, and  
 9 38.1051 of the Michigan Compiled Laws, are amended and sections  
 10 17d, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75,  
 11 76, 77, 78, 79, and 80 are added to read as follows:

12 TITLE

13 An act for the creation, maintenance, and administration of  
 14 a legislative members' and presiding officers' retirement system  
 15 within the legislature; to provide retirement allowances to the  
 16 participants ~~thereof~~ OF THE RETIREMENT SYSTEM, and survivors'  
 17 allowances and other benefits to their beneficiaries upon death;  
 18 to exempt those allowances and benefits from certain taxes and  
 19 legal processes; ~~and~~ to authorize and make appropriations  
 20 ~~therefor~~ FOR THE RETIREMENT SYSTEM; TO PRESCRIBE THE POWERS AND  
 21 DUTIES OF CERTAIN STATE DEPARTMENTS, AGENCIES, OFFICIALS, AND  
 22 EMPLOYEES; AND TO PRESCRIBE PENALTIES AND PROVIDE REMEDIES.

23 Sec. 6. (1) ~~"Member"~~ EXCEPT AS OTHERWISE PROVIDED IN SUB-  
 24 SECTION (2), "MEMBER" means any of the following:

25 (a) A legislator of this state. ~~, except a legislator who~~  
 26 ~~has elected not to participate in the retirement system under~~  
 27 ~~section 18.~~

1 (b) The secretary of the senate who served not less than 6  
2 months before January 1, 1979, and for not less than 3 months  
3 after January 1, 1979.

4 (c) The clerk of the house who served not less than 6 months  
5 before January 1, 1979, and for not less than 3 months after  
6 January 1, 1979.

7 (d) The lieutenant governor.

8 (2) MEMBER DOES NOT INCLUDE ANY OF THE FOLLOWING:

9 (A) AN INDIVIDUAL WHO ELECTS NOT TO PARTICIPATE IN THE  
10 RETIREMENT SYSTEM UNDER SECTION 18.

11 (B) AN INDIVIDUAL WHO FIRST BECOMES A LEGISLATOR OR LIEUTEN-  
12 ANT GOVERNOR ON OR AFTER JANUARY 1, 1997.

13 (C) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP UNDER  
14 SECTION 61 AND WHO, BUT FOR THAT ELECTION, WOULD OTHERWISE BE  
15 ELIGIBLE FOR MEMBERSHIP IN TIER 1 UNDER SECTION 18.

16 SEC. 17D. (1) "TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE  
17 UNDER THIS ACT TO A MEMBER WHO FIRST BECAME A LEGISLATOR OR LIEU-  
18 TENANT GOVERNOR BEFORE JANUARY 1, 1997 AND WHO DOES NOT ELECT TO  
19 BECOME A QUALIFIED PARTICIPANT OF TIER 2.

20 (2) "TIER 2" MEANS THE RETIREMENT PLAN ESTABLISHED PURSUANT  
21 TO THE INTERNAL REVENUE CODE THAT IS AVAILABLE TO QUALIFIED PAR-  
22 TICIPANTS UNDER SECTIONS 61 TO 80.

23 Sec. 18. (1) Except as OTHERWISE provided in section 23b, a  
24 person who FIRST becomes a legislator or lieutenant governor  
25 BEFORE JANUARY 1, 1997 shall become a member in and be subject to  
26 ~~this~~ THE TIER 1 retirement system beginning upon the date the  
27 person becomes a legislator or lieutenant governor, unless within

1 90 days after that date the person has filed with the board a  
2 written notice of election not to participate in the retirement  
3 system. A notice not to participate in the retirement system  
4 filed within the 90-day period may be withdrawn within the 90-day  
5 period. A refund of all contributions made during the 90-day  
6 period shall be made to a legislator or lieutenant ~~governor~~  
7 GOVERNOR who elects not to participate in the retirement system.

8 (2) After the expiration of the 90-day period, a person  
9 electing not to participate in the retirement system shall be  
10 ineligible to participate in and to receive benefits from the  
11 retirement system. A person who files with the board before  
12 January 30, 1972, a written notice of election not to participate  
13 in the retirement system, and who is still a legislator or lieu-  
14 tenant governor, may become a member in and be subject to the  
15 retirement system upon filing with the board before January 1,  
16 1979, a written rescission of his or her notice of election not  
17 to participate in the retirement system. The person then shall  
18 become a member and shall be subject to this act. Upon making a  
19 contribution to the retirement system of an amount equal to the  
20 contributions the person would have made as a member from  
21 September 27, 1957, or the date the person became a legislator or  
22 lieutenant governor, if after September 27, 1957, to the date the  
23 person became a member, with interest on the amount at the rate  
24 of 6% per annum compounded annually until paid, the person shall  
25 be entitled to receive credit for service as a member before the  
26 date of the rescission of the waiver, on, before, and after  
27 January 1, 1957, the same as the person would have received if

1 the person had never executed the written notice of election not  
2 to participate in the retirement system. The accrued contribu-  
3 tions shall be made in full before the expiration of the term for  
4 which the member is currently elected or not later than December  
5 1, 1980, whichever is later, otherwise credit for service before  
6 the date of participation shall not be granted.

7 (3) AN INDIVIDUAL WHO FIRST BECOMES A LEGISLATOR OR LIEUTEN-  
8 ANT GOVERNOR ON OR AFTER JANUARY 1, 1997, IS ELIGIBLE TO BE A  
9 QUALIFIED PARTICIPANT IN TIER 2 SUBJECT TO SECTIONS 64 TO 80.

10 Sec. 22c. (1) The health insurance fund is created in the  
11 retirement system. The retirement system shall deposit into the  
12 health insurance fund the member contributions for health bene-  
13 fits required by this section, SUBSCRIBER CO-PAYMENTS, PAYMENTS  
14 UNDER SECTION 79, and state appropriations. The retirement  
15 system shall disburse from the health insurance fund the premiums  
16 or portion of the premiums for dental, hospital, and medical cov-  
17 erage insurance as required by ~~section~~ SECTIONS 50b AND 79.

18 (2) A member shall make contributions to the health insur-  
19 ance fund of 1% of each payment of salary received that is  
20 attributable to service performed on and after January 1, 1995.  
21 The contributions shall be made by payroll deductions and each  
22 member is considered to consent to the deductions as a condition  
23 of membership in the retirement system.

24 Sec. 23b. (1) Notwithstanding section 18 AND EXCEPT AS OTH-  
25 ERWISE PROVIDED IN SUBSECTION (4), if a retirant or a deferred  
26 vested member again becomes a legislator or lieutenant governor,  
27 the retirant or deferred vested member shall not again become a

1 member unless within 30 days from the date of the beginning of  
2 the subsequent service he or she files with the board a written  
3 notice of election to again become a member and complies with  
4 this section. After the expiration of the 30-day period, a  
5 retirant or deferred vested member who again becomes a legislator  
6 or lieutenant governor who does not elect to again become a  
7 member is barred from again becoming a member during that term of  
8 office. During the 30-day period, the retirement allowance shall  
9 not be paid, but the contributions required by this act shall be  
10 deducted. The contributions shall be refunded if the legislator  
11 or lieutenant governor does not elect to again become a member.

12 (2) If the retirant or deferred vested member elects to  
13 again become a member, the subsequent membership in the retire-  
14 ment system shall be subject to the following conditions in addi-  
15 tion to any other condition required of a member by this act:

16 (a) During the subsequent period of service as a legislator  
17 or lieutenant governor, payment of the retirement allowance shall  
18 not be made or accrued.

19 (b) The member shall repay to the retirement system all  
20 money received from the retirement system with interest at the  
21 rate of 6% per annum compounded annually before the expiration of  
22 180 days of the term for which the member currently is elected.  
23 Failure to make the repayment within 180 days shall void the  
24 election to become a member.

25 (c) All prior applications for retirement shall be  
26 abrogated.

1 (d) The member's service credit shall be recalculated.

2 (3) If a retirant or deferred vested member again becomes a  
3 legislator or lieutenant governor and declines to again become a  
4 member, he or she shall not be entitled to a retirement allowance  
5 and payment of his or her retirement allowance shall not be made  
6 or accrued during his or her subsequent service. Upon termina-  
7 tion of his or her subsequent service, payment of the retirement  
8 allowance shall be resumed effective as of the date of termina-  
9 tion of the subsequent service without change because of the sub-  
10 sequent service.

11 (4) THIS SECTION DOES NOT APPLY TO A DEFERRED VESTED MEMBER  
12 WHO IS REQUIRED TO MAKE AN ELECTION UNDER SECTION 61.

13 Sec. 25. (1) The retirement system shall be construed to be  
14 a trust, separate from all other entities, maintained for the  
15 purpose of securing payment of benefits to the members, deferred  
16 vested members, retirants, and their survivors and beneficiaries  
17 as provided in this act.

18 (2) The board is the fiduciary of the retirement system with  
19 the authority to control and manage the operation and administra-  
20 tion of the retirement system in the manner provided by this  
21 act.

22 (3) THIS SECTION DOES NOT APPLY TO THE TIER 2 RETIREMENT  
23 PLAN.

24 Sec. 50. The cash assets of the RETIREMENT system in excess  
25 of the amount required for current operations shall be invested  
26 and reinvested by the board in the manner provided by Act No. 314  
27 of the Public Acts of 1965, being sections 38.1132 to ~~38.1140h~~

1 38.1140I of the Michigan Compiled Laws. THIS SECTION DOES NOT  
2 APPLY TO TIER 2.

3       Sec. 50b. (1) For a retirant or a survivor or beneficiary  
4 of a deceased retirant, or for a deferred vested member who first  
5 became a member on or before December 1, 1994, the retirement  
6 system shall purchase and pay the premium for hospitalization and  
7 medical insurance coverage and dental and vision coverage for the  
8 retirant, deferred vested member, and the spouses, eligible chil-  
9 dren, and survivors of those retirants and deferred vested  
10 members. Except as otherwise provided in this section, the  
11 retirement system shall provide hospitalization and medical  
12 insurance coverage and dental and vision insurance coverage under  
13 this section at a level that is equal to or greater than the  
14 level of insurance coverage under this section in effect on  
15 December 1, 1992. The retirement board may increase the amounts  
16 each person who is enrolled in insurance coverage under this sec-  
17 tion is required to pay for co-pays or deductibles under that  
18 insurance coverage.

19       (2) ON AND AFTER JANUARY 1, 1997, THE RETIREMENT SYSTEM  
20 SHALL PAY HEALTH INSURANCE PREMIUMS DESCRIBED IN THIS SECTION IN  
21 THE MANNER PRESCRIBED IN SECTION 79.

22       Sec. 51. The retirement board shall clearly mark all  
23 investments to indicate ownership by the system and, to the  
24 extent possible, shall register all investments in the name of  
25 the system. The retirement board shall record all investments  
26 pursuant to generally accepted accounting principles promulgated  
27 by the governmental accounting standards board, upon adoption of



1 those principles by the retirement board. THIS SECTION DOES NOT  
2 APPLY TO TIER 2.

3 SEC. 61. (1) THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPOR-  
4 TUNITY FOR EACH MEMBER WHO IS A MEMBER ON DECEMBER 31, 1996, TO  
5 ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO  
6 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A  
7 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT  
8 SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM  
9 MEMBERS DURING THE PERIOD BEGINNING ON JANUARY 1, 1997 AND ENDING  
10 ON NOVEMBER 1, 1997. A MEMBER WHO DOES NOT MAKE A WRITTEN ELEC-  
11 TION OR WHO DOES NOT FILE THE ELECTION DURING THE PERIOD SPECI-  
12 FIED IN THIS SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A  
13 MEMBER WHO MAKES AND FILES A WRITTEN ELECTION UNDER THIS SUBSEC-  
14 TION ELECTS TO DO ALL OF THE FOLLOWING:

15 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT  
16 DECEMBER 31, 1997.

17 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01  
18 A.M., JANUARY 1, 1998.

19 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
20 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
21 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER THIS  
22 ACT EFFECTIVE 12 MIDNIGHT DECEMBER 31, 1997. THIS SUBDIVISION  
23 DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS PROVIDED  
24 UNDER THIS ACT PURSUANT TO SECTION 79.

25 (2) IF AN INDIVIDUAL WHO WAS A DEFERRED VESTED MEMBER ON  
26 DECEMBER 31, 1996, OR AN INDIVIDUAL WHO WAS A FORMER NONVESTED  
27 MEMBER ON DECEMBER 31, 1996 BECOMES A LEGISLATOR OR LIEUTENANT

1 GOVERNOR AND IS AGAIN ELIGIBLE FOR MEMBERSHIP IN TIER 1, THE  
2 INDIVIDUAL SHALL ELECT IN WRITING TO REMAIN A MEMBER OF TIER 1 OR  
3 TO TERMINATE MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICI-  
4 PANT IN TIER 2. AN ELECTION MADE BY A DEFERRED VESTED MEMBER OR  
5 A FORMER NONVESTED MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE.  
6 THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS  
7 SUBSECTION FROM A DEFERRED VESTED MEMBER OR A FORMER NONVESTED  
8 MEMBER DURING THE PERIOD BEGINNING ON THE DATE OF THE  
9 INDIVIDUAL'S ELIGIBILITY FOR MEMBERSHIP AND ENDING UPON THE EXPI-  
10 RATION OF 60 DAYS AFTER THE DATE OF THAT ELIGIBILITY. A DEFERRED  
11 VESTED MEMBER OR FORMER NONVESTED MEMBER WHO MAKES AND FILES A  
12 WRITTEN ELECTION TO REMAIN A MEMBER OF TIER 1 RETAINS ALL RIGHTS  
13 AND IS SUBJECT TO ALL CONDITIONS AS A MEMBER OF TIER 1 UNDER THIS  
14 ACT. A DEFERRED VESTED MEMBER OR FORMER NONVESTED MEMBER WHO  
15 DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE THE ELEC-  
16 TION DURING THE PERIOD SPECIFIED IN THIS SUBSECTION CONTINUES TO  
17 BE A MEMBER OF TIER 1. A DEFERRED VESTED MEMBER OR FORMER NON-  
18 VESTED MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO TERMINATE  
19 MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

20 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON  
21 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
22 ELECTION.

23 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01  
24 A.M. ON THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING  
25 THE DATE OF THE ELECTION.

26 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
27 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT

1 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
2 1 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD  
3 THAT INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES  
4 NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED  
5 UNDER THIS ACT PURSUANT TO SECTION 79.

6 (3) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY  
7 AND THE RETIREMENT BOARD, THE DEPARTMENT OF MANAGEMENT AND BUDGET  
8 SHALL DETERMINE THE METHOD BY WHICH A MEMBER, DEFERRED VESTED  
9 MEMBER, OR FORMER NONVESTED MEMBER SHALL MAKE A WRITTEN ELECTION  
10 UNDER THIS SECTION. IF THE MEMBER, DEFERRED VESTED MEMBER, OR  
11 FORMER NONVESTED MEMBER IS MARRIED AT THE TIME OF THE ELECTION,  
12 THE ELECTION IS NOT EFFECTIVE UNLESS THE ELECTION IS SIGNED BY  
13 THE INDIVIDUAL'S SPOUSE. HOWEVER, THE RETIREMENT BOARD MAY WAIVE  
14 THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED  
15 BECAUSE OF EXTENUATING CIRCUMSTANCES.

16 (4) AN ELECTION UNDER THIS SUBSECTION IS SUBJECT TO THE ELI-  
17 GIBLE DOMESTIC RELATIONS ORDER ACT, ACT NO. 46 OF THE PUBLIC ACTS  
18 OF 1991, BEING SECTIONS 38.1701 TO 38.1711 OF THE MICHIGAN  
19 COMPILED LAWS.

20 (5) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES  
21 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT  
22 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE  
23 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE  
24 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE DIS-  
25 QUALIFICATION DOES NOT APPLY.

26 SEC. 62. (1) FOR A MEMBER WHO ELECTS TO TERMINATE  
27 MEMBERSHIP IN TIER 1 UNDER SECTION 61(1), THE RETIREMENT SYSTEM

1 SHALL DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT  
2 FROM THE APPROPRIATE FUND CREATED UNDER THIS ACT TO THE QUALIFIED  
3 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE MARCH 30, 1998. THE  
4 RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,  
5 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

6 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
7 MEMBER'S SAVINGS FUND AS OF 12 MIDNIGHT DECEMBER 31, 1997.

8 (B) FOR A MEMBER WHO IS VESTED UNDER SECTION 23(1)(A) AS OF  
9 12 MIDNIGHT ON DECEMBER 31, 1997, THE EXCESS, IF ANY, OF THE  
10 ACTUARIAL PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLI-  
11 GATION, OVER THE AMOUNT SPECIFIED IN SUBDIVISION (A), FROM THE  
12 MEMBER'S RETIREMENT FUND. EXCEPT AS PROVIDED IN SUBSECTION (5),  
13 FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE  
14 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE  
15 MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL SALARY AS  
16 OF 12 MIDNIGHT ON DECEMBER 31, 1997. THE ACTUARIAL PRESENT VALUE  
17 SHALL BE COMPUTED AS OF 12 MIDNIGHT DECEMBER 31, 1997 AND SHALL  
18 BE BASED ON THE FOLLOWING:

19 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
20 ANNUALLY.

21 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
22 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE  
23 SEPTEMBER 30, 1996 ACTUARIAL VALUATION REPORT.

24 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
25 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT DECEMBER 31, 1997.  
26 THE BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE

1 FOLLOWING, BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF  
2 12 MIDNIGHT DECEMBER 31, 1997:

3 (A) AGE 55.

4 (B) AGE 50, IF THE MEMBER'S ESTIMATED CREDITED SERVICE  
5 EQUALS OR EXCEEDS 20 YEARS.

6 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)  
7 AND (B), FROM JANUARY 1, 1998 TO THE DATE OF THE TRANSFER, BASED  
8 UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

9 (2) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN  
10 THE RETIREMENT SYSTEM UNDER SECTION 61(1), THE RETIREMENT SYSTEM  
11 SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (1) NOT  
12 LATER THAN JUNE 30, 1998 BASED UPON THE MEMBER'S ACTUAL CREDITED  
13 SERVICE AND ACTUAL FINAL SALARY AS OF 12 MIDNIGHT DECEMBER 31,  
14 1997. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT TRANS-  
15 FERRED UNDER SUBSECTION (1) BY \$10.00 OR MORE, NOT LATER THAN  
16 JULY 15, 1998, THE RETIREMENT SYSTEM SHALL DO ALL OF THE  
17 FOLLOWING:

18 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE MEMBERS'  
19 RETIREMENT FUND TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2  
20 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE PREVIOUSLY  
21 TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MIDNIGHT  
22 DECEMBER 31, 1997 TO THE DATE OF THE TRANSFER UNDER THIS SUBSEC-  
23 TION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
24 ANNUALLY.

25 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALI-  
26 FIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE MEMBERS' RETIREMENT  
27 FUND THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED AMOUNT

1 OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM THE DATE  
2 OF THE TRANSFER MADE UNDER SUBSECTION (1), BASED UPON 8% EFFEC-  
3 TIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

4 (3) FOR A DEFERRED VESTED MEMBER WHO ELECTS TO TERMINATE  
5 MEMBERSHIP IN THIS RETIREMENT SYSTEM UNDER SECTION 61(2), THE  
6 RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER A  
7 LUMP SUM AMOUNT FROM THE APPROPRIATE FUND CREATED UNDER THIS ACT  
8 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE  
9 EXPIRATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION  
10 TO TERMINATE MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE  
11 THE AMOUNT TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF  
12 THE FOLLOWING:

13 (A) THE DEFERRED VESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
14 IF ANY, FROM THE MEMBERS' SAVINGS FUND AS OF 12 MIDNIGHT ON THE  
15 LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
16 ELECTION.

17 (B) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
18 THE DEFERRED VESTED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER  
19 THE AMOUNT SPECIFIED IN SUBDIVISION (A), FROM THE MEMBERS'  
20 RETIREMENT FUND. EXCEPT AS PROVIDED IN SUBSECTION (5), FOR THE  
21 PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE DEFERRED  
22 VESTED MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE  
23 DEFERRED VESTED MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED  
24 FINAL SALARY AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL  
25 PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE ACTUARIAL  
26 PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON THAT DATE  
27 AND SHALL BE BASED ON THE FOLLOWING:

1 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
2 ANNUALLY.

3 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
4 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
5 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

6 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
7 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF  
8 THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE  
9 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,  
10 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT  
11 ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF  
12 THE ELECTION:

13 (A) AGE 55.

14 (B) AGE 50, IF THE DEFERRED MEMBER'S ESTIMATED CREDITED  
15 SERVICE EQUALS OR EXCEEDS 20 YEARS.

16 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)  
17 AND (B), FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY  
18 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,  
19 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

20 (4) FOR EACH DEFERRED VESTED MEMBER WHO ELECTS TO TERMINATE  
21 MEMBERSHIP IN TIER 1 UNDER SECTION 61(2), THE RETIREMENT SYSTEM  
22 SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (3) NOT  
23 LATER THAN THE EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS  
24 UNDER SUBSECTION (3) BASED UPON THE DEFERRED VESTED MEMBER'S  
25 ACTUAL CREDITED SERVICE AND ACTUAL FINAL SALARY AS OF 12 MIDNIGHT  
26 ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF  
27 THE ELECTION. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT

1 TRANSFERRED UNDER SUBSECTION (3) BY \$10.00 OR MORE, THE  
2 RETIREMENT SYSTEM SHALL DO ALL OF THE FOLLOWING:

3 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE MEMBER'S  
4 RETIREMENT FUND TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2  
5 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE PREVIOUSLY  
6 TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MIDNIGHT ON THE  
7 LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
8 ELECTION TO THE DATE OF THE TRANSFER UNDER THIS SUBSECTION, BASED  
9 UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

10 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALI-  
11 FIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE MEMBERS' RETIREMENT  
12 FUND THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED AMOUNT  
13 OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM THE DATE  
14 OF THE TRANSFER MADE UNDER SUBSECTION (4), BASED UPON 8% EFEC-  
15 TIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

16 (5) FOR THE PURPOSES OF SUBSECTIONS (1) TO (4), THE CALCULA-  
17 TION OF ESTIMATED AND ACTUAL PRESENT VALUE OF THE MEMBER'S OR  
18 DEFERRED VESTED MEMBER'S ACCUMULATED BENEFIT OBLIGATION SHALL BE  
19 BASED UPON METHODS ADOPTED BY THE DEPARTMENT OF MANAGEMENT AND  
20 BUDGET AND THE RETIREMENT SYSTEM'S ACTUARY IN CONSULTATION WITH  
21 THE RETIREMENT BOARD. ESTIMATED AND ACTUAL FINAL SALARY SHALL BE  
22 DETERMINED AS PROVIDED IN SECTION 9 AS OF 12 MIDNIGHT ON THE DATE  
23 THE MEMBER OR DEFERRED MEMBER CEASES TO BE A MEMBER OF TIER 1  
24 UNDER SECTION 61.

25 (6) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE  
26 MEMBERSHIP IN TIER 1 UNDER SECTION 61(2) AND WHO HAS ACCUMULATED  
27 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE MEMBERS'



1 SAVINGS FUND, THE RETIREMENT SYSTEM SHALL DIRECT THE STATE  
2 TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE MEMBERS' SAVINGS  
3 FUND CREATED UNDER SECTION 21 TO THE QUALIFIED PARTICIPANT'S  
4 ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60 DAYS AFTER  
5 THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE MEMBERSHIP.  
6 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANS-  
7 FERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

8       (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
9 IF ANY, FROM THE MEMBERS' SAVINGS FUND AS OF 12 MIDNIGHT ON THE  
10 LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
11 ELECTION.

12       (B) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISION (A),  
13 FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING  
14 THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER, BASED UPON  
15 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

16       SEC. 63. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,  
17 THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL CALCULATE FOR EACH  
18 FISCAL YEAR ANY COST SAVINGS THAT HAVE ACCRUED TO THIS STATE AS A  
19 RESULT OF THE IMPLEMENTATION OF THE AMENDATORY ACT THAT ADDED  
20 THIS SECTION OVER THE COSTS THAT WOULD HAVE BEEN INCURRED BY THIS  
21 STATE TO FUND THIS RETIREMENT SYSTEM HAD THE AMENDATORY ACT THAT  
22 ADDED THIS SECTION NOT BEEN IMPLEMENTED. THE TOTAL AMOUNT OF  
23 SUCH COST SAVINGS SHALL BE SUBMITTED IN THE EXECUTIVE BUDGET TO  
24 THE LEGISLATURE FOR APPROPRIATION IN THE NEXT SUCCEEDING STATE  
25 FISCAL YEAR TO THE HEALTH INSURANCE FUND CREATED BY SECTION 22C.  
26 ANY AMOUNT APPROPRIATED PURSUANT TO THIS SECTION AND ACCUMULATED  
27 EARNINGS ON THOSE AMOUNTS SHALL NOT BE EXPENDED UNTIL THE

1 ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER SECTION 50B  
2 IS 100% FUNDED.

3 SEC. 64. (1) FOR THE PURPOSES OF THIS SECTION AND SECTIONS  
4 65 TO 80, THE WORDS AND PHRASES DEFINED IN THIS SECTION AND SEC-  
5 TIONS 65 TO 80 HAVE THE MEANINGS ASCRIBED TO THEM IN THOSE  
6 SECTIONS.

7 (2) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN A QUAL-  
8 IFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR REFUND  
9 BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

10 SEC. 65. (1) "EMPLOYER" MEANS THIS STATE.

11 (2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO  
12 WAS A QUALIFIED PARTICIPANT AND WHO TERMINATES THE EMPLOYMENT  
13 UPON WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

14 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD  
15 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS PROVIDED IN  
16 SECTION 50B IF THE FORMER QUALIFIED PARTICIPANT HAD BECOME A  
17 RETIRANT OF TIER 1.

18 SEC. 66. (1) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL  
19 WHO IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING  
20 REQUIREMENTS:

21 (A) AN INDIVIDUAL WHO FIRST BECOMES A LEGISLATOR OR LIEUTEN-  
22 ANT GOVERNOR ON OR AFTER JANUARY 1, 1997, AND WHO BEFORE JANUARY  
23 1, 1997 WOULD HAVE BEEN ELIGIBLE TO BE A MEMBER OF TIER 1.

24 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER  
25 1 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRE-  
26 SCRIBED IN SECTION 61.

1 (2) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A  
2 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER  
3 SECTION 77 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S ACCUMU-  
4 LATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 78.

5 (3) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

6 SEC. 67. (1) THE STATE TREASURER SHALL ADMINISTER TIER 2  
7 AND SHALL INVEST THE ASSETS OF TIER 2. THE STATE TREASURER IS  
8 THE FIDUCIARY AND TRUSTEE OF TIER 2. THE STATE TREASURER MAY  
9 APPOINT AN ADVISORY BOARD TO ASSIST THE STATE TREASURER IN CARRY-  
10 ING OUT HIS OR HER DUTIES AS FIDUCIARY AND TRUSTEE.

11 (2) THE STATE TREASURER SHALL DETERMINE THE PROVISIONS AND  
12 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT AND THE INTERNAL  
13 REVENUE CODE.

14 (3) THE STATE TREASURER HAS THE EXCLUSIVE AUTHORITY AND  
15 RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR SERV-  
16 ICES THAT THE STATE TREASURER DETERMINES NECESSARY FOR THE PROPER  
17 ADMINISTRATION OF AND INVESTMENT OF ASSETS OF TIER 2, INCLUDING  
18 BUT NOT LIMITED TO MANAGERIAL, PROFESSIONAL, LEGAL, CLERICAL,  
19 TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR SERVICES.

20 SEC. 68. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PAR-  
21 TICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY  
22 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER  
23 TIER 2. UPON WRITTEN REQUEST, THE STATE TREASURER SHALL PROVIDE  
24 FOR A HEARING THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF  
25 THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE  
26 PUBLIC ACTS OF 1969, BEING SECTIONS 24.271 TO 24.287 OF THE  
27 MICHIGAN COMPILED LAWS. AN INDIVIDUAL MAY BE REPRESENTED BY

1 COUNSEL OR OTHER DULY AUTHORIZED AGENT AT A HEARING CONDUCTED  
2 UNDER THIS SECTION.

3 (2) CHAPTERS 2, 3, AND 5 OF ACT NO. 306 OF THE PUBLIC ACTS  
4 OF 1969, BEING SECTIONS 24.221 TO 24.264 AND 24.291 TO 24.292 OF  
5 THE MICHIGAN COMPILED LAWS, DO NOT APPLY TO THE ESTABLISHMENT,  
6 IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR DISTRI-  
7 BUTION OF TIER 2.

8 SEC. 69. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED PAR-  
9 TICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF  
10 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS  
11 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE  
12 CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER. THE  
13 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS  
14 PROVIDED IN ACT NO. 314 OF THE PUBLIC ACTS OF 1965, BEING SEC-  
15 TIONS 38.1132 TO 38.1140I OF THE MICHIGAN COMPILED LAWS, DO NOT  
16 APPLY TO TIER 2.

17 SEC. 70. (1) EXCEPT AS PROVIDED FOR START-UP COSTS IN SUB-  
18 SECTION (2), THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID  
19 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND  
20 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A  
21 MANNER DETERMINED BY THE STATE TREASURER.

22 (2) INCLUDED IN THE AMOUNTS APPROPRIATED TO ALL STATE  
23 DEPARTMENTS FOR FEDERAL INSURANCE CONTRIBUTIONS ACT PAYMENTS AND  
24 RETIREMENT BENEFITS, WHETHER APPROPRIATED AS A SINGLE LINE ITEM  
25 OR COMMINGLED WITH PROGRAM LINE ITEMS, FOR STATE FISCAL YEARS  
26 ENDING SEPTEMBER 30, 1997, SEPTEMBER 30, 1998, AND SEPTEMBER 30,  
27 1999, ARE SUMS SUFFICIENT TO PAY FOR THE ADMINISTRATIVE START-UP

1 COSTS FOR THE IMPLEMENTATION OF THE AMENDATORY ACT THAT ADDED  
2 THIS SECTION. CHARGES AGAINST THESE APPROPRIATIONS IN AMOUNTS  
3 AND IN A MANNER PRESCRIBED BY THE DEPARTMENT OF MANAGEMENT AND  
4 BUDGET AND THE DEPARTMENT OF TREASURY SHALL BE MADE AND ARE  
5 APPROPRIATED TO THOSE DEPARTMENTS FOR STAFF SALARIES, FRINGE BEN-  
6 EFITS, CONTRACTUAL SERVICES, AND ANY OTHER ADMINISTRATIVE COST  
7 INCURRED FOR THIS PURPOSE.

8 SEC. 71. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN  
9 ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS  
10 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS  
11 OTHERWISE PROVIDED IN THIS ACT OR BY THE STATE TREASURER, THIS  
12 SECTION DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICI-  
13 PATING IN A RETIREMENT PLAN ESTABLISHED BY THIS STATE OR OTHER  
14 PUBLIC SECTOR EMPLOYER UNDER THE INTERNAL REVENUE CODE.

15 SEC. 72. AN INDIVIDUAL WHO FIRST BECOMES A LEGISLATOR OR  
16 LIEUTENANT GOVERNOR ON OR AFTER JANUARY 1, 1997 MAY IRREVOCABLY  
17 ELECT NOT TO BECOME A QUALIFIED PARTICIPANT OF TIER 2 OR MAY  
18 IRREVOCABLY ELECT TO DISCONTINUE PARTICIPATION IN TIER 2 BY  
19 FILING WRITTEN NOTICE OF THE ELECTION WITH THE STATE TREASURER.  
20 UPON RECEIPT OF THE ELECTION, HIS OR HER EMPLOYER SHALL NOT CON-  
21 TRIBUTE ANY PERCENTAGE OF SALARY UNDER SECTION 74 FOR THE INDI-  
22 VIDUAL WHO MAKES EITHER ELECTION.

23 SEC. 73. (1) THE STATE TREASURER SHALL PROMPTLY CREDIT THE  
24 TIER 2 ACCOUNT OF A QUALIFIED PARTICIPANT WHO MAKES AN ELECTION  
25 UNDER SECTION 61 TO TERMINATE MEMBERSHIP IN TIER 1 WITH ANY  
26 AMOUNT TRANSFERRED FROM TIER 1 PURSUANT TO SECTION 62.

1 (2) NOT LATER THAN 30 DAYS AFTER RECEIPT OF A RECOMPUTED  
2 AMOUNT UNDER SECTION 62(2) OR (4), THE STATE TREASURER SHALL  
3 CHARGE THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT FOR ANY AMOUNT  
4 OF EXCESS TRANSFERS UNDER SECTION 62(1) OR (3) AND TRANSFER THAT  
5 AMOUNT TO THE APPROPRIATE FUND IN TIER 1. THE STATE TREASURER  
6 MAY DETERMINE WHICH INVESTMENT CHOICE OR CHOICES WITHIN A QUALI-  
7 FIED PARTICIPANT'S TIER 2 ACCOUNT WILL BE USED FOR THIS PURPOSE.

8 SEC. 74. (1) THIS SECTION IS SUBJECT TO THE VESTING  
9 REQUIREMENTS OF SECTION 75.

10 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO  
11 THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 AN AMOUNT EQUAL TO  
12 4% OF THE QUALIFIED PARTICIPANT'S SALARY.

13 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO CON-  
14 TRIBUTE UP TO 3% OF HIS OR HER SALARY TO HIS OR HER TIER 2  
15 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN  
16 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2  
17 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE QUALI-  
18 FIED PARTICIPANT UNDER THIS SUBSECTION.

19 (4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN ADDI-  
20 TION TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER  
21 TIER 2 ACCOUNT AS PERMITTED BY THE STATE TREASURER AND THE INTER-  
22 NAL REVENUE CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT  
23 MATCH CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS  
24 SUBSECTION.

25 SEC. 75. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%  
26 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED

1 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS  
2 OR HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

3 (A) UPON COMPLETION OF 2 YEARS OF SERVICE, 50%.

4 (B) UPON COMPLETION OF 3 YEARS OF SERVICE, 75%.

5 (C) UPON COMPLETION OF 4 YEARS OF SERVICE, 100%.

6 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH INSUR-  
7 ANCE COVERAGE PROVIDED IN SECTION 79 IF THE QUALIFIED PARTICIPANT  
8 MEETS 1 OF THE FOLLOWING REQUIREMENTS:

9 (A) THE QUALIFIED PARTICIPANT HAS COMPLETED 10 YEARS OF  
10 SERVICE AS A QUALIFIED PARTICIPANT AND WAS NOT A MEMBER, DEFERRED  
11 VESTED MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

12 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED VESTED  
13 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION  
14 TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 61, AND WHO HAS MET  
15 THE SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO  
16 MEET IN ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 50B.

17 SEC. 76. A QUALIFIED PARTICIPANT WHO WAS A MEMBER, DEFERRED  
18 VESTED MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MAKES AN  
19 ELECTION TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 61, SHALL  
20 BE CREDITED WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1 ON THE  
21 EFFECTIVE DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSE OF  
22 MEETING THE VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION 75.

23 SEC. 77. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PAR-  
24 TICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND BENEFI-  
25 CIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE STATE  
26 TREASURER. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
27 PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE

1 REFUND BENEFICIARY IS NOT THE PARTICIPANT'S SPOUSE, THE  
2 NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINATION IS SIGNED BY  
3 THE PARTICIPANT'S SPOUSE. HOWEVER, THE STATE TREASURER MAY WAIVE  
4 THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED  
5 BECAUSE OF EXTENUATING CIRCUMSTANCES.

6 SEC. 78. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE  
7 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON  
8 BECOMING A FORMER QUALIFIED PARTICIPANT.

9 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER  
10 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED  
11 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF  
12 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF  
13 REFUND BENEFICIARY IS NOT ON FILE WITH THE STATE TREASURER, THE  
14 STATE TREASURER, IN A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE  
15 ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE  
16 DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO  
17 THE DECEASED PARTICIPANT'S ESTATE.

18 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY  
19 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF  
20 DISTRIBUTION OF THE ACCUMULATED BALANCE:

21 (A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

22 (B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO  
23 THE EXTENT ALLOWED BY FEDERAL LAW.

24 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE STATE  
25 TREASURER.

26 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED  
27 BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED



1 PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF  
2 DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED  
3 BY FEDERAL LAW.

4 SEC. 79. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT  
5 HEALTH INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS SEC-  
6 TION IF HE OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

7 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH  
8 BENEFITS UNDER SECTION 75(2).

9 (B) THE FORMER QUALIFIED PARTICIPANT MEETS OR EXCEEDS THE  
10 AGE AND SERVICE REQUIREMENTS THAT WOULD HAVE APPLIED TO THAT  
11 FORMER PARTICIPANT UNDER TIER 1 FOR RECEIVING HEALTH INSURANCE  
12 COVERAGE UNDER SECTION 50B, IF THAT FORMER PARTICIPANT WAS A  
13 MEMBER OF TIER 1.

14 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
15 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
16 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHO-  
17 RIZED BY SECTION 50B, OR IN ANOTHER PLAN AS PROVIDED IN SUBSEC-  
18 TION (6). A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
19 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO  
20 ELECT HEALTH INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT  
21 DEPENDENTS, IF ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A  
22 DECEASED FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
23 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
24 INSURANCE COVERAGE IN THE MANNER PRESCRIBED IN THIS SECTION.

25 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN INDI-  
26 VIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION

1 SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE GROUP  
2 AUTHORIZED PURSUANT TO SECTION 50B.

3 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
4 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
5 VESTED IN THOSE BENEFITS UNDER SECTION 75(2)(A), AND FOR HIS OR  
6 HER HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF  
7 THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION  
8 ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS  
9 SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SEC-  
10 TION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF  
11 THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY THIS STATE  
12 UNDER THIS SUBSECTION. THE PORTION OF THE HEALTH INSURANCE COV-  
13 ERAGE PREMIUM PAID BY THIS STATE UNDER THIS SUBSECTION SHALL BE  
14 EQUAL TO THE PRODUCT OF 3% AND THE FORMER QUALIFIED PARTICIPANT'S  
15 YEARS OF SERVICE, UP TO 30 YEARS, AND SHALL NOT EXCEED 90% OF THE  
16 PAYMENTS FOR HEALTH INSURANCE COVERAGE UNDER SECTION 50B. IF THE  
17 INDIVIDUAL ELECTS THE HEALTH INSURANCE COVERAGE PROVIDED UNDER  
18 SECTION 50B, THE STATE SHALL TRANSFER ITS PORTION OF THE AMOUNT  
19 CALCULATED UNDER THIS SUBSECTION TO THE HEALTH INSURANCE FUND  
20 CREATED BY SECTION 22C.

21 (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
22 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED  
23 IN THOSE BENEFITS UNDER SECTION 75(2)(B) MAY ELECT HEALTH INSUR-  
24 ANCE COVERAGE UNDER SECTION 50B FOR HIMSELF OR HERSELF AND FOR  
25 HIS OR HER HEALTH BENEFIT DEPENDENTS IN ALL RESPECTS AND UNDER  
26 THE SAME TERMS AS WOULD A RETIRANT AND HIS OR HER BENEFICIARIES  
27 UNDER TIER 1.

1 (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT  
2 DEPENDENT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE  
3 UNDER THIS SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER  
4 A DIFFERENT PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 50B MAY  
5 ELECT TO HAVE AN AMOUNT EQUAL TO THE RETIREMENT SYSTEM'S SHARE OF  
6 THE AMOUNT OF THE MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY PRO-  
7 VIDED IN THIS SECTION PAID BY THE RETIREMENT SYSTEM DIRECTLY TO  
8 THE OTHER HEALTH INSURANCE PLAN OR TO A MEDICAL SAVINGS ACCOUNT  
9 ESTABLISHED PURSUANT TO SECTION 220 OF THE INTERNAL REVENUE CODE,  
10 TO THE EXTENT ALLOWED BY LAW OR UNDER THE PROVISIONS AND PROCE-  
11 DURES OF TIER 2.

12 SEC. 80. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE  
13 PURSUANT TO SECTION 74(2) AND (3) AND EARNINGS ON THOSE EMPLOYER  
14 CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE  
15 PURSUANT TO SECTION 74(3) AND EARNINGS ON THOSE EMPLOYEE CONTRI-  
16 BUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY, MUNICIPAL, OR OTHER  
17 LOCAL TAX, AND SHALL NOT BE SUBJECT TO EXECUTION, GARNISHMENT,  
18 ATTACHMENT, THE OPERATION OF BANKRUPTCY OR INSOLVENCY LAWS, OR  
19 OTHER PROCESS OF LAW, AND SHALL BE UNASSIGNABLE EXCEPT AS OTHER-  
20 WISE PROVIDED IN THIS ACT.

21 (2) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER QUALI-  
22 FIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A DISTRIBUTION  
23 DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE PURSUANT TO  
24 THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT, ACT  
25 NO. 350 OF THE PUBLIC ACTS OF 1994, BEING SECTIONS 38.2701 TO  
26 38.2705 OF THE MICHIGAN COMPILED LAWS.

1           (3) THE RIGHT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
2 PARTICIPANT TO A DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS  
3 SUBJECT TO AN AWARD BY A COURT PURSUANT TO SECTION 18 OF CHAPTER  
4 84 OF THE REVISED STATUTES OF 1846, BEING SECTION 552.18 OF THE  
5 MICHIGAN COMPILED LAWS; AN ELIGIBLE DOMESTIC RELATIONS ORDER  
6 UNDER THE ELIGIBLE DOMESTIC RELATIONS ORDER ACT, ACT NO. 46 OF  
7 THE PUBLIC ACTS OF 1991, BEING SECTIONS 38.1701 TO 38.1711 OF THE  
8 MICHIGAN COMPILED LAWS; AND TO ANY OTHER DOMESTIC RELATIONS ORDER  
9 OF A COURT PERTAINING TO ALIMONY OR CHILD SUPPORT.

10           (4) IF AN AWARD OR ORDER DESCRIBED IN SUBSECTION (3)  
11 REQUIRES TIER 2 TO WITHHOLD PAYMENT OF A DISTRIBUTION DESCRIBED  
12 IN SUBSECTION (1) OR REQUIRES TIER 2 TO MAKE PAYMENT OR REQUIRES  
13 THE INDIVIDUAL TO REQUEST THAT TIER 2 MAKE PAYMENT OF A DISTRIBUTION  
14 DESCRIBED IN SUBSECTION (1), FOR THE PURPOSE OF MEETING THE  
15 INDIVIDUAL'S OBLIGATIONS TO A SPOUSE, FORMER SPOUSE, OR CHILD, AS  
16 PROVIDED IN SUBSECTION (3), THE WITHHOLDING OR PAYMENT PROVISIONS  
17 OF THE AWARD OR ORDER ARE EFFECTIVE ONLY AGAINST SUCH AMOUNTS AS  
18 THEY BECOME DUE AND PAYABLE TO THE INDIVIDUAL RECEIVING THE DIS-  
19 TRIBUTION, UNLESS OTHERWISE PROVIDED IN AN ELIGIBLE DOMESTIC  
20 RELATIONS ORDER UNDER THE ELIGIBLE DOMESTIC RELATIONS ORDER ACT,  
21 ACT NO. 46 OF THE PUBLIC ACTS OF 1991. THE LIMITATION CONTAINED  
22 IN THIS SUBSECTION DOES NOT APPLY TO THE ACCUMULATED EMPLOYEE  
23 CONTRIBUTIONS OF A FORMER QUALIFIED PARTICIPANT WHO HAS TERMI-  
24 NATED EMPLOYMENT BEFORE ACQUIRING A VESTED STATUS IN TIER 2 PUR-  
25 SUANT TO THIS ACT.

26           (5) THE STATE TREASURER HAS THE RIGHT OF SETOFF TO RECOVER  
27 OVERPAYMENTS MADE UNDER THIS ACT AND TO SATISFY ANY CLAIMS

1 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED  
2 PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR  
3 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENE-  
4 FIT FROM TIER 2.

5 (6) THE STATE TREASURER SHALL CORRECT ERRORS IN THE RECORDS  
6 AND ACTIONS IN TIER 2 UNDER THIS ACT, AND SHALL SEEK TO RECOVER  
7 OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

8 Section 2. If any section or part of a section of this act  
9 is for any reason held to be invalid or unconstitutional, the  
10 holding does not affect the validity of the remaining sections of  
11 this act or the act in its entirety.